NATIONAL MUNICIPAL ACCOUNTS MANUAL

सत्यमेव जयते

Government of India
Ministry of Urban Development

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PREFACE

The Ministry of Urban Development (MoUD), Government of India, has taken several initiatives to make urban local bodies self-sustaining viable entities of local self-government.

Based on the Eleventh Finance Commission recommendations and the Guidelines issued by the Ministry of Finance, Government of India, the Comptroller and Auditor General of India (CAG) had constituted a Task Force to recommend budget and accounting formats for Urban Local Bodies (ULBs) in India. The CAG Task Force in its report, interalia, suggested adoption of accrual basis of accounting by ULBs.

To provide a generic framework of National Municipal Accounting and a simplified tool kit to the ULBs for recording the accounting entries, the MoUD, initiated the formulation of National Municipal Accounts Manual, based on the Task Force Report. C&AG has facilitated and overseen the development of this Manual.

The Manual comprehensively details the accounting policies, procedures, guidelines designed to ensure correct, complete and timely recording of municipal transactions and produce accurate and relevant financial reports.

This initiative is expected not only to enhance the capacities of ULBs in municipal accounting leading to increased transparency and accountability in the utilization of public funds but also will help urban local bodies to play their roles more effectively and ensure better service - delivery.

We hope this National Municipal Accounts Manual will facilitate and assist State Governments in drafting state specific municipal accounts manuals.

(Anil Baijal)
Secretary to the Government of India

Foreword

With the 74th Constitutional Amendment Act, the Urban Local Bodies in India have a constitutional status and are empowered to function as local self-governments to provide good urban governance.

In terms of the XIth Finance Commission recommendations and the Guidelines issued by the Ministry of Finance, Government of India, Comptroller and Auditor General of India (CAG) constituted a Task Force to recommend budget and accounting formats for Urban Local Bodies (ULBs) in India. The CAG Task Force issued a 'Report on Accounting and Budget Formats for ULBs' suggesting accrual basis of accounting and Budget and Accounting Formats, Significant Accounting Policies, Cost of important utilities and services and MIS reports.

Some State Governments have taken initiatives in the past to reform Urban Accounting. However, over the years it has been felt that to align the National Level perspectives of reforms in municipal finance and financial management with that of the State Governments, a generic framework of National Municipal Accounting was essential.

With this objective the Ministry of Urban Development, Government of India launched the formulation of this National Municipal Accounts Manual, based on the TASK Force Report. The Comptroller & Auditor General of India has facilitated and overseen the development of this manual. The Indo-USAID FIRE-D project and National Institute of Urban Affairs have supported the initiative.

The National Municipal Accounts Manual is comprehensively details the accounting policies, procedures, guidelines designed to ensure correct, complete and timely recording of municipal transactions and produce accurate and relevant financial reports. The manual is to be adopted and followed by the various State Governments while drafting their state specific municipal accounts manuals.

It is hoped that this manual would provide a beacon to various State Governments, municipal administrators and accountants and other stakeholders to provide good urban governance.

S. Satyamoorthy
Deputy Comptroller & Auditor General of India

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- Office of Comptroller & Auditor General of India (CAG)
- Ministry of Urban Development & Poverty Alleviation
- Committee to oversee the Development of Municipal Manual
- Municipal Commissioners / Officers of the seven local bodies
- All team members of AFF
- Associates of AFF and
- Several other experts who contributed to the preparation of this manual.

NATIONAL MUNICIPAL ACCOUNTS MANUAL

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LIST OF ABBREVIATIONS

AFF	A.F.Ferguson & Co.
ATC	Advice Transfer Credit
ATD	Advice Transfer Debit
AU	Accounting Unit
BPV	Bank Payment Voucher
BRV	Bank Receipt Voucher
BRS	Bank Reconciliation Statement
CAG	Comptroller and Auditor General of India CAG)
CoA	Chart of Accounts
CWIP	Capital Work In Progress
DDO	Drawing and Disbursing Officer
EMD	Earnest Money Deposit
FIFO	First In First Out
GoM	Government of Maharashtra
GPF	General Provident Fund
HP	Hire Purchase
ICAI	Institute of Chartered Accountants of India
IUT	Inter Unit Transaction
JV	Journal Voucher
MAM	Maharashtra Accounting Manual
MCA	Municipal Chief Auditor
MIS	Management Information System
MOUD&PA	Ministry of Urban Development & Poverty Alleviation
MOU	Memorandum of Understanding

MRN	Material Receipt Note
MRIN	Material Receipt cum Issue Note
NAM	National Accounts Manual
NAV	Net Assets Value
NIUA	National Institute of Urban Affairs
P&OT	Property & Other Taxes
PO	Payment Order
PPO	Pension Payment Order
PPP	Public Private Partnerships
RIUTDC	Register of Inter Unit Transfer Advice
TDS	Tax Deducted at Source
SLM	Straight Line Method
ULBs	Urban Local Bodies
WDV	Written Down Value
WIP	Work-In-Progress

CHAPTER 1

INTRODUCTION

Project Background

1.1 A Task Force was constituted by Comptroller and Auditor General of India (CAG) to recommend budget and accounting formats for Urban Local Bodies (ULBs) in India. The CAG Task Force had issued a 'Report on Accounting and Budget Formats for ULBs'. The Task Force report covered Budget and Accounting Formats and Significant Accounting Principles, Cost of important utilities and services and MIS reports. Following recommendations were made by the Task Force:

a. The ULBs should uniformly follow the suggested formats for presentation of annual financial statements.
b. Budget formats with codification needs to be adopted uniformly by all ULBs.
c. Suggested formats for determining the cost of important utilities and services like Water Supply, Primary Schools & Hospitals, etc be adopted by all the ULBs and presented as supplementary information.
d. Significant accounting principles to be followed by the ULBs shall be given as a separate schedule forming part of the accounts.

1.2 Government of India had accepted the Task Force Report and forwarded the same to the State Governments for implementation in April 2003. During the review of the progress made by MOUD, in September 2003, it was agreed that CAG with USAID - FIRE (D) support, should prepare a model National Accounting Manual which will be provided to the state governments by MOUD. Based on this, states will be expected to develop state municipal accounting manual according to their specific requirements. In order to oversee the development of the National Accounting Manual, a committee was formed consisting of the following members:

1. **Shri S. Satyamoorthy - Chairman**
   Deputy Comptroller & Auditor General (Local Bodies)

2. **Shri M. Rajamani - Member**
   Joint Secretary, Ministry of Urban Development, Government of India

3. **Shri R.N. Ghosh - Member**
   Principal Director (Local Bodies), Office of C & A. G of India

5. **Late Shri R.S. Prasad - Member**
   Joint Secretary & Financial Advisor, Ministry of Urban Development, GOI

6. **Mrs. C.K. Gariyali- Member**
   Secretary Municipal Administration & Water Supply, Government of Tamil Nadu

7. **Shri Sunil Soni - Member**
   Director Municipal Administration Government of Maharashtra

8. **Shri Rajesh Singh - Member & Convener of the Committee**
   Director (Local Bodies), Office of the C & A.G of India

9. **Shri Subhash Chandra - Member**
   Under Secretary, Ministry of Urban Development

10. **Prof Vinod Tewari – Member**
    National Institute of Urban Affairs, Ministry of Urban Development, GOI

11. **Shri N. Bhattacharjee - Member** Programme Manager, USAID

12. **Shri Lee Baker** - **Member** Chief of Party USAID – FIRE Project

13. **Shri Alok Shiromany** – **Member**, USAID FIRE Project

1.3 The Government of Maharashtra (GoM) has developed accrual based municipal accounting manual for the state. This has been revised in accordance with the recommendations of CAG's Task Force Report for state's ULBs. Hence, Maharashtra Accounting Manual (MAM) was taken as a starting point for preparation of National Municipal Accounting Manual. Further the experience gained out of implementation of computerised accounting system in Municipal Corporation of Hyderabad has also been considered.

1.4 A.F.Ferguson & Co (AFF) was awarded an assignment by the National Institute of Urban Affairs (NIUA) under the Ministry of Urban Development & Poverty Alleviation (MOUD&PA) for providing consultancy services to develop a National Municipal Accounts Manual.

Brief Description of the Assignment

1.5 The assignment was carried out in two phases, as follows:

- Phase I – Review of existing Maharastra Accounting Manual and assessment of changes required in Maharstra Accounts Manual.
- Phase II- **Preparation of Accounts Manual**, involving
  - Development of the National Accounts Manual (NAM)
  - Guidelines for Preparation of Opening Balance Sheet
  - Design of Chart of Accounts

1.6 For the Phase I of the assignment, NIUA, CAG and USAID–FIRE (D) have selected seven urban local bodies across India for assessment of adequacy and appropriateness of MAM. The seven local bodies visited by AFF team were:

- Ahmedabad Muncipal Corporation (AMC)
- Bangalore Mahanagara Palike (BMP)
- Dehradun Municipal Corporation (DMC)
- Guwahati Municipal Corporation (Guwahati)
- Gwalior Municipal Corporation (GMC)
- Ludhiana Municipal Corporation (LMC)
- Trichy Municipal Corporation (TMC)

1.7 AFF submitted the assessment report based on the review and analysis highlighting the suggestions/ recommendations to the National Manual on the grounds mentioned below:

a. Adherence to the CAG Task Force Report

b. Generally accepted accounting practices with limitations of practicality of situation/ circumstances of ULB operation and the level of expertise available in the ULBs.

c. Knowledge and understanding developed by AFF from the vast/ varied experience of local body functions and activities and the operating environment.

1.8 AFF submitted a Draft National Accounts Manual. Discussions were held with office of CAG and the committee. Based on the feedback received, the Draft Accounts Manual was revised and final manual prepared.

Applicability

1.9 The manual is applicable to all urban local bodies. Accounting principles placed in the manual are primarily focussed on the concept of accrual basis of accounting. The accounting principles adopted for preparation of the financial statements of the ULBs shall be followed uniformly unless stated otherwise in the manual. States can develop state level manual based on this to suit their requirements. However, the principles laid down in this manual should be complied with. Similarly, the manual provides for integrating the budgeting and accounting systems to enable better control.

Accounting for Funds

1.10 Funds are instituted for achieving certain objectives. For e.g. in some States there may be dedicated Water and Sewerage Fund and income from these services (taxes and charges) is kept in this fund and expenditure are also met out of the fund. The concept of funds brings accountability and better transparency. Such types of funds are normally treated as a separate accounting entity and separate books are maintained for the same. Hence, separate financial statements are prepared for each fund. In such a case each fund shall follow the principles and procedures given in this manual. In addition ULBs may have special funds to meet specific objectives. The treatment for these is provided in the Chapter 24 of this manual.

1.11 Irrespective of the method chosen for disclosure, the Accounting principles recommended in this manual shall be applicable uniformly across all Funds.

1.12 Urban Local Bodies may also set up separate undertaking like School Board, Transport undertaking etc to undertake certain functions of the ULB. The recommendations made herein and in all the other Chapters will also be applicable to such undertakings, if constituted by the ULB.

1.13 The codification structure and input forms recommended are amenable to computerisation also. However, the registers are designed keeping in mind that ULBs will be implementing the recommended system mostly in a manual environment to begin with. Changes to the formats may be required for IT enablement.

National Accounts Manual

1.14 The National Accounts Manual contains the required forms, formats, procedures, accounting entries, periodical statements, reconciliation procedures, etc. The recommended principles for accounting have also been included. The manual also contains a section on "Chart of Accounts".

1.15 This Manual has been structured as follows:

Part I - General

- Chapter 1 - Introduction (this Chapter)
- Chapter 2 - Definitions, Accounting Concepts & Accounting Conventions
- Chapter 3 - Significant Accounting Principles
- Chapter 4 - Codification Structure and Chart of Accounts
- Chapter 5 - General Accounting Procedures

Part II - Accounting for Transactions

- Chapter 6 - Property & Other Taxes
- Chapter 7 - Octroi
- Chapter 8 - Cess
- Chapter 9 - Water Supply
- Chapter 10 - Assigned Revenues
- Chapter 11 - Rental, Fees & Other incomes
- Chapter 12 - Public Works
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- Chapter 25 – Addition/Merger of Local Bodies
- Chapter 26 - Inter-Unit transactions
- Chapter 27 - Transactions relating to Municipal School Board
- Chapter 28 - Transactions relating to Transport Undertaking

Part III - Period-end Requirements

- Chapter 29 - Period-end Procedures
- Chapter 30 - Reconciliation Procedures
- Chapter 31 - Financial Statements
- Chapter 32 - Audit Report

Part IV – Others

- Chapter 33 - Budgeting & MIS reports
- Chapter 34 - Guidelines for prepartion of Opening Balance Sheet

Annexure I : List of Forms and Registers

CHAPTER 2

DEFINITIONS, ACCOUNTING CONCEPTS & ACCOUNTING CONVENTIONS

2.1 The various terms used in this Accounting Manual, the Accounting Concepts and Accounting Conventions under the Accrual System of Accounting are defined in this chapter. The objective of this chapter is to ensure a common understanding of the terms often used in the Manual as well as to promote consistency and uniformity in their usage.

DEFINITIONS

2.2 The definitions of the terms used in this manual are those which are commonly understood and used. These have been taken, if available and appropriate, from:

a. "A Dictionary for Accountants" by Eric L. Kohler; or

b. "Guidance Note on Terms used in Financial Statements" issued by the Institute of Chartered Accountants of India (ICAI).

c. In other cases, the description/definition used by AFF has been adopted.

2.3 The definitions/descriptions/meanings of the various terms used in this manual are as follows.

1. **Account** - A formal record of a particular type of transaction expressed in money or other unit of measurement and kept in a ledger. *(Kohler)*

2. **Accounting Entry** - A record of financial transaction in the books of account like journal, ledger, cash book, etc. *(AFF)*

3. **Account Payable** - Amount owed by an enterprise on account of goods purchased or services received or in respect of contractual obligations. Also termed as trade creditor or sundry creditor. *(ICAI)*

4. **Accounting Period** - The period of time for which an operating statement is customarily prepared. *(Kohler)*

5. **Accounting Principle** - The general principles and procedures under which the accounts of an individual organisation are maintained; any one such principle or procedure. An accounting principle is an adaptation or special application of a principle necessary to meet the peculiarities of an organisation or the needs of its management. Thus, principles are required for the computation of depreciation, the recognition of capital expenditures, and the disposal of retirements. *(Kohler)*

6. **Account Receivable** - Person from whom amounts are due for goods sold or services rendered or in respect of contractual obligations. Also termed as debtor, trade debtor, sundry debtor. *(ICAI)* The words 'Receivables' and 'Debtors' are used interchangeably.

7. **Accounting Unit** – An accounting unit shall be defined as a Zone, Circle, Divisional or Ward office identified by the ULB as an unit for maintenance of accounting records.*(AFF)*

8. **Accounting Year** - The "Official Year" or "Year" means a year commencing on the first day of the Accounting period. *(AFF)*

9. **Accrual** - Recognition of revenues and costs as they are earned or incurred (and not as money is received or paid). It includes recognition of transactions relating to assets and liabilities as they occur irrespective of the actual receipts or payments. *(ICAI)*

10. **Accrual Basis of Accounting** - The method of accounting whereby revenues and expenses are identified with specific periods of time, such as a month or year, and are recorded as incurred, along with acquired assets, without regard to the date of receipt or payment of cash; distinguished from cash basis. *(Kohler)*

11. **Accrued & Due** - In respect to an **asset** (or a **liability**) it means a claim which has become enforceable, which arises from the sale/rendering (purchase) of goods/services or otherwise and has become receivable (payable).

    In respect to an **income** (or an **expense)** it means the amount earned (incurred) in an accounting period, for which a claim has become enforceable, and it arises from the sale/rendering (purchase) of goods/services or otherwise and has become receivable (payable). *(AFF)*

12. **Accrued But Not Due** - In respect to an **asset** (or a **liability**) it means a claim which has not yet become enforceable, which accumulates with the passage of time or arises from the sale/rendering (purchase) of goods/services which, on the date of period-end, have been partly performed and are not yet receivable (payable).

    In respect to an **income** (or an **expense)** it means the amount earned (incurred) in an accounting period, but for which no enforceable claim has become due in that period. It accumulates with the passage of time or arises from the sale/rendering (purchase) of goods/services goods which, at the date of accounting, have been partly performed and are not yet receivable (payable). *(AFF)*

13. **Accumulated Depreciation** - The total to date of the periodic depreciation charges on depreciable assets. *(ICAI)*

14. **Advance** - Payment made on account of, but before completion of, a contract, or before acquisition of goods or receipt of services. *(ICAI)*

15. **Amortisation** - The gradual and systematic writing off of an asset or an account over an appropriate period. The amount on which amortisation is provided is referred to as amortisable amount. Depreciation accounting is a form of amortisation applied to depreciable assets. Depletion accounting is another form of amortisation applied to wasting assets. Amortisation also refers to gradual extinction or provision for extinction of a debt by gradual redemption or sinking fund payments or the gradual writing off to revenue of miscellaneous expenditure carried forward. *(ICAI)*

16. **Annual Report** - Any report prepared at yearly intervals.

    A statement of the financial condition and operating results of an ULB, prepared yearly for submission to interested parties; summarising its operations for the preceding year and including a balance sheet, income & expenditure statement, often a receipts & payment statement, and the auditor' s report, together with comments by the Head of Council or the Municipal Commissioner of the ULB on the year' s operations. *(Kohler)*

17. **Assets** - Tangible objects or intangible rights owned by the ULBs and carrying probable future benefits. *(ICAI)*

18. **Assigned Revenues -** Assigned revenues are revenues in the nature of a share in the revenues of the state government, to compensate for certain losses in revenue and arrangement of resources of the ULBs. The ratio of the share in revenues is determined on the basis of the revenues collected by ULBs and the

recommendations of the State Finance Commissions and devolution of funds to ULBs.*(AFF)*

19. **Asset Replacement Fund** - A fund created for the purpose of replacement of an asset. The fund shall normally be equal to the amount of depreciation provided on the Fixed Assets and shall be utilised only for the purpose of replacement of those Fixed Assets or for any other purpose as resolved by the ULBs. *(AFF)*

20. **Bad Debts** - Debts owed to the ULBs, which are considered to be irrecoverable, e.g., arrears of taxes, fees and other revenue left uncollected and considered to be irrecoverable. *(ICAI)*

21. **Balancing** - In order to balance an account, the two sides, namely Debit and Credit are totalled up separately and the difference is ascertained. This difference is put on the side that is lower to balance the two sides of an account. *(AFF)*

22. **Balance Sheet** - A statement of the financial position of an ULB as at a given date, which exhibits its assets, liabilities, capital, reserve and other account balances at their respective book values. *(ICAI)*

23. **Bank Reconciliation Statement** - A statement, which reflects the nature and amount of transaction not responded either by the ULB or the Bank as on a particular date. Such statement may also reflect errors/omission in the recording of transaction inter-se between the ULB and the Bank. *(ICAI)*

24. **Books of Original Entry** - A record book, recognised by law or custom, in which transactions are successively recorded, and which is the source of postings to ledgers; a journal. Books of original entry include general and special journals, such as cash books. *(Kohler)*

25. **Budget** - It means quantitative plan of activities and programs expressed in terms of money in respect of assets, liabilities, revenues and expenses. The budget expresses the ULB goals in terms of specific financial and operating objectives. *(ICAI)*

26. **Capitalisation** - An expenditure for a fixed asset or addition thereto that has the effect of enlarging physical dimensions, increasing productivity, lengthening future life, or lowering future costs. *(Kohler)*

27. **Capital Expenditure** - An expenditure intended to benefit future period in contrast to a revenue expenditure, which benefits a current period. The term is generally restricted to expenditure that adds fixed asset units or that has the effect of improving the capacity, efficiency, life span or economy of operations of an existing asset. *(Kohler)*

28. **Capital Work in Progress** - Expenditure on capital assets which are in the process of construction or completion. *(ICAI)*

29. **Cash Book** - A book of original entry for cash receipts, disbursements, or both. *(Kohler)*

30. **Cash flow Statement -** A financial statement prepared for an accounting period to depict the inflows and outflows of cash and cash equivalents of an enterprise. The cash flow statement reports cash flows classified by operating, investing and financing activities.*(ICAI)*

31. **Casting** - It means totalling of the amounts in the books of account. *(AFF)*

32. **Chart of Accounts** - A systematically arranged list of accounts applicable to a specific concern, giving account names and numbers, if any. *(Kohler)*

33. **Code of Account** - A unique numeric or alphanumeric identification given to each Account to facilitate classification and ease of recording. *(AFF)*

34. **Contingent Liability** - An obligation relating to an existing condition or situation which may arise in future depending on the occurrence or non-occurrence of one or more uncertain future events. *(ICAI)*

35. **Contra Entry** - An item on one side of an account which offsets fully or in part one or more items on the opposite side of the same account. *(Kohler)*

36. **Control Account -** Control account is an account in the general ledger that consists of related sub-accounts. The total of the related sub-accounts should total the balance in the related control account. *(AFF.)*

37. **Cost** - The amount of expenditure incurred on or attributable to a specified article, product or activity. *(ICAI)*

38. **Cost of Acquisition** - The cost of acquisition of a Fixed Asset comprises its purchase price and includes import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price. *(ICAI)*

39. **Cost of Investment** - The amount of expenditure incurred on or attributable to the purchase/acquisition of an investment. The cost of an investment amongst others includes acquisition charges such as brokerage, fees and duties. *(AFF)*

40. **Credit** - A book-keeping entry recording the reduction or elimination of an asset or an expense, or the creation of or addition to a liability or item of net worth or revenue; an entry on the right side of an account; the amount so recorded. *(Kohler)*

41. **Current Assets** - Cash and other assets that are expected to be converted into cash or consumed in rendering of services in the normal course of operations of the ULBs. *(ICAI)*

42. **Current Liability** - Liability including loans, deposits and bank overdrafts which fall due for payment in a relatively short period, normally not more than twelve months. *(ICAI)*

43. **Debenture** - A formal document constituting acknowledgement of a debt by an ULB, usually given under its common seal and normally containing provisions regarding payment of interest, repayment of principal and security, if any. It is transferable in the appropriate manner. *(ICAI)*

44. **Debit** - The goods or benefit received from a transaction; a book-keeping entry recording the creation of or addition to an asset or an expense, or the reduction or elimination of a liability, or item of net worth or revenue; an entry on the left side of an account; the amount so recorded. *(Kohler)*

45. **Deferred Revenue Expenditure** - Expenditure for which payment has been made or a liability incurred but which is carried forward on the presumption that it will be of benefit over a subsequent period or periods. This is also referred to as Deferred Expenditure. *(ICAI)*

46. **Deficit** - The excess of expenditure over income of the ULB for an Accounting Period under consideration. *(AFF)*

47. **Depreciable Amount** - The historical cost, or other amount substituted for historical cost of a depreciable asset in the financial statements, less the estimated residual value. *(ICAI)*

48. **Depreciable Asset** – An asset which is expected to be used during more than one accounting year, has a limited useful life, and is held by the ULBs for use in the supply of goods and services, for rental to others, or for administrative purposes and not for the purpose of sale in the ordinary course of operations of the ULB. *(ICAI)*

49. **Depreciation** - A measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, effluxion of time or obsolescence through technology and market changes. It is allocated so as to charge a fair proportion in each accounting period during the useful life of the asset. It includes amortisation of assets whose useful life is predetermined and depletion of wasting assets. *(ICAI)*

50. **Depreciation Method** - The arithmetic procedure followed in determining a provision for depreciation (an expense) and maintaining the accumulated balance. *(Kohler)*

51. **Depreciation Rate** - A percentage which when applied to the depreciable amount will yield depreciation expense for a year. *(Kohler)*

52. **Dividend Income**. An income received from investments by a ULB in shares/units. *(AFF)*

53. **Earmarked Funds** – Funds representing Special Funds to be utilised for specific purposes. *(AFF)*

54. **Expenses** - A cost relating to the operations of an accounting period or to the revenue earned during the period or the benefits of which do not extend beyond that period. *(ICAI)*

55. **Financial Statement** - A balance sheet, income statement (income and expenditure), receipts & payment statement or any other supporting statement or other presentation of financial data derived from accounting records. *(ICAI)*

56. **Finished Goods** - Goods held for sale in the ordinary course of business. *(ICAI)*

57. **Fixed Asset** - Asset held for the purpose of providing services and that is not held for resale in the normal course of operations of the ULB. *(ICAI)*

58. **Fixed Deposit** - Deposit for a specified period and at specified rate of interest. *(ICAI)*

59. **Fund** - The term fund refers to amount set aside for a general or specific purpose, whether represented by specifically earmarked assets or not. *(ICAI)*

60. **Folio reference** - A page number or voucher or other number in a book or document of original or final entry, which refers to the disposition or source of an entry or posting. *(Kohler)*

61. **Grants** - Grants are assistance by government in cash or kind to an enterprise for past or future compliance with certain conditions. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the enterprise. *(ICAI)*

62. **Gross Block** - The total cost of acquisition/purchase of all the Fixed Assets of the ULB. *(AFF)*

63. **Hire Purchase -** Hire purchase agreement is a contract (more fully called contract of hire with an option of purchase) in which a person hires goods for a specified period and at a fixed rent, with the added condition that if he shall retain the goods for the full period and pay all the installments of rent as they become due the contract shall determine and the title vest absolutely in him. *(AFF)*

64. **Income** - Money or money equivalent earned or accrued during an accounting period, increasing the total of previously existing net assets, and arising from provision of any type of services and rentals. *(Kohler)*

65. **Income and Expenditure Statement** - A financial statement, often prepared by non-profit making entities like clubs, associations, ULBs, etc., to present their revenues and expenses for an accounting period and to show the excess of revenues over expenses (or vice-versa) for that period. It is similar to profit and loss statement and is also called revenue and expense statement. *(ICAI)*

66. **Interest** - The service charge for the use of money or capital, paid at agreed intervals by the user, and commonly expressed as an annual percentage of outstanding principal. *(Kohler)*

67. **Investments** - Assets held not for operational purposes or for rendering services, i.e., assets other than fixed assets or current assets (e.g. securities, shares, debentures, immovable properties). *(ICAI)*

68. **Inter unit transactions -** Transactions between one or more accounting units of the Urban Local bodies.*(AFF)*

69. **Infrastructure Assets** – Those assets with the characteristics of being, a part of a system or network, specialised in nature and do not have alternative uses, immovable, and subject to constraints on disposal. *(AFF)*

70. **Journal Book** - The book of original entry in which are recorded transactions not provided for in specialised journals. *(Kohler)*

71. **Joint Venture** - Joint Venture is a contractual arrangement whereby two or more parties undertake an economic activity to share expertise in a single defined project, which is subject to joint control. *(AFF)*

72. **Lapsed Deposits -** Deposits unclaimed for more than such period or periods as defined in the act or provisions governing the ULBs. *(AFF)*

73. **Ledger** - A compilation of all accounts used for accounting purposes. *(AFF)*

74. **Lease -** A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period. A lease agreement also includes a Hire Purchase agreement. A lease is classified as a finance lease if it transfers substantially the entire risks and rewards incident to ownership. All other leases are classified as operating leases. *(ICAI)*

75. **Liability** - An amount owing by one person to another, payable in money, or in goods or services: the consequence of an asset or service received or a loss incurred or accrued; particularly, any debt (a) due or past due (current liability),

(b) due at a specified time in the future (e.g. funded debt, accrued liability), or (c) due only on failure to perform a future act (contingent liability). *(Kohler)*

76. **Long term investments** **-** Any investment falling outside the ambit of current investments are treated as long-term investments.*(ICAI)*

77. **Mortgage** - A lien on land, buildings, machinery, equipment, and other property, fixed or movable, given by a borrower to the lender as security for his loan; sometimes called a deed of trust. *(Kohler)*

78. **Municipal fund** **-** The municipal or general fund is the general operating fund of an ULB. It is used to account for all financial resources except those related to any special or trust funds.*(AFF)*

79. **Narration** - A brief description written below an Accounting Entry. It is normally written in brackets and starts with the word "Being". It explains as to why the entry has been recorded and other related aspects of the entry. *(AFF)*

80. **Net Assets** - The excess of the book value of the assets of an accounting unit over its liabilities to outsiders. *(Kohler)*

81. **Net Block** - Gross Block less Accumulated Depreciation of all the Fixed Assets of the ULB. *(AFF)*

82. **Period End** - the last day of any Accounting Period, e.g., quarter, half-year, year-end. *(AFF)*

83. **Pooling of interest method** **-** Pooling of interests is a method of accounting for amalgamations the object of which is to account for the amalgamation as if the separate operations of the amalgamating entities were intended to be continued by the transferee entity. Accordingly, only minimal changes are made in aggregating the individual financial statements of the amalgamating entities.*(ICAI)*

84. **Posting** - An act of entering separately the debit and credit aspect of transactions from the books of original entry in respective accounts maintained in the ledger. *(ICAI)*

85. **Prepaid Expense** - Payment for expense in an accounting period, the benefit for which will accrue in the subsequent accounting period(s). *(ICAI)*

86. **Provision for Expense** - An amount written off or retained by way of providing for depreciation or diminution in value of assets or retained by way of providing for any known liability the amount of which cannot be determined with substantial accuracy. *(ICAI)*

87. **Provision for Unrealised Revenue** - A provision made for revenue considered doubtful of recovery. *(ICAI)*

88. **Qualifying Fixed Asset** – A Qualifying Fixed Asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Ordinarily a period of twelve months is considered as substantial period unless a shorter or longer period can be justified on the basis of facts and circumstances of the case. In estimating the period, the time which an asset takes, technologically and commercially, to get it ready for its intended use or sale should be considered. *(ICAI)*

89. **Receipt** - A written acknowledgement of something acquired; hence, an accounting document recording the physical receipt of cash/cheques. *(Kohler)*

90. **Receipts & Payments Statement** - A financial statement prepared for an accounting period to depict the changes in the financial position and to present the cash received in and paid out in whatever form (cash, cheques, etc.) under certain headings. All non-cash related transactions are ignored while preparing this Statement.*(AFF)*

91. **Reconciliation** - It means adjusting the difference between two items (i.e. amounts, balances, accounts or statements) so that the figures agree. *(ICAI)*

92. **Report of the Municipal Chief Auditor** - The formal expression of opinion by the Municipal Chief Auditor on the Financial Statements, books of accounts and transactions of the ULB. *(AFF)*

93. **Revenue Expenditure** - It means outlay benefiting only the current year. It is treated as an expense to be matched against revenue. *(ICAI)*

94. **Sinking Fund** - A fund created for the repayment of a liability or for the replacement of an asset. *(ICAI)*

95. **Special Fund** - An amount set aside for a specific purpose represented by specifically earmarked assets. *(ICAI)*

96. **Straight Line Method (SLM)** - The method under which the periodic charge for depreciation is computed by dividing the depreciable amount of a depreciable asset by the estimated number of years of its useful life. *(ICAI)*

97. **Sub-Account:** One or more accounts that make up the Control Account. These sub-accounts are related to the control account and provide more detail of the Control Account. The total of the related sub-accounts will equal the related Control Account. (AFF)

98. **Surplus** - The excess of income over expenditure of the ULB for an Accounting Period under consideration. *(AFF)*

99. **Short term investments -** Those investments which are readily realisable, and are intended to be held for not more than twelve months from the date of investment *(ICAI)*

100. **Trial Balance** - A list or abstract of the balances or of total debits and total credits of the accounts in a ledger, the purpose being to determine the equality of posted debits and credits and to establish a basic summary for financial statements. *(Kohler)*

101. **Useful Life -** The period over which a depreciable asset is expected to be used by the enterprise; or (ii) the number of production or similar units expected to be obtained from the use of the asset by the enterprise.*(ICAI)*

102. **Voucher** - A document which serves as an authorisation for any financial transaction and forms the basis for recording the accounting entry for the transaction in the books of original entry, e.g., Cash Receipt Voucher, Bank Receipt Voucher, Journal Voucher, Payment Voucher, etc. *(AFF)*

103. **Work in progress -** Goods in the process of production for their sales or usage. *(ICAI)*

104. **Written Down Value (WDV)** - In respect of a fixed asset means its cost of acquisition or substituted value less accumulated depreciation. *(ICAI)*

105. **Written Down Value (WDV) Method** - A method under which the periodic charge for depreciation of an asset is computed by applying a fixed percentage to its historical cost or substituted amount less accumulated depreciation (net book value). This is also referred to as "Diminishing Balance Method". *(ICAI)*

ACCOUNTING CONCEPTS & ACCOUNTING CONVENTIONS

2.4 The Accounting Concepts and Accounting Conventions have been developed over the years from experience, reason, usage and necessity and are generally accepted for accounting of transactions and preparation of Financial Statements.

2.5 Accounting Concepts are the necessary assumptions, conditions or postulates upon which the accounting is based. They are developed to facilitate communication of the accounting and financial information to all the readers of the Financial Statements, so that all readers interpret the statements in the same meaning and context.

2.6 The Accounting Concepts are as follows:

a. Entity Concept;

b. Dual Aspect or Accounting Equivalence Concept;

c. Going Concern Concept;

d. Money Measurement Concept;

e. Cost Concept;

f. Accounting Period Concept;

g. Accrual Concept;

h. Periodic Matching of Cost and Revenue Concept; and

i. Realisation Concept.

2.7 Accounting conventions are the customs or traditions guiding the preparation of accounts. They are adopted to make financial statements clear and meaningful. The Accounting Conventions are as follows:

a. Convention of Disclosure;

b. Convention of Materiality;

c. Convention of Consistency; and

d. Convention of Conservatism.

ACCOUNTING CONCEPTS

2.8 Each of the Accounting Concepts is discussed below:

Entity Concept

2.9 For accounting purposes, an "organisation" is treated as a separate entity from the "owners" or "stakeholders". This concept helps in keeping private affairs of the owners and stakeholders separate from the business affairs. For example, a ULB is a separate, independent and autonomous entity and is governed by a separate legislation and the regulations formed by it. The various stakeholders of the ULBs, including citizens, State Government, environmentalists, etc., do not own the ULBs. Thus, a separate Balance Sheet and Income & Expenditure Statement is prepared in respect of the operations of the ULB. This concept is applicable to all forms of organisations.

Dual Aspect or Accounting Equivalence Concept

2.10 This concept follows from the Entity Concept. All entities own certain assets. Such assets are acquired through contributions of those who have provided the funds for the purpose. Funds are made available either through the surpluses of the entity or loans or payables. In a sense, such providers of funds are claimants to the assets. At any point in time, the assets will be equal to the claims. Since the claims on the assets could be those of "outsiders" (i.e. liabilities) or "owners" (i.e. capital, reserves, etc.), it results in the accounting equation:

Assets = Own Funds + Liabilities

Going Concern Concept

2.11 It is assumed that the organisation will continue for a long time, unless and until it has entered into a state of liquidation. It is as per this concept, that the accountant does not take into consideration the market value of the assets while valuing them, irrespective of whether the market value is higher or lower than the book value. Similarly, depreciation on fixed assets is provided on the basis of expected lives of the assets rather than on their market values. Also, the financial statements are prepared at defined period-end to measure the performance of the entity during that period and not only on the closure or liquidation of the entity.

Money Measurement Concept

2.12 In accounting, every transaction is recorded in terms of money. Events or transactions that cannot be expressed in terms of money are not recorded in the books of accounts. Receipt of income, payment of expenses, purchase and sale of assets, etc., are monetary transactions that are recorded in the books of accounts. For example, the event of a machinery breakdown is not recorded as it does not have a monetary value. However, the expenditure incurred for the repair of the machinery can be measured in monetary value and hence is recorded.

Cost Concept

2.13 As per this concept, an asset is ordinarily recorded at the price paid to acquire it, i.e., at its cost and this cost is the basis for all subsequent accounting for the asset. The cost concept does not mean that the asset will always be shown at cost. This basically signifies that each time the financial statements are prepared, the fixed assets need not be revised and recorded at its realisable or replacement or market value. The assets recorded at cost at the time of purchase may systematically be reduced through depreciation.

Accounting Period Concept

2.14 An accounting period is the interval of time at the end of which the financial statements are prepared to ascertain the financial performance of the organisation. Although the "going concern" concept stresses the continuing nature of the entity, it is necessary for an organisation (e.g. ULB) to review how it is performing. The preparation of financial statements at periodic intervals helps in taking timely corrective action and developing appropriate strategies. The accounting period is normally considered to be of twelve months.

Accrual Concept

2.15 Under the cash system of accounting, the revenues and expenses are recorded only if they are actually received or paid in cash, irrespective of the accounting period to which they

belong. But under the accrual concept, occurrence of claims and obligations in respect of incomes or expenditures, assets or liabilities based on happening of any event, passage of time, rendering of services, fulfillment (partially or fully) of contracts, diminution in values, etc., are recorded even though actual receipts or payments of money may not have taken place. In respect of an accounting period, the outstanding expenses and the prepaid expenses and similarly the income receivable and the income received in advance are shown separately in the books of accounts under the accrual method.

Periodic Matching of Cost and Revenue Concept

2.16 To ascertain the surplus or deficit made by the entity during an accounting period, it is necessary that the costs incurred are matched with the revenue earned by the entity during that accounting period. The matching concept is a corollary drawn from the accrual concept. To ascertain the correct surplus or deficit, it is necessary to make adjustments for all outstanding expenses, prepaid expenses, income receivable and income received in advance to correctly depict and match the income and expenditure relating to that accounting period.

Realisation Concept

2.17 According to this concept, revenue should be accounted for only when it is actually realised or it has become certain that the revenue will be realised. This signifies that revenue should be recognised only when the services are rendered or the sale is effected. However, in order to recognise revenue, actual receipt of cash is not necessary. What is important is that the organisation should be legally entitled to receive the amount for the services rendered or the sale effected.

ACCOUNTING CONVENTIONS

2.18 Each of the accounting conventions are discussed below.

Convention of Disclosure

2.19 The term "disclosure" implies that there must be a sufficient revelation of information which is of material interest to owners, creditors, lenders, investors, citizen and other stakeholders. The accounts and the financial statements of an entity should disclose full and fair information to the beneficiaries in order to enable them to form a correct opinion on the performance of such entity, which in turn would allow them to take correct decisions. For example, the Accounting Principles that have been followed for preparation of the Financial Statements should be disclosed along with the Financial Statements for proper understanding and interpretation of the same.

Convention of Materiality

2.20 An item should be regarded as material, if there is a sufficient reason to believe that knowledge of it would influence the decision of informed creditors, lenders, investors, citizen and other stakeholders. The accounts and the financial statements should impart importance to all material information so that true and fair view of the state of affairs of the entity is given to its beneficiaries. Hence, keeping the convention of materiality in view, unimportant items are not disclosed separately and are merged with other items. For example, the expenditure incurred on repairs and maintenance of a certain asset of the ULBs, which are small, may not be disclosed separately in respect of each such small item but may be grouped together and shown as a single item of expenditure.

Convention of Consistency

2.21 The convention of consistency facilitates comparison of financial performance of an entity from one accounting period to another. This means that the accounting principles followed by an entity should be consistently applied by it over the years. For example, an organisation should not change its method of depreciation every year, i.e., from Straight Line Method to Written Down Value Method or vice-versa. Similarly, the method adopted for valuation of stocks, viz., First In First Out (FIFO) or Weighted Average should be consistently followed. In case a change is made, it should be disclosed.

Convention of Conservatism

2.22 As per this convention, the anticipated profits should be ignored but all anticipated losses should be provided for in the books of accounts of an entity. This means that all prospective losses are taken into consideration, however, no doubtful income is taken into consideration in recording of transactions by an entity. For example, while provision for doubtful debts and discount is made on debtors or Accounts Receivable, no provision is made for likely discount receivable from creditors or Accounts Payable. Similarly, provision is made for diminution in value of investments, however, no provision is made for any appreciation in value of investments.

ACCRUAL SYSTEM OF ACCOUNTING

2.23 Accrual system of accounting means a method of recording financial transactions based on accrual, i.e., on occurrence of claims and obligations in respect of incomes or expenditures, assets or liabilities based on happening of any event, passage of time, rendering of services, fulfillment (partially or fully) of contracts, diminution in values, etc., even though actual receipts or payments of money may not have taken place.

2.24 In this system, there is a change in accounting for transactions and reporting the financial results so as to provide the ULBs and the Government with the Financial Reports, in the form of two important financial statements for the purposes noted against each:

Statement	Purpose
Income & Expenditure Statement	To determine the financial performance of the ULBs
Balance Sheet	To assess the financial status of the ULBs

BENEFITS OF ACCRUAL SYSTEM OF ACCOUNTING

2.25 The accrual basis of accounting helps in determination of correct income and expenditure of the municipal bodies. The main benefits of accrual based accounting system are enumerated below:

- Revenue is recognised as it is earned and thus "Income" constitutes both revenue received and receivable. The accrual basis not only records the actual income but also highlights the level and efficacy of revenue collection, thereby assisting decision makers in taking financial decisions.

- Expenditure is recognised as and when the liability for payment arises and thus it constitutes both amount paid and payable. In accrual basis of accounting, expenditure incurred on repairs and maintenance shall be recognised as expense of the period in which they are incurred and, if not paid for during the year, shall be treated as a liability (payable) and be disclosed as such in the Balance Sheet.

- Expenses are matched with the income earned in that year. Thus, it provides a very effective basis to understand the true performance of the organisation for the operations that is conducted in that year.

- A distinct difference is maintained between items of revenue nature and capital nature. This helps in correct presentation of financial statements, viz., the Income and Expenditure Statement and the Balance Sheet.

- Costs which are not charged to Income & Expenditure Account are carried forward and kept under continuous review. Any cost that appears to have lost its utility or its power to generate future revenue is written-off.

- The surplus or deficit as shown at the year-end represents the correct financial position of the organisation arising out of the various transactions during that year.

- It facilitates proper financial analysis and reporting.
- It captures "full" cost of servicing and helps in identifying financial viability of rendering services.
- It helps in providing timely, right quality and nature of information for planning, decision-making and control at each level of management.
- It assists in effective follow-up of receivables by the municipal body and proper ascertainment of payables by the municipal body.
- One of the distinct advantages of adopting accrual accounting system is ease in financial appraisals by the financial institutions. It also facilitates credit rating through approved Credit Rating Agencies, which is a pre-requisite for mobilising funds in the financial markets through debt instruments.
- It presents a true picture of the financial position of an organisation and helps in better financial management.

2.26 Thus, accrual basis of accounting results in recording of transactions and events on the basis of their substance, rather than merely when cash is received or disbursed, and thus, enhances their relevance, neutrality, timeliness, completeness and comparability.

RULES OF ACCOUNTING

2.27 The basic rules of accounting flow from the accounting equation:

Assets = Own Funds + Liabilities

2.28 An increase in the asset, e.g., Vehicle can be brought about by:

a. Decrease in another asset, e.g., Bank Account, or

b. Increase in liability, e.g., Loans or Payables.

2.29 An decrease in the asset, e.g., Cash may result in:

a. Increase in another asset, e.g., Medical Equipment

b. Decrease in liability, e.g., Payment of Loans or payment of suppliers outstanding

c. Decrease in own funds through expenditure.

2.30 It is customary to use the term "*Debit*" and "*Credit*" to communicate the above phenomenon. The rules of debits and credits are as follows:

Type of Account	Debit Signifies	Credit Signifies
Asset Accounts	Increases	Decreases
Liability Accounts	Decreases	Increases
Own Funds	Decreases	Increases

2.31 An Accounting Entry would be a combination of a single debit and a single credit or a set of debits and a set of credits, as may be appropriate. Following the accounting equation of Assets = Claims, the debits will always equal credits.

2.32 If we were to expand on the above, the following will be the rules applicable to incomes, expenditures, grants, etc.

Type of Account	Debit Signifies	Credit Signifies
Income (which will increase Own Funds)	Decreases	Increases
Expenditure (which will decrease Own Funds)	Increases	Decreases
Grants Received	Decreases	Increases

CHAPTER 3

SIGNIFICANT ACCOUNTING PRINCIPLES

3.1 This chapter contains a compilation of the Significant Accounting Principles to be followed in preparation of the accounts of the Urban Local Body.

3.2 The Financial Statements of the Local Body shall contain a Statement of Significant Accounting Principles as notes to accounts in respect of important Accounting Principles adopted in preparing and presenting such information. The Significant Accounting Principles as mentioned in this chapter shall be followed consistently each year.

3.3 Where any of the Accounting Principles adopted by the local body while preparing its Financial Statements is not in conformity with the principles prescribed in this chapter and the effect of deviation from the Accounting Principles is material, the particulars of the deviation shall be disclosed, together with the reasons and the financial effect thereof, except where such effect is not ascertainable. In case the financial effect thereof is not ascertainable, either wholly or in part, the fact that it is not so ascertainable shall be indicated.

3.4 Likewise, any change in the Accounting Principles which has no material effect on the Financial Statements for the current period but which is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed in the Financial Statements of the period in which the change is adopted.

3.5 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to various activities as given below:

3.6 Property and Other Taxes

a. Revenue in respect of Property and Other Taxes shall be recognised in the period in which they become due and demands are ascertainable.

b. In case of new or changes in assessments, it can be accrued in the month in which the demand is served.

c. Interest element and Penalties, if any, in demand shall be reckoned only on receipt.

d. Revenue in respect of Notice Fee, Warrant Fee and Other Fees charged shall be recognised when the bills for the same are raised.

e. Revenue in respect of Property Transfer Charges shall be recognised on actual receipt.

f. Collections to be made on behalf of state Government i.e., State Education Cess, Employment Guarantee Cess and Library Cess and included in the Property tax demand shall be reckoned together with Property tax demand and credited to a control account called "State Government Levies in Taxes- Control Account."

g. The liability towards dues to the State Government for collections on its behalf shall be recognised as and when they are collected.

h. Revenue in respect of Rebate from State Government for collection made on their behalf shall be recognised at the rates prescribed by the State Government at the time of creating the liability to the State Government.

i. In respect of the demand outstanding beyond two (2) years, provision shall be made to the extent of income of the ULB in the demand, based on the following provisioning norms:

- Outstanding for more than 2 year but not exceeding 3 years: 25%
- Outstanding for more than 3 years but not exceeding 4 years: 50% (additional 25%)
- Outstanding for more than 4 years but not exceeding 5 years: 75% (additional 25%)
- Outstanding for more than 5 years: 100% (additional 25%)

j. While making provision for receivables as stated above, the relevant proportion 'State Govt. Cesses/ levies in Property Taxes - Control account' shall also be provided by debiting to a separate account.

k. Any additional provision for demand outstanding (net on overall basis) required to be made during the year shall be recognised as expenditure and any excess provision written back during the year shall be recognised as income of the ULB.

l. Refunds, remissions of taxes for the current year shall be adjusted against the income and if pertain to previous years then it shall be treated as prior period item

m. Write-offs of taxes shall be adjusted against the provisions made and to that extent recoverable gets reduced.

n. Any subsequent collection or recovery of 'Receivables for Property & Other Taxes," which were already written off shall be recognised as a 'Prior Period Income'.

o. Demands raised with retrospective effect will be treated as prior period income to the extent it pertains to earlier years.

p. Part-payments received in respect of Property and Other Tax levies shall be adjusted as per applicable Act of the state.

q. Wherever self-assessment of taxes are prevalent, income can be accrued based on records available with the local body when it becomes due as per the provisions of the respective municipal Acts. Further, changes arising out of self-assessment will be treated as 'Change in Demand' and will be accounted accordingly

3.7 **Octroi**

a. Revenue in respect of octroi payable on spot assessment for non-current account importers shall be recognised on actual receipt.

b. Revenue in respect of penalties, transit fees, etc., shall be recognised on actual receipt.

c. In case of Account Current facility holders, revenue in respect of octroi shall be recognised on a valuation/assessment being done at the time of the entry of the goods within the municipal limits.

d. In cases where a provisional assessment is made, revenue shall be recognised in respect of the entire amount received provisionally or by way of deposit. At the time of final assessment, the additional amount recovered, if any shall be recognised as revenue when recovered.

e. Refunds shall be recognised as expenditure as and when the amounts are determined.

f. Transit Deposits and/or any other deposits collected, including Security Deposit collected from account current importers, shall be recognised as a liability when received and such liability shall be settled on its refund.

g. The Transit Deposit and/or any other deposit received if forfeited shall be recognised as income in the year in which the right for claiming refund of deposit has expired.

h. Octroi on Consumption of electricity shall be recognised as income on actual receipt during the year. However, at year-end alone, it shall be accrued if sanction order (or proceedings) is passed and the amount is ascertained.

3.8 **Cess**

a. Revenue in respect of collection of Cess Income with Returns (on filing of returns by the dealers) shall be recognised on actual receipt.

b. Revenue in respect of Cess Income on Assessment shall be recognised in the period in which they become due, i.e., when the demand is raised.

c. Revenue in respect of Cess Registration Fee, Interest and Penalties levied on assessment shall be recognised on actual receipt.

d. In respect of the demand outstanding beyond two (2) years, provision shall be made to the extent of income of the ULB in the demand, based on the following provisioning norms:

- Outstanding for more than 2 year but not exceeding 3 years: 50%
- Outstanding for more than 3 years: 100% (additional 50%)

e. Any additional provision for demand outstanding (net on overall basis) required to be made during the year shall be recognised as expenditure and any excess provision written back during the year shall be recognised as income of the ULB.

f. Refunds, remissions of Cess for the current year shall be adjusted against the income and if pertain to previous years then it shall be treated as prior period item.

g. Write-offs of Cess shall be adjusted against the provisions made and to that extent recoverable gets reduced

h. Any subsequent collection or recovery of 'Receivables of Cess Income' which were already written off shall be recognised as a 'Prior Period Income'.

i. Demands raised with retrospective effect will be treated as prior period income to the extent it pertains to earlier years

3.9 **Water Supply**

a. Revenue in respect of Water Tax, Water Benefit Tax, Water Supply Charges, Water Meter Rent, Sewerage charge, Disposal charges shall be recognised in the period in which they become due, i.e., when the bills are raised. It is to be noted that the water tax and the related taxes may also be included in the bill raised for the property tax.

b. Revenue in respect of Notice Fee, Warrant Fee, Other Fees shall be recognised when the bills for the same are raised.

c. Revenue in respect of Connection Charges for Water Supply shall be recognised on actual receipt.

d. Revenue in respect of Water Tanker Charges and Road Damage Recovery Charges, Penalties shall be recognised on actual receipt.

e. In respect of the demand outstanding beyond two (2) years, provision shall be made to the extent of income of the ULB in the demand as follows

- If water tax is collected as a component in Property Tax, provisioning shall be made in the same way as unrealised Property Tax, which is as follows:
  - Outstanding for more than 2 year but not exceeding 3 years: 25%
  - Outstanding for more than 3 years but not exceeding 4 years: 50% (additional 25%)
  - Outstanding for more than 4 years but not exceeding 5 years: 75% (additional 25%)
  - Outstanding for more than 5 years: 100% (additional 25%)
- If water tax demand is raised separately, the taxes and charges shall be provided as follows:
  - Outstanding for more than 2 year but not exceeding 3 years: 50%
  - Outstanding for more than 3 years: 100% (additional 50%)

f. Any additional provision for demand outstanding (net on overall basis) required to be made during the year shall be recognised as expenditure and any excess provision written back during the year shall be recognised as income of the ULB.

g. Refunds, remissions of taxes for the current year shall be adjusted against the income and if pertain to previous years then it shall be treated as prior period item.

h. Write-offs of taxes shall be adjusted against the provisions made and to that extent recoverable gets reduced

i. Any subsequent collection or recovery of 'Receivables of Water Supply Income' which were already written off shall be recognised as a 'Prior Period Income'.

3.10 **<u>Assigned Revenues</u>**

a. Assigned revenues like Entertainment Tax, Duty / Surcharge on transfer of Immovable properties, shall be accounted during the year only upon actual collection. However, at year-end alone, these shall be accrued if sanction order (or proceedings) is passed and the amount is ascertained.

b. Based on the review of recoverable position of the 'Receivables of Assigned Revenues', the amount of outstanding assigned revenues to be provided or written

off shall be ascertained and accounted accordingly on obtaining the relevant approval.

3.11 Rentals, Fees and Other Sources of income

a. Revenue in respect of Advertisement rights shall be accrued either based on Demand or based on the contract.

b. Revenue in respect of Trade License Fees shall be accrued in the year to which it pertains and where the Demand is raised based on applicable Acts of the state.

c. Revenues in respect of Profession Tax on Organisations / entities shall be accrued in the year to which it pertains where the demand is raised based on applicable Acts of the state.

d. Revenues in respect of rents from properties shall be accrued based on terms of agreement.

e. Other income, in respect of which demand is ascertainable and can be raised in regular course of operations of the ULB, shall be recognised in the period in which they become due, i.e., when the bills are raised.

f. The Other Incomes, which are of an uncertain nature or for which the amount is not ascertainable or where demand is not raised in regular course of operations of the ULB, shall be recognised on actual receipt.

g. Revenue in respect of Notice Fee, Warrant Fee, Other Fees shall be recognised when the bills for the same are raised.

h. Interest element and Penalties, if any, in demand shall be reckoned only on receipt.

i. In respect of the demand outstanding beyond two (2) years, provision shall be made to the extent of income of ULB in the demand, based on the following provisioning norms:

   - Outstanding for more than 2 year but not exceeding 3 years: 50%
   - Outstanding for more than 3 years: 100% (additional 50%)

j. Any additional provision for demand outstanding required to be made during the year shall be recognised as expenditure and any excess provision written back during the year shall be recognised as income of the ULB.

k. Refunds, remissions of Other Incomes for the current year shall be adjusted against the income and if pertain to previous years then it shall be treated as prior period item.

l. Write-offs of Other Incomes shall be adjusted against the provisions made and to that, extent recoverable is reduced.

m. Any subsequent collection or recovery of 'Receivables of Rental, Fees and Other Incomes' which were already written off shall be recognised as a 'Prior Period Income'.

3.12 **Public Works**

a. The cost of fixed assets shall include cost incurred/money spent in acquiring or installing or constructing fixed asset, interest on borrowings attributable to acquisition or construction of qualifying fixed assets up to the date of commissioning of the assets and other incidental expenses incurred up to that date.

b. Any addition to or improvement to the fixed asset that results in increasing the utility or capacity or useful life of the asset shall be capitalised and included in the cost of asset. Revenue expenditure in the nature of repairs and maintenance incurred to maintain the asset and sustain its functioning or the benefit of which is less than for a year, shall be charged off

c. Assets under erection/installation on existing projects and capital expenditures on new projects (including advances for capital works and project stores) shall be shown as "Capital Work-in-Progress".

d. The Earnest Money Deposit and Security Deposit received if forfeited shall be recognised as income when the right for claiming refund of deposit has expired.

e. Deposit received under Deposit works shall be treated as a liability till such time the projects for which money is received is completed. Upon completion of the projects, the cost incurred against it shall be reduced from the liability.

f. Revenues (percentage charges) in respect of Deposit works shall be accrued along with expenditure of Deposit works.

3.13 **Stores**

a. Expenditure in respect of material, equipment, etc., procured shall be recognised on accrual basis, i.e., on admission of bill by the ULB in relation to materials, equipment, etc., delivered.

b. Accounting of 'goods received & accepted but no bills received' as at the cut off date shall be accounted based on purchase orders.

c. The stock lying at the period-end shall be valued at cost in accordance with the First in – First out Method.

d. Revenue in respect of disposal of material shall be recognised on actual receipt.

e. Finished goods and work- in progress related to production produced for sale will be valued at cost. Cost of finished and work-in-progress includes all direct costs

and applicable production overheads to bring the goods to the present location and condition.

3.14 Employee Related Transactions

a. Expenses on Salaries and other allowances shall be recognised as and when they are due for payment (i.e. at the month end).

b. Statutory deductions from salaries including those for income tax, profession tax, provident fund contribution, etc., shall be recognised as liability in the same period in which the corresponding salary is recognised as expense.

c. Formation of Trusts shall be considered for management of Provident Funds. However it will be the responsibility of the Urban Local Body to form the trusts and meet the shortfall of the fund if any.

d. Provident Funds money shall be invested as per the guidelines applicable to any Employee Provident Fund.

e. Separate Funds may also be formed for meeting the pension and other retirement benefits including Gratuity and Leave encashment. State Governments can decide on this and can define the modus operandi also. State may form Trusts either at the state level or at the municipal level.

f. Contribution due towards Pension and other retirement benefit funds shall be recognised as an expense and a liability. State Government to define the rate of contribution. One basis for such rate could be at the rate generally prescribed for state government employees on deputation. Actuarial valuation has not been considered due to practical limitations of the ULBs. If an ULB wants to make an actuarial valuation, their applicable state laws can guide this.

g. Interest receivable on loans given to employees shall be recognised as revenue at the end of the period in which these have accrued.

h. In respect of loans to employees, penal interest leviable on default in repayment of principal or payment towards interest shall be recognised on accrual basis.

i. Bonus, ex-gratia, overtime allowance, other allowances and reimbursements to the employees shall be recognised as an expense as and when they are due for payment.

3.15 **Health and Sanitation**:

a. Revenue in respect of the following shall be recognised on actual receipt.
   i. Hospital fees, maternity homes fees, diagnostic centre fees and dispensaries fees
   ii. Hospital training fees
   iii. Rent and/or hire charges in respect of ambulance, hearse, suction unit, meat van and road roller
   iv. Sale of fertilisers and waste, sale of animals and sale of scrap.

b. Revenue in respect of Trade License Fees shall be accrued in the year to which it pertains and where the Demand is raised based on applicable Acts of the state.

c. Revenue in respect of rent of equipment provided to the contractors, deducted from their bills, shall be recognised as and when the deductions are made.

d. All revenue expenditures incurred shall be recognised on admission of the bills for payment by the ULB.

e. Provision shall be made at the year-end for all bills received upto a cut off date (30th April of next financial year). However state governments depending on practicality and materiality involved can decide on this.

3.16 **Other Revenue Expenditures**

a. Other Revenue Expenditures shall be treated as expenditures in the period in which they are incurred.

b. Provisions shall be made at the year-end for all bills received upto a cut off date (30th April of next financial year). However state governments depending on practicality and materiality involved can decide on this.

c. Any expenditure for which the payment has been made in the current period but the benefit and/or service is likely to arise in a future period shall be treated as an expenditure for the period in which its benefit arises and/or services are received.

d. The expenditure for the current period shall include the proportionate value of the benefits and/or services arising in the current period even if the payment therefor has been made in the previous period.

3.17 **Grants**

a. General Grants, which are of a revenue nature, shall be recognised as incomes on actual receipt.

b. Grants towards revenue expenditure, received prior to the incurrence of the expenditure, shall be treated as a liability till such time that the expenditure is incurred.

c. Grants received or receivable in respect of specific revenue expenditure shall be recognised as income in the accounting period in which the corresponding revenue expenditure is charged to the Income and Expenditure Account.

d. Grants received towards capital expenditure shall be treated as a liability till such time that the fixed asset is constructed or acquired. On construction/acquisition of a fixed asset out of the grants so received, the extent of liability corresponding to the value of the asset so constructed/acquired shall stand reduced and the amount shall be treated as a capital receipt and shall be transferred from the respective Specific Grant Account to the Capital Contribution.

e. Capital Grants received as a nodal agency or as implementing agency for an intended purpose, which does not, result in creation of assets with ownership rights for the ULB shall be treated as a liability till such time it is used for the intended purpose. Upon utilisation for the intended purpose, the extent of liability shall stand reduced with the value of such utilisation and no further treatment, as a capital receipt shall be required.

f. Grants in the form of non-monetary assets (such as fixed assets given at a concessional rate) shall be accounted for on the basis of the acquisition cost. In case a non-monetary asset is received free of cost, it shall be recorded at a nominal value (e.g. Rupee One).

g. Income on investments made from 'Specific Grants received in advance' shall be recognised and credited to the Specific Grant, whenever accrued. Profit/loss, if any, arising on disposal of investments made from the 'Specific Grant received in advance' shall also be recognised and credited/debited to the Specific Grant.

3.18 **Borrowings or Loans received**

a. Interest expenditure on loan shall be recognised on accrual basis.

b. Interest on borrowings directly attributable to acquisition or construction of qualifying fixed assets up to the date of commissioning of the assets shall be capitalised.

c. A provision shall be made for the interest accrued between the date of last payment of interest and the date of financial statements and shall be charged to the current period's Income and Expenditure Statement.

d. The expenses incurred while issuing debentures or Bonds (Issue Expenses) shall be deferred and amortised in equal installments over a period of 5 years or the

tenure of the loan whichever is earlier. In case, the debentures and bonds are prematurely redeemed, the amount of issue expenses outstanding during the year shall be written-off and charged to the Income and Expenditure Statement as expense of the year when this happens. However, all other expenses in respect of raising loans other than those considered, as issue expenses shall be expensed off in the year in which they are incurred.

3.19 Special Funds

a. Special Funds shall be treated as a liability on their creation.

b. Income on investments made from Special Fund shall be recognised and credited to Special Fund, whenever accrued. Profit/loss, if any, arising on disposal of investments made from the Special Fund shall be recognised and credited/debited to Special Fund Account.

c. Any expenditure of a revenue nature, which is incurred specifically on scheme/project for which a Special Fund has been created, shall be charged to that Special Fund.

d. On completion of the construction of a fixed asset and/or on acquisition of a fixed asset out of a Special Fund, the amount equivalent to the cost of such fixed asset shall be transferred from the respective Special Fund to the Special Fund (Utilised).

3.20 Investments

a. Investment shall be recognised at cost of investment. The cost of investment shall include cost incurred in acquiring investment and other incidental expenses incurred for its acquisition.

b. All long-term investments shall be carried / stated in the books of accounts at their cost. However in the event of any permanent diminution in their value as on the date of balance sheet, these shall be provided for.

c. Short-term investments shall be carried at their cost or market value (if quoted) whichever is lower.

d. Interest on investments shall be recognised as and when due. At period-ends, interest shall be accrued proportionately.

e. Dividend on investments shall be recognised on actual receipt.

f. Profit/loss, if any, arising on disposal of investment (net of selling expense such as commission, brokerage, etc) from the Municipal Fund shall be recognised in the year when such disposal takes place.

g. Income on investments made from Special Fund and Grants under specific Scheme shall be recognised and credited to Special Fund and Grants under Specific Scheme respectively, whenever accrued. Profit/loss, if any, arising on disposal of investments (net of selling expense such as commission, brokerage, etc) made from the Special Fund and Grants under specific Scheme shall be recognised and credited/debited to Special Fund Account and Grant under specific scheme Account respectively. However, interest or gains from an investment made from grants received as reimbursements, shall be credited to Municipal / General fund of the ULB instead of the Grant account.

3.21 Fixed Assets

a. All Fixed Assets shall be carried at cost less accumulated depreciation. The cost of fixed assets shall include cost incurred/money spent in acquiring or installing or constructing fixed asset, interest on borrowings directly attributable to acquisition or construction of qualifying fixed assets up to the date of commissioning of the assets and other incidental and indirect expenses incurred up to that month.

b. Any addition to or improvement to the fixed asset that results in increasing the utility or useful life of the asset shall be capitalised and included in the cost of fixed asset.

c. Any Fixed Asset, which has been acquired free of cost or in respect of which no payment has been made, shall be recorded at nominal value of Re. 1/-.

d. All assets costing less than Rs.5,000 (Rupees Five thousands) would be expensed / charged to Income & Expenditure Account in the year of purchase

e. An increase in net book value arising on revaluation shall be credited to a reserve account under the Municipal fund as 'Revaluation Reserve Account'. A decrease in net book value arising on revaluation of fixed assets is charged to Income and Expenditure accounts.

f. Revaluation of a class of assets shall not result in the net book value of that class being greater than the recoverable amount of the assets of that class.

g. Revaluation reserve shall be reduced by transfer of equivalent amount of depreciation charged on the revalued portion of the cost of the fixed assets.

h. Depreciation shall be provided at the rates prescribed by the state. Depreciation on all fixed assets is to be provided consistently on either Written down Value or Straight Line Method. (A task Force is being set up to prescribe life and rates of Depreciation for different type of assets of ULBs).

i. Depreciation shall be provided at full rates for assets, which are purchased/constructed before October 1 of an Accounting Year. Depreciation shall be provided at half the rates for assets, which are purchased/constructed on or after October 1 of an Accounting Year.

j. Depreciation shall be provided at full rates for assets, which are disposed on or after October 1 of an Accounting Year. Depreciation shall be provided at half the rates for assets, which are disposed before October 1 of an Accounting Year.

k. Assets recorded in the register but not physically available shall be written off after a specified period as defined by the State/Municipal act or rules governing the ULBs. The authority levels for the respective State/Municipal act or rule shall also define authorising the write off. However the specified period shall not exceed five years.

3.22 Lease and Hire Purchase

a. Finance lease in the books of lessee

- At the commencement of the lease term, finance leases shall be recorded as an asset and a liability. Such recognition shall be at an amount equal to the cost.
- Finance lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated as to produce a constant periodic rate of interest on the remaining balance of the liability for each of the period.
- Depreciation on such assets shall be provided at the same rates as in case of owned assets.

b. Operating lease in the books of Lessor

- Assets given under operating lease shall be accounted as own assets in the same manner similar to any other fixed assets owned and used by the ULB.
- Lease income from operating leases shall be recognised as income on a straight-line basis over the lease term. Lease income shall be accrued on the respective due dates.
- Any amount incurred that results in improvement or increase of the useful life of the assets under operating lease shall be capitalised as like any other asset used by the ULB for its own operations;

- Depreciation on such assets shall be provided at the same rates as in case of owned assets.

c. Hire purchase in the books of buyer

- The purchase price shall be capitalised as the cost of fixed assets
- Hire Purchase (HP) installments shall be apportioned between the finance charge and the reduction of the principal outstanding. The finance charge shall be allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability;
- The total amount of interest portion out of the 'HP Payable' shall be accounted by debiting to a control account under current assets. This amount will be adjusted on accounting of finance charges
- The depreciation principle for assets purchased under HP should be consistent with that for owned assets.

d. Hire purchase in the books of seller

- The sale price (including the interest portion) shall be accounted as receivable from HP agreement;
- HP installments shall be apportioned between the interest income and the reduction of the principal amount receivable (the finance income to be allocated so as to produce a constant periodic rate of interest on the remaining balance of the receivable);
- The total amount of interest portion out of the 'HP Receivable' shall be accounted by crediting to a control account under current assets. This amount will be adjusted while accounting for finance charges

3.23 Loans

a. Interest/penal interest on loans shall be recognised as and when due. At period-ends, interest shall be accrued up to the date of the period-end.

b. Interest / penal interest earned on loans given out of specific fund/grant shall be directly credited to the specific fund/grant account.

c. Provision against bad and doubtful loans shall be made according to the provisioning principle of the ULB based on norms or guidelines issued by the state government in this regard.

d. Any additional provision for loans outstanding (net on overall basis) required to be made during the year shall be recognised as expenditure and any excess provision written back during the year shall be recognised as income of the ULB.

e. Write-offs of bad and doubtful loans shall be adjusted against the provisions made and to that extent, loan outstanding get reduced. In case of inadequate provisions, the write off shall be recognised as expenditure.

3.24 **Addition / Merger of Local Bodies for up-gradation**

a. The financial statements of the merging local bodies shall be consolidated at the cut-off dates under the pooling of interest method. The assets, liabilities, reserves and fund balances of the merging local bodies are recorded at their existing carrying amounts. However it must be ensured that accounting principles adopted for preparation of financial statements of merging local bodies should be same.

b. The financial statements prepared on consolidation shall disclose

   i. Names of the local bodies merged
   ii. Authority under which the merger has taken place
   iii. Effective date of merger
   iv. Principles adopted for consolidation

3.25 **Inter Unit Transactions**

a. All Inter Unit Transactions shall be recorded on cost basis and no mark up shall be included in Inter Unit Transactions.

b. At the year-end, the inter-unit accounts are knocked off / adjusted in the consolidated accounts of the ULB.

3.26 **Municipal School Board**

a. Fees and fines received from primary schools shall be recognised on actual receipt.

b. Contribution receivable from other local bodies/ municipalities shall be recognised in the period in which they become due.

3.27 **Transport Undertaking**:

a. Revenue in respect of ticket charges and monthly passes shall be recognised on actual receipt.

b. The liability towards dues to the State Government for collections on its behalf, i.e., Child Welfare Surcharge, shall be recognised as and when it is collected.

c. Revenue in respect of Rebate from State Government for collection made on their behalf, i.e., Child Welfare Surcharge, shall be recognised at the rates prescribed by the State Government on creating the liability to the State Government.

d. Payments to be made by the Transport Undertaking to the Municipal Fund shall be accounted on actual payment

CHAPTER 4

CODIFICATION STRUCTURE & CHART OF ACCOUNTS

INTRODUCTION

4.1 This chapter contains the recommendations relating to the Chart of Accounts and the Codification structure.

4.2 Chart of Accounts (COA) defines the heads under which the income and expenditure of local bodies are classified and facilitates maintenance of accounts and preparation of financial statements. A well designed COA shall not only fulfill accounting requirements but also the Budgeting and MIS requirements and shall be flexible enough to consolidate and collapse to facilitate generation of various information reports. The structure suggested in this chapter, have been developed based on the recommendations of Task Force Report with limited modifications to meet the above said requirements.

4.3 Detailed heads and codes have been provided in this chapter for all mandatory levels of information.

CODIFICATION STRUCTURE

4.4 The codification structure proposed facilitates capture of all type of financial information within an ULB, which are essential in a government set-up. Each type of classification is considered as a group. Considering the capacity and size of local bodies at an all India level, to which this manual pertains and the minimum requirements of various stakeholders' certain mandatory information are prescribed. The mandatory groups for all local bodies are

- Functions

- Account Heads

4.5 Functions shall represent the various functions or services carried out by the local body. Account Heads shall represent the nature of the income or expenditure.

4.6 Budgets in ULBs are centered around its functions. Functions are provided through various responsibilities centres called Departments. Geographical dispersion of these activities may also be monitored more so in the context of introduction of Ward committees and decentralisation. Hence, some ULBs identify its income and expenditure budgets at function, functionary (department) and field level.

4.7 ULBs set up various funds for meeting certain objectives. Income and expenditure under these funds are to be identified and disclosed separately. However the method of disclosure may be different. When they adopt the integral concept, separate books of accounts are not maintained for the funds. Identity is created by providing separate account heads to capture the income and expenditure for each such fund. In some states, separate books of accounts and financial statements are maintained considering it as a separate accounting entity. In such cases, the identity of the fund (entity) is required as an additional classification.

4.8 Thus, in addition there shall be three other optional groups apart from the mandatory groups of Functions and Account Head.

- Functionary (Responsibility centre/department)
- Field (Geographical centre)
- Funds

4.9 In all, there can be five groups. Funds, Function, Functionary, Field and Account Heads. Functions, Functionary and Field are called Budgeting centres.

4.10 Each group can have various levels within it to drill down further information. The levels even in the mandatory groups can be either mandatory or optional based on the requirements. First level in function and Account Heads are mandatory for all ULBs and other levels are left to the states to define. This would mean that all ULBs would have to use the function codes and account codes as defined in this manual only. For other levels each State can define the codes though some of them may be mandatory at the State level. Similarly for budgeting the functionary group, would be mandatory though each State can define these heads based on its internal organisation structure. Similarly, States or cities, which have decentralised accounting zones/boroughs etc and prepares budgets at these levels, would have to use the field group as mandatory.

4.11 An overview of the suggested structure for mandatory information and overall structure is provided in the exhibits given below as Exhibit 4.1 and 4.2.

Exhibit 4.1

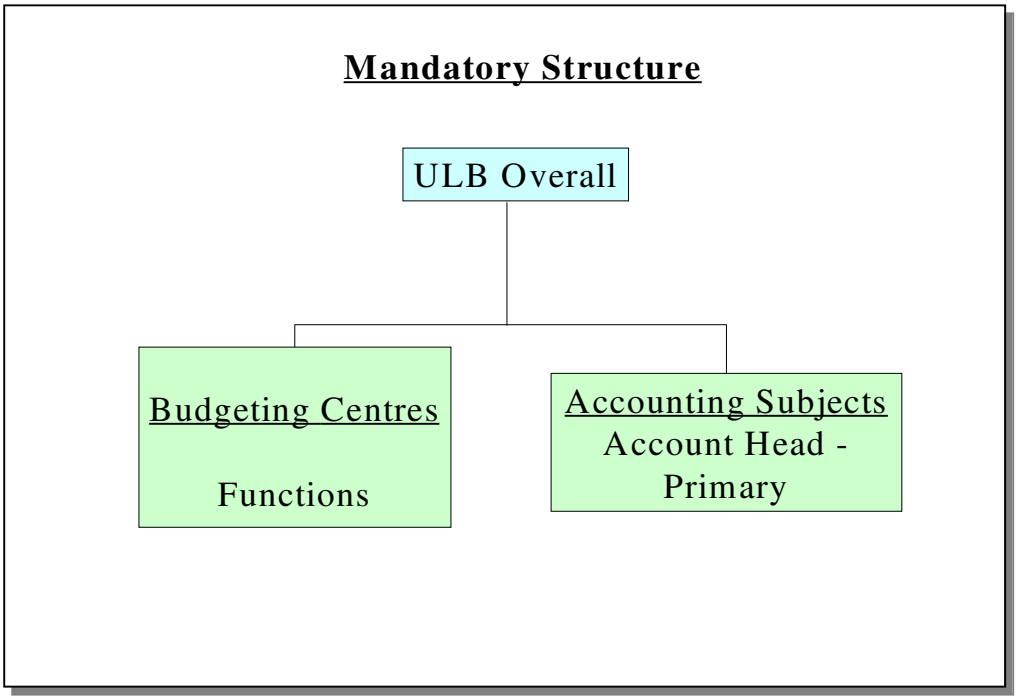
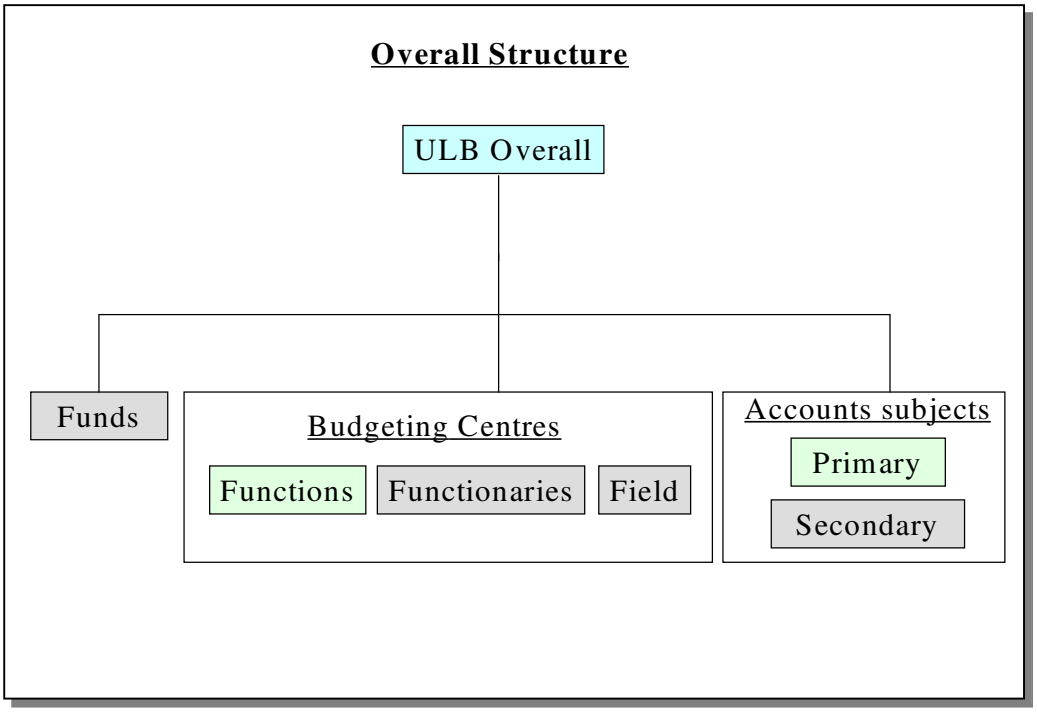


Exhibit 4.2

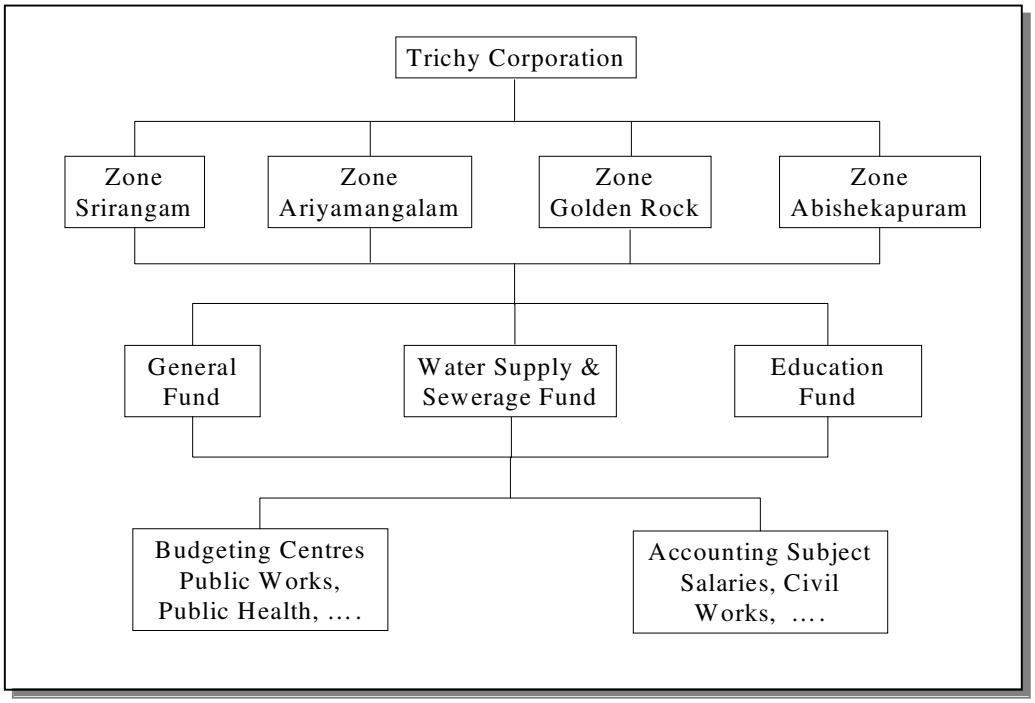


4.12 Each of the two mandatory and the three optional categories can be placed in any sequence for the sake of MIS reports /Budget reports. These groups are mutually exclusive and can be operated individually or in a combined way.

4.13 In some local bodies, accounts are maintained in a decentralised set up. Each of the locations in which accounts are maintained is called Accounting Unit. For example in some big local bodies, accounts are maintained at Zones. In this case each Zone and the Head Office are called Accounting units. Each accounting unit will maintain accounts in the same way. All transactions are identified under the groups mentioned above at the Accounting Unit level. Then it is consolidated at Head Office level to present the information at the ULB level.

4.14 The overall flow of Financial Information is illustrated with the example of a ULB visited and is provided as Exhibit 4.3.

Exhibit 4.3
Sample Flow of Accounting Information



4.15 In this case, the lowest Accounting unit is Zones. If the accounting unit is lower than that say circles, then accounts are prepared Circle wise and can be consolidated Zone wise as well at the ULB level. The same process can be continued at any lower level. The intention here is to facilitate decentralisation.

CODING LOGIC AND PROCEDURE

4.16 The codification logic for each of these groups is explained below.

Functions

4.17 Functions of the ULB can have three levels within it. First level under this group can represent various functions both obligatory and discretionary. Second Level in function could represent the particular type of service under a function and third level can represent a particular cost center, which provides the service. The first level of Functions/codes is mandatory for all ULBs. All functions of the ULB are broadly classified under 10 major groups. Within this long listing of functions has been made. These functions are fitted within the group with each group having a flexibility to go upto 9 sub functions. The detailed codes for each of the functions as referred above is defined and given as Appendix 1 enclosed with this manual. New codes or additions to this list of functions shall be made only at the national level. A committee is likely to be set up under Ministry of Urban Affairs to which C& AG will also be a member who shall act as the authority to add new functions in the list. This can be triggered by a request from states. States can introduce two sub –levels of 2 digits each to suit their requirements.

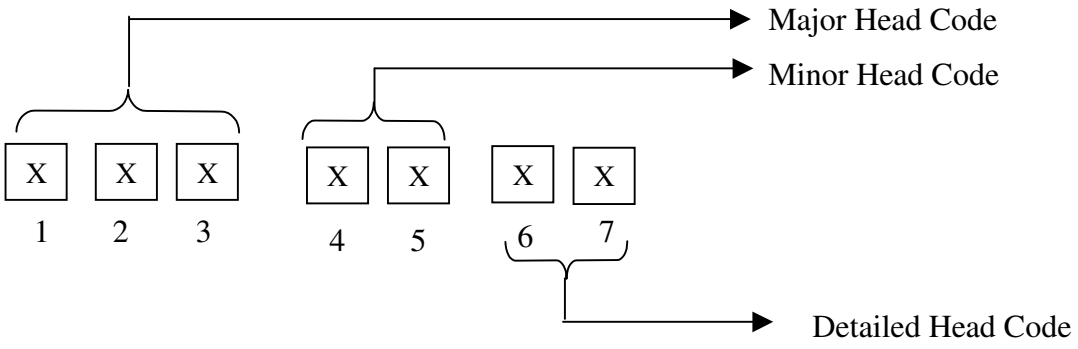
Accounting subjects

4.18 Accounting subjects can be divided into two levels: Primary and Secondary. Primary account code represents the subject of the income and expenditure.

4.19 Primary Account Codes: The Code of an Account head shall be numeric and shall be 7 digits. A 7 digit code is suggested to give flexibility to add new codes and for each State to define certain of its unique requirements. The code is structured into:

- Major Head Code;
- Minor Head Code; and
- Detailed Head Code.

4.20 The structure of the Code of Accounts is schematically presented below:



Major head code

4.21 The ***first digit*** of the Major Head Code shall indicate the nature or type of the account. The first digit shall be assigned one of the following numbers depending on the nature of the account:

- '**1**' shall denote an account relating to ' Revenue Income'
- '**2**' shall denote an account relating to 'Revenue Expenditures'
- '**3**' shall denote an account relating to ' Capital Receipts & Liabilities'
- '**4**' shall denote an account relating to ' Capital Expenditures & Assets'

4.22 The ***next 2 digits*** of the Major Head Code shall denote the group codes for the various head of accounts. For example,

- Code 1-10 shall denote 'Tax Revenue' related accounts
- Code 2-10 shall denote 'Establishment Expenses' related accounts
- Code 3-50 shall denote 'Other Liabilities' related accounts
- Code 4-10 shall denote 'Fixed Assets' related accounts

4.23 It is to be noted that the financial statements of an ULB are drawn at Major Head codes of account and hence this is a mandatory level of information. No major code addition is likely to happen, as this format is the final one. In case the same is required it has to be approved by the committee only.

Minor head code

4.24 The Minor Head Code shall be of 2 digits. An item covered by a Minor Head Code is a subset of the Major Head Code. Thus, it shall be necessary to refer the Minor Head Code in conjunction with the associated Major Head Code.

4.25 The Minor Head Codes provide further details of transactions in respect of the Major Head Code it is associated with. For example,

- Under the Major Head Code 110 relating to 'Tax Revenue', the Minor Head Code 01 shall denote 'Property Tax'

- Under the Major Head Code 210 relating to 'Establishment Expenses', the Minor Head Code 10 shall denote Salries & Allowances

- Under the Major Head Code 350 relating to 'Other Liabilities', the Minor Head Code 10 shall denote 'Creditors'

- Under the Major Head Code 410 relating to 'Fixed Assets', the Minor Head Code 20 shall denote 'Buildings'.

4.26 It is to be noted that the schedules to financial statements of an ULB are drawn at minor head codes of account and hence this is a mandatory level of information. Minor codes provided in the manual are mandatory. Additions to minor codes can be made by the state governments as per the logic provided in the manual. All additions made shall be intimated to the committee. Committee may introduce additional minor codes as mandatory at some periodicity based on the intimations received.

Detailed head code

4.27 The Detailed Head Code shall be of 2 digits. An item covered by a Detailed Head Code is a subset of the Minor Head Code. Thus it shall be necessary to refer the Detailed Head Code in conjunction with the associated Minor Head Code.

4.28 The Detailed Head Codes provide further details of transactions in respect of the Minor Head Code it is associated with. For example,

- Under the Minor Head Code of Account 110-01 covering Property Tax, the Detailed Head Code 01 shall denote 'Property Tax from Residential Properties'. Thus, under the Minor Head Code of Account 110-01 in respect of 'Tax Revenues from Property Tax', the Detailed Head Code 01 shall represent 'Property Tax from Residential Properties'. The Account Code for this will be 110-01-01.

- Under the Minor Head Code of Account 210-10 covering 'Establishment Expenses under Salaries, Wages and Bonus, the Detailed Head Code 10 shall denote 'Salaries & Allowances – Officers'

- Under the Minor Head Code of Account 350-10 covering Creditors, the Detailed Head Code 01 shall denote 'Suppliers'

- Under the Minor Head Code of Account 410-20 covering Buildings, the Detailed Head Code 01 shall denote 'Art Gallery Building'

4.29 It is to be noted that the detailed heads are to be identified by the States. States can also give flexibility to the ULB to add new heads. An illustrative listing of detailed heads under minor heads are listed in Appendix 2.

4.30 Secondary Account codes: This is optional and would depend on requirements of a local body. These would typically represent the subsidiary ledgers and other analysis ledgers. For example, contractors control account can be maintained contractor wise at this level. This

level is needed only for the internal control of the ULB and has no relevance at the state or national level. It is therefore not proposed to prescribe any codification structure for the same.

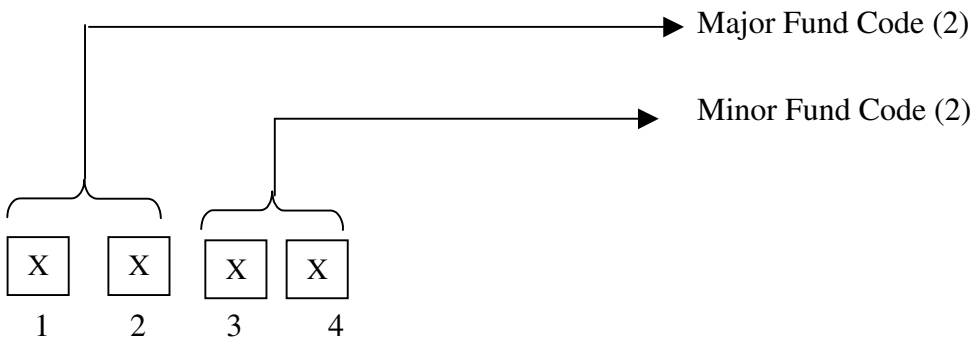
Funds

4.31 Depending on requirements, levels can be introduced. Funds can have sub- level within it. The codification structure for the funds may consist of the following:

- Major Fund and
- Minor Fund

4.32 Major Fund code would represent the broad categorisation of Funds and minor Fund within it represents a particular Fund.

4.33 The Code of a Fund shall be numeric and can be 4 digits. The structure of the Code for Fund is schematically presented below:



4.34 For example, Employee Funds can be a major fund and Pension fund can be Minor Fund within that.

Functionary

4.35 In the government set-up, demands for expenditure are drawn by the department discharging the functions and become the responsibility center for the assigned functions. Functionary group represents this. Each sub-level within this group typically can represent the organisational structure within the ULB. This level is used only for the internal control of the ULB. It is therefore not proposed to prescribe any codification structure for the same.

Field

4.36 Field represents the way the ULBs are aligned geographically. Sub-levels in this group will be based on the Territorial hierarchy. Number of digits at each level can range from 1-3 depending on the size of the local body. This is different from Accounting unit as explained under the overview section of this chapter. Field represents the area to which the expenditure or payment relates. Location or Accounting unit represents the unit at which it is accounted.

This level is needed only for the internal control of the ULB. It is therefore not proposed to prescribe any codification structure for the same.

ULB Codes

4.37 In addition to this to facilitate state level or national level aggregation, each ULB can be assigned a code. This could represent the state to which it is attached and the unique code assigned by the State. While state code can be assigned at the national level, the state governments shall prescribe a code for each Municipal body. This can be in the following format

STATE – DISTRICT – CATEGORY- CODE

4.38 Category can represent the way local bodies are classified within the state. (e.g. Corporations, Municipality etc.)

GENERAL GUIDELINES AND INSTRUCTIONS FOR USAGE OF CHART OF ACCOUNTS

4.39 The following guidelines should be followed while using the chart of accounts:

- Function codes, Major and Minor Head Codes given in the manual would apply uniformly to all Urban Local Bodies.
- Any requirement for an addition to Function head shall be requested by the States to the committee. Only the committee set up in this regard can add new codes under this head
- No major code addition is likely to happen as this format is more or less the final one. In case the same is required it has to be approved by the committee only.
- States can add minor heads at the state level. All additions made shall be intimated to the committee. Committee may introduce additional minor codes as mandatory at some periodicity based on the intimations received.
- States shall identify the detailed heads.
- ULBs shall identify the operative Detailed Heads, with the same description and code number for accounting purposes. These Heads will be commonly used in all the ULBs within a State. Detailed Heads unique to a particular ULB can also be added with the approval of the State Government.
- Some Urban Local Bodies may have further break up in their activities requiring sub-heads at a level above Detailed Heads. ULBs can induct sub-heads under

Minor Head and thereafter Detailed Heads may be suitably opened, with the approval of State Government.

- The Accounts Department shall maintain a master index of all the Code of Accounts being utilised by the Municipal Body.
- Ledger Accounts corresponding to the Account Codes need to be opened by an ULB only in respect of those transactions which arise at that ULB. Thus all the Account Codes given in this Report may not be used by every ULB.

CODING APPLICABILITY TO TRANSACTIONS AND ILLUSTARTIONS

4.40 For better appreciation of coding logic in recording transactions, a few illustrations are provided below. This primarily covers the two mandatory groups and Fund group. The logic adopted for Function group can be extended to other groups in Budgeting centres like Functionary or Field.

4.41 Recording of transactions under these codification levels is explained with some illustrations.

a. **Tuition Fee of Rs. 1,000/-** collected by the ' Primary school in an ULB where they maintain separate Fund for Education. Information to be captured under all three levels of codification structure is given below.

Debit: Cash / Bank

Level 1 Funds: Education Fund is a separate fund under the Municipal Fund Group. (Code for Municipal Fund – Education: 10-03)

Level 2 Budgeting Centres: Not applicable for cash and Bank Accounts

Level 3 Accounting subjects: Cash account under the Asset head cash and Bank Balances. (Code for Cash and bank Balances – Cash: 450- 10)

Credit: Income

Level 1 Funds: Education Fund is a separate fund under the Municipal Fund Group. (Code for Municipal Fund – Education: 10-03)

Level 2 Budgeting Centres: This is an income under the Education function/ service collected by the Primary schools department. (Code for Education – Primary Schools: 82)

Level 3 Accounting subjects: Tuition Fee is a user Charge under the Income from Fees and User Charges. (Code for Fees and User Charges – Other Fees: 140-40)

Accounting Entry to be passed is given below:

Fund Code *	Budgeting Centre Code **	Account Code	Accounting Entry (Illustrative Heads)	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures
10-03 10-03	08-82	450-10-(a) 140-40-(a)	Cash account To Fees & user charges – Other Fees	Dr. Cr.	1,000	1,000

** This is applicable only when an ULB maintain accounts under each Fund. Codes shall be defined by ULB based on logic provided earlier in the chapter and codes provided here are illustrative only.*
*** Except Function code, other code numbers are defined by the ULB depending on its requirements and codes provided are illustrative.*
(a) Insert Detailed Head Codes of Account as applicable

b. **'Electricity charges for Machinery'** paid amounting to Rs.20,000 for motor pumps of water where separate Fund for Water Supply and sewerage is maintained for Rs.50,000/-

Debits: Revenue Expense

Level 1 Funds: Water Supply and Sewerage Fund is a separate fund under the Municipal Fund Group. (Code for Municipal Fund – Water Supply and Sewerage 10-02)

Level 2 Budgeting Centres: This is an expense under the water supply function by the Public Works department. (Code for Water Supply –51)

Level 3 Accounting subjects: Electricity charges paid are revenue expenditure under the Operations and Maintenance Expense. (Code for Operations and Maintenance –Power & Fuel: 2-30-10)

Credit: Cash / bank

Level 1 Funds: Water Supply and Sewerage Fund is a separate fund under the Municipal Fund Group. (Code for Municipal Fund – Water Supply and Sewerage 10-02)

Level 2 Budgeting Centres: Not applicable for cash and Bank Accounts

Level 3 Accounting subjects: Cash account under the Asset head cash and Bank Balances. (Code for Cash and bank Balances – Cash: 450- 21)

Fund Code *	Budgeting Centre Code **	Account Code	Accounting Entry (Illustrative Heads)	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures
10-02	51	230-10-(a)	Operations & Maintenance – Power & Fuel	Dr.	2,000	
10-02		450-21-(a)	To Bank account***	Cr.		2,000

** This is applicable only when an ULB maintain accounts under each Fund. Codes shall be defined by ULB*
based on logic provided earlier in the chapter and codes provided here are illustrative only.
*** Except Function code, other code numbers are defined by the ULB depending on its requirements and codes provided are illustrative.*
**** Specify name of the Bank and the account number*
(a) Insert Detailed Head Codes of Account as applicable

c. **Purchase of Ambulance** for Hospital run by the ULB for Rs. 2,00,000/.

Debits: Capital Expense

Level 1 Funds: General Fund under the Municipal Fund Group. (Code for Municipal Fund – General Fund 10-01)

Level 2 Budgeting Centres: This is an expense under Hospital Services. (Code for Hospital Services: 35)

Level 3 Accounting subjects: Ambulance is an asset under the Vehicles. (Code for Fixed asset – Vehicles – Ambulance: 410-50)

Credit: Liability

Level 1 Funds: General Fund under the Municipal Fund Group. (Code for Municipal Fund – General Fund 10-01)

Level 2 Budgeting Centres: Not applicable for control/ suspense accounts.

Level 3 Accounting subjects: Suppliers control account under the Liability head Other Liabilities (Code for Other Liabilities – Creditors: 350-10)

Fund Code *	Budgeting Centre Code **	Account Code	Accounting Entry (Illustrative Heads)	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures
10-01	35	410-50-(a)	Fixed assets-Vehicles-Ambulances	Dr.	200,000	
10-01		350-10(a)***	Other liabilities (Sundry creditors)***	Cr.		200,000

** This is applicable only when an ULB maintain accounts under each Fund. Codes shall be defined by ULB based on logic provided earlier in the chapter and codes provided here are illustrative only.*
** Except Function code, other code numbers are defined by the ULB depending on its requirements.
(a) Insert Minor & Detailed Head Codes of Account as applicable

d. **Payment of Other Liabilities** (Sundry Creditors) for purchase of Ambulance amounting to Rs. 200,000 through Main Bank account.

Debits: Other Liabilities Account

Level 1 Funds: General Fund under the Municipal Fund Group. (Code for Municipal Fund – General Fund 10-01)

Level 2 Budgeting Centres: Not applicable for control/ suspense accounts.

Level 3 Accounting subjects: Suppliers control account under the Liability head Other Liabilities (Code for Other Liabilities –Creditors: 350-10)

Credit: Cash/Bank

Level 1 Funds: General Fund under the Municipal Fund Group. (Code for Municipal Fund – General Fund 10-01)

Level 2 Budgeting Centres: Not applicable for cash and Bank Accounts

Level 3 Accounting subjects: Main Bank account under the Asset head cash and Bank Balances. (Code for Cash and bank Balances – Cash: 450-21)

Fund Code *	Budgeting Centre Code **	Account Code	Accounting Entry (Illustrative Heads)	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures
10-01 10-01		350-10-(a) 450-21-(a)	Creditors – Suppliers Bank Account***	Dr. Cr.	200,000	 200,000

** This is applicable only when an ULB maintain accounts under each Fund. Codes shall be defined by ULB based on logic provided earlier in the chapter and codes provided here are illustrative only.*
*** Except Function code, other code numbers are defined by the ULB depending on its requirements.*

****Specify Name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

4.42 It may be noted that two levels that is Fund and Accounting subjects are to be captured for every debit and credit in an entry, whereas Budgeting centers details are captured only for the respective budgetary control accounts for example Revenue Expenditure, Income, Capital Expenditure. Whenever Budgeting centres are not applicable "00" may be used to denote the field in an IT environment. Once a transaction is identified to a fund all debits and credits in the transaction is attached to the same Fund and hence common for the entire entry.

4.43 To summarise, Fund code shall be same for all debits and credits in a transaction, Budget Codes will be applicable only for certain debits and credits in a transaction; Account codes shall vary for every debit and Credit in a transaction.

Functions Listing

Function Group Code	Function - Group	Function Code	Function Description	Illustrative List of Other functions possible grouping
00	**General Administration**			
		01	Municipal Body	General Body, All Committees, Mayor / Council Members office, Secretariat
		02	Administration	General Admin, Public Relations, IT, Legal, Vigilance
		03	Finance, Accounts, Audit	
		04	Election	
		05	Record Room	
		06	Estate	
		07	Stores & Purchase	
		08	Workshop	
		09	Census	
10	**Planning & Regulations**			
		11	City and Town Planning	
		12	Building Regulation	
		13	Economic Planning	
		14	Encroachment Removal	
		15	Trade License / Regulations	
20	**Public Works**			
		21	Roads and Pavement	
		22	Bridges and Fly overs	
		23	Subways & Causeways	
		24	Street Lighting	
		25	Storm water Drains	
		26	Traffic Signals	
		27	Guest Houses	
30	**Health**			
		31	Public Health	Immunisation, Polio,
		32	Epidemic / Prevention Control	Malaria Control
		33	Family Planning	
		34	Primary Health Care	
		35	Hospital Services	
		36	Burial and Cremations	

Function Group Code	Function - Group	Function Code	Function Description	Illustrative List of Other functions possible grouping
		37	Vital Statistics	
		38	Prevention of Food Adulteration	
		39	Ambulance / Hearse Services	
40	**Sanitation and Solid Waste Management**			
		41	Solid Waste Management	
		42	Public Convenience	
		43	Veterinary Services	
		44	Cattle Pounding	
		45	Slaughter Houses	
50	**Civic Amenities**			
		51	Water Supply	
		52	Sewerage	
		53	Fire Services	
		54	Arts & Culture	
		55	Community / Marriage Centers	
		56	Amusement	
		57	Museums	
		58	Municipal Markets	
60	**Urban Forestry**			
		61	Parks, Gardens	
		62	Play Grounds	
		63	Lakes and Ponds	
		64	Urban Forestry	
		65	Environment Conservation	
		66	Zoos	
70	**Urban Poverty Alleviation & Social Welfare**			
		71	Welfare of Women	
		72	Welfare of Children	
		73	Welfare of Aged	
		74	Welfare of Handicapped	
		75	Welfare of SC/ST/OBC	
		76	Slum Improvements	
		77	Housing	
		78	Urban Poverty Alleviation	
		79	Others	

Function Group Code	Function - Group	Function Code	Function Description	Illustrative List of Other functions possible grouping
80	**Other Services**			
		81	Electricity	
		82	Education	
		83	Transportation	
		84	Facility for pilgrims	
90	**Revenues**			
		91	Property Taxes	
		92	Octroi / Entry Cess	
		93	Advertisement Tax	
		94	Professional Tax	
		95	Tax on Animals	
		96	Tax on Vehicles	
		97	Toll	
		99	Other Taxes	

CoA Listing – Income

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
110	**Tax Revenue**				
		01	Property Tax	Residential, Commercial, Land, Service Charges	
		02	Water Tax		
		03	Sewerage Tax		
		04	Conservancy Tax		
		05	Lighting Tax		
		06	Education Tax		
		07	Vehicle Tax		
		08	Tax on Animals		
		09	Electricity Tax		
		10	Professional Tax		
		11	Advertisement Tax	Land hoarding, Bus Shelters, Traffic signals	
		12	Pilgrimage Tax		
		51	Octroi & Toll	Octroi, Toll, Provisional Octroi, Account current Importers	
		52	Cess	Gross Cess, Net Cess	
		80	Others Taxes		
		90	Tax Remission & Refund	All Types of Taxes	
120	**Assigned Revenues & Compensations**				
		10	Taxes and Duties collected by others	Entertainment Tax, Duty on Transfer of Properties	
		20	Compensation in lieu of Taxes / duties	Compensation in lieu of Octroi, Octroi in lieu of Electricity	
		30	Compensations in lieu of Concessions	Property Tax compensations due to concessions certain set of tax payers	

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
130	**Rental Income from Municipal Properties**				
		10	Rent from Civic Amenities	Markets, Shopping complexes, Auditorium, Art Galleries, Marriage/ community halls, Playgrounds, Nurseries	
		20	Rent from Office Buildings	Quarters	
		30	Rent from Guest Houses		
		40	Rent from lease of lands		
		80	Other rents	Lease Rentals	
		90	Rent remission and refund		
140	**Fees & User Charges**				
		10	Empanelment & Registration Charges	Carts, Contractors, Patients, Professionals, P W contractors, Cess Registration,	
		11	Licensing Fees	D &O, Hawking, Shops, Bazaars, Staff Quarters, Plumbing License, Cattle Pounding, Slaughtering, Butchers and Traders of meat, Poultry,	
		12	Fees for Grant of Permit	Transit, Escort, Layout, sub-division, Plan	
		13	Fees for Certificate or Extract	Copying, Birth & Death certificates, Occupancy Certificate,	
		14	Development Charges	Development, Betterment, Demolition, Open space contribution, Parking Contribution	

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
		15	Regularization Fees	Encroachment, Regularization, Revalidation, Conversion fees	
		20	Penalties and Fines	Octroi, Cess	
		40	Other Fees	Advertisement Fees, Tuition Fees, Sports Fee, Library Fees, Survey fees, Connection, Disconnection charges, Notice Fees, Warrant Fees, Mutation Fees, Property Transfer Charges	
		50	User Charges	Medicines, Examination charges, Ambulance, Funeral Van, Garbage Collection Charges, Littering and Debris collection, Septic Tank clearance, Sewerage clearance charges, Crematorium Charges, Burial Ground Charges, Pay & use toilets, Water Supply, Sale of Electricity, Water Tanker, Meter charges, Fire Extinguishing, Lighting charges, Ticket charges, Luggage charges, parking fees	
		60	Entry Fees	Parks, Playgrounds, Swimming Pool, Zoo, Museum, Library, Parking Lots	

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
		70	Service / Administrative Charges	Service Charges, Percentage on Deposit works, Plan Preparation charges, Road Damage Recovery charges, stacking, Rebate from state Government	
		80	Other Charges		
		90	Fees Remission and Refund	Water Supply	
150	**Sale & Hire Charges**				
		10	Sale of Products	Tree-Guards, Garbage, Manure, Rubbish, Compost, Nursery plants, Fruits, Flowers, Grass, Trees, etc	
		11	Sale of Forms & Publications	Tenders, Data, Plans, Maps	
		12	Sale of stores & scrap	Obsolete stores, Obsolete assets	
		30	Sale of Others	Old newspaper	
		40	Hire Charges for Vehicles	Buses	
		41	Hire Charges on Equipments	Rollers, Tools & Equipments, Medical Equipments	
160	**Revenue Grants, Contribution and Subsidies**				
		10	Revenue Grant	Road Development grants, Family welfare Grant, Census Grant etc	
		20	Re-imbursement of expenses		
		30	Contribution towards schemes		

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
170	**Income from Investments**				
		10	Interest	Fixed Deposits, Government Securities, Post office deposits	
		20	Dividend		
		30	Income from projects taken up on commercial basis		
		40	Profit in Sale of Investments		
		80	Others		
171	**Interest Earned**				
		10	Interest from Bank Accounts	SB accounts	
		20	Interest on Loans and advances to Employees	HBA, Conveyance, Computer, Festival, Vehicle	
		30	Interest on loans to others		
		80	Other Interest	Interest on HP	
180	**Other Income**				
		10	Deposits Forfeited		
		11	Lapsed Deposits	Contractors, Suppliers	
		20	Insurance Claim Recovery		
		30	Profit on Disposal of Fixed asses		
		40	Recovery from Employees		
		50	Unclaimed Refund Payable/ Liabilities Written Back	Stale Cheques	
		60	Excess Provisions written back	Property Tax, Octroi, Cess, Water Supply, Advertisement Tax, Rent	
		80	Miscellaneous Income		

CoA Listing – Expense

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
210	**Establishment Expenses**				
		10	Salaries, Wages and Bonus	Salaries & Allowances- Officers, staff, Wages, Exgratia, bonus, Octroi Performance Bonus	
		20	Benefits and Allowances	Overtime Allowance, LTC, Medical Re-imbursement, Tuition Fees, Education Allowance, Uniform to staff, Compensation to staff, Honorarium to Corporators, Officers and Staff, Training, staff welfare expenses, HRD activities,	
		30	Pension	Pension, Family Pension, Pension contribution, Pension Fund Deficit Contribution, Contribution to other funds	
		40	Other Terminal & Retirement Benefits	Leave encashment, Death cum Retirement gratuity, Contribution to PF or other Funds. Leave Salary contribution	
220	**Administrative Expenses**				
		10	Rent, Rates and Taxes		
		11	Office maintenance	Electricity, Water, Security expenses	
		12	Communication Expenses	Telephone, Mobile, Fax	
		20	Books & Periodicals	Magazines, Newspapers, Journals,	

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
		21	Printing and Stationery	Service postage, Printing, Stationery, computer consumables	
		30	Travelling & Conveyance	Fuel, Travelling , Petrol & Diesel	
		40	Insurance		
		50	Audit Fees		
		51	Legal Expenses	Legal Fees, Cost of recoveries of tax revenue, suit compromises	
		52	Professional and other Fees	Architect, Engineer, Technical Fees, Consultancy charges,	
		60	Advertisement and Publicity	Hospitality Expenses, Advertisement, Organisation of Festivals	
		61	Membership & subscriptions		
		80	Others		
230	**Operations & Maintenance**				
		10	Power & Fuel		
		20	Bulk Purchases	Electricity, Water	
		30	Consumption of Stores	Stores	
		40	Hire Charges	Machinery Rent	
		50	Repairs & maintenance - Infrastructure Assets	Roads & Bridges, Fly-Overs, Water Supply & sewerage, Street Lighting, Storm water Drains, , traffic signals,	
		51	Repairs & maintenance - Civic Amenities	Parks, Gardens, Lakes, Play Grounds, Arts & Culture , Parking Lots, Markets, Houses, Commercial complex, Hospitals, Swimming Pools, Stadium, Nursery, Play materials, Public Toilets,	

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
		52	Repairs & maintenance - Buildings	Office Buildings,	
		53	Repairs & maintenance - Vehicles		
		59	Repairs & maintenance - Others	Furniture Fixture, electrical appliances, Office equipment, other FA, Survey & Drawing equipments,	
		80	Other operating & maintenance expenses	Testing & inspection, Water Purification, Garbage Clearance, Patients food, Patients laundry, Tax for Public Transport vehicles,	
240	**Interest & Finance Charges**				
		10	Interest on Loans from Central Government		
		20	Interest on Loans from State Government		
		30	Interest on Loans from Government Bodies & associations		
		40	Interest on Loans from International Agencies		
		50	Interest on Loans from Banks & Other Financial Institutions		
		60	Other Interest	Leases , HP	
		70	Bank Charges		
		80	Other Finance Expenses	Discount on early / prompt payment, Commitment charges	

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
250	**Programme Expenses**				
		10	Election Expenses		
		20	Own Programme		
		30	Share in programme of others		
260	**Revenue Grants, Contribution and Subsidies**				
		10	Grants		
		20	Contributions		
		30	Subsidies		
270	**Provisions and Write off**				
		10	Provisions for Doubtful receivables	Property Tax, Cess, Fees and User Charges, Rent	
		20	Provision for other Assets	Stores, Fixed assets, Investments	
		30	Revenues written off	Property Tax, Assigned Revenues, Grants	
		40	Assets written off	Stores, Fixed assets	
		50	Miscellaneous Expense written off	Issue expenses	
271	**Miscellaneous Expenses**				
		10	Loss on disposal of Assets		
		20	Loss on disposal of Investments		
		30	Decline in Value of Investments		

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
272	**Depreciation**				
		20	Buildings		
		30	Roads & Bridges		
		31	Sewerage and Drainage		
		32	Waterways		
		33	Public Lighting		
		40	Plant & machinery		
		50	Vehicles		
		60	Office & Other Equipments		
		70	Furniture, Fixtures, Fittings and Electrical Appliances		
		80	Other Fixed Assets		
280	**Prior Period Item**				
			Income		
		10	Taxes	Taxes, Octroi, Toll, Cess	
		20	Other - Revenues		
		30	Recovery of revenues written off	All types of Taxes, Fees & User Charges	
		40	Other Income		
			Expenses		
		50	Refund of Taxes	All types of Taxes	
		60	Refund of Other - Revenues	Water Supply, Rent	
		80	Other Expenses		
290	**Transfer to Reserve Funds**				

CoA Listing – Liability

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
310	**Municipal (General) Fund**				
		10	Municipal Fund	Closing Balance, Adjustments to Opening balance sheet	
		90	Excess of Income and Expenditure		
311	**Earmarked Funds**				
		10- 49	Special Funds (Specify each Fund name)	All developmental funds and special purpose funds. E.g.. Examples Road Fund, Water Supply Fund, City Development Fund etc)	0 - Opening Balance, 1- 9 Additions to Grants during the period, 11 - 29 Revenue Income earned, 30-49 Capital Income earned, 50-69 Revenue Expenses payments, 70-89 capital expenses payments
		50 - 69	Sinking Funds (Specify each Fund Name)	All Borrowing repayments funds, Asset Replacement Funds	
		70-99	Trust or Agency Funds (Specify each Fund Name)	Examples, all employee related funds like PF, Pension etc.	
312	**Reserves**				
		10	Capital Contribution		
		11	Capital Reserve		
		20	Borrowing Redemption reserve (if no sinking fund is created)		
		30	Special Funds (Utilised)		
		40	Statutory Reserve		

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
		50	General Reserve		
		60	Revaluation Reserve		
320	**Grants , Contribution for specific purposes**				
		10	Central Government	Specify Name of each specified grant	0- Opening Balance, 1- 9 Additions to Grants during the period, 11 - 29 Revenue Income earned, 30-49 Capital Income earned, 50-69 Revenue Expenses payments, 70-89 capital expenses payments
		20	State Government		
		30	Other Government Agencies		
		40	Financial Institutions		
		50	Welfare Bodies		
		60	International Organizations		
		80	Others		
330	**Secured Loans**				
		10	Loans from Central Government	[Use detailed head codes for different loans]	
		20	Loans from State Government		
		30	Loans from Government Bodies & Association		
		40	Loans from International Agencies		
		50	Loans from Banks & Other Financial Institutions		

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
		60	Other Term Loans	HP	
		70	Bonds & Debentures		
		80	Other Loans		
331	**Unsecured Loans**				
		10	Loans from Central Government	[Use detailed head codes for different loans]	
		20	Loans from State Government		
		30	Loans from Government Bodies & Association		
		40	Loans from International Agencies		
		50	Loans from Banks & Other Financial Institutions		
		60	Other Term Loans		
		70	Bonds & Debentures		
		80	Other Loans		
340	**Deposits Received**				
		10	From Contractors / Suppliers	EMD, Security Deposit	
		20	Deposits – Revenues	Octroi, Transit, Water, Electricity, Rental etc	
		30	From Staff		
		80	From Others		
341	**Deposit works**				
		10	Civil works		
		20	Electrical works		
		80	Others		

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
350	**Other Liabilities**				
		10	Creditors	Suppliers, Contractors, Expenses, Payables against funds, Payables against grants, Payable against Specific Scheme, Contractors Advance Control account	
		11	Employee liabilities	Gross Salary, Net Salaries, Salaries unpaid, P.F. payable, Pension, Gratuity, Welfare Funds, Leave Salary payable	
		12	Interest Accrued and due	Loans, HP	
		20	Recoveries payable	P.F deductions, LIC, Loans, Societies, Service Tax, Profession Tax, TDS, Contract Tax, Trade Tax, Sales Tax, Service Tax, Works Contract etc	
		30	Government Dues payable	Library Cess, Education Cess, Court Attachment etc	
		40	Refunds payable	Taxes, Other Revenues, Grants, Deposit Works, Attached Properties, Octroi, Cess, Water Supply, Rent	
		41	Advance Collection of Revenues	Property Tax, Water Supply, Cess, License Fees, Rent, Advertisement charges	
		80	Others	Compensation payable, Stale Cheque, HP Payable, Lease Charges payable, HP Interest receivable Control Account etc.	
		90	Sale Proceeds	Assets, Investments, Attached properties	Note: This account will not have balance at the year end

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
360	**Provisions**				
		10	Provisions for Expenses		
		20	Provision for Interest	Interest Accrued but not due	
		30	Provision for Other Assets	Stores, Investments	

CoA Listing - Asset

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
410	**Fixed Assets**				
		10	Land	Grounds, Open markets, Parks, Gardens	
		20	Buildings		
		30	Roads & Bridges	Concrete , Black Topped, Others	
		31	Sewerage and Drainage	Open, Underground,	
		32	Waterways	Borewells, Open wells, Reservoirs	
		33	Public Lighting	Lamp posts, Transformers	
		40	Plant & Machinery		
		50	Vehicles	Ambulance, Buses, Cars, Jeeps, Cranes, Trucks, Tankers	
		60	Office & Other Equipments	Air conditioners, Computers, Faxes, Photocopiers, Refrigerators	
		70	Furniture, Fixtures, Fittings and Electrical Appliances	Cabinets, Cupboards, Chairs, Fans, Electrical Fittings	
		80	Other Fixed Assets		
		90	Assets under Disposal		Note: This account will not have balance at the year end
411	**Accumulated Depreciation**				
		20	Buildings		
		30	Roads & Bridges		
		31	Sewerage and Drainage		
		32	Waterways		

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
		33	Public Lighting		
		40	Plant & machinery		
		50	Vehicles		
		60	Office & Other Equipments		
		70	Furniture, Fixtures, Fittings and Electrical Appliances		
		80	Other Fixed Assets		
412	**Capital Work - in - progress**				
		10	Specific Grants		
		20	Special funds		
		30	Specific Schemes		
420	**Investments - General Fund**				
		10	Central Government Securities		
		20	State Government Securities		
		30	Debentures and Bonds		
		40	Preference Shares		
		50	Equity Shares		
		60	Units of Mutual Funds		
		80	Other Investments		
		90	Accumulated Provision		
421	**Investments - Other Funds**				
		10	Central Government Securities		
		20	State Government Securities		
		30	Debentures and Bonds		
		40	Preference Shares		
		50	Equity Shares		

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
		60	Units of Mutual Funds		
		80	Other Investments		
		90	Accumulated Provision		
430	**Stock - in-hand**				
		10	Stores	Opening Stock, Closing stock, Purchases	Opening stock and Purchases to have nil balance
		20	Loose Tools		
		80	Others		
431	**Sundry Debtors (Receivables)**				
			Receivables		
		10	Receivables for Property Taxes	Year wise	
		19	Receivable for Other Taxes	Octroi Account Current from Importers	
		20	Receivables for Cess		
		30	Receivable for Fees & User Charges	License Fees, Advertisement Fees, water Supply	
		40	Receivable from other sources	Rent, Interest accrued & due, Interest accrued & not due, Undertakings, Interest due from employees,	
		50	Receivable from Government	Grants, Assigned Revenues	
		80	Receivables control accounts	Property Taxes, Cess, Water Supply	Note: This account will not have balance at the year end
			State Govt Cesses/ levies in Taxes - Control accounts		

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
		91	State Govt Cesses/ levies in Property Taxes - Control account		
		92	State Govt Cesses/ levies in Water Taxes - Control account		
		99	State Govt Cesses/ levies in Other Taxes - Control account		
432	**Accumulated Provisions against Debtors (Receivables)**				
		10	Provision for outstanding Property Taxes		
		11	Provision for outstanding Water Taxes		
		12	Provision for outstanding Other Taxes		
		20	Provision for outstanding Cess		
		30	Provision for outstanding Fees & User Charges	Water Supply	
				Rent	
		40	Provision for outstanding other receivable		
			State Govt. Cesses/ levies in Taxes - Provision accounts		
		91	State Govt Cesses/ levies in Property Taxes - Provision account		

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
		92	State Govt Cesses/ levies in Water Taxes - Provision account		
		99	State Govt Cesses/ levies in Other Taxes - Provision account		
440	**Pre-paid Expenses**				
		10	Establishment		
		20	Administration		
		30	Operations & Maintenance		
450	**Cash and Bank balance**				
		10	Cash		
			Balance with Bank - Municipal Fund		
		21	Nationalised Banks		
		22	Other Scheduled Banks		
		23	Scheduled Co-operative Banks		
		24	Post Office		
			Balance with Bank - Special Funds		
		41	Nationalised Banks		
		42	Other Scheduled Banks		
		43	Scheduled Co-operative Banks		
		44	Post Office		
			Balance with Bank - Grant Funds		
		61	Nationalised Banks		
		62	Other Scheduled Banks		
		63	Scheduled Co-operative Banks		

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
		64	Post Office		
460	**Loans, Advances and Deposits**				
		10	Loans and advances to employees	HBA, Conveyance, Computer advance, Festival advance, Vehicle Advance	
		20	Employee Provident Fund Loans		
		30	Loans to Others		
		40	Advance to Suppliers and contractors	Public Works, Stores, Materials Issued to Contractors/Stores, Lease Rentals, HP accounts	
		50	Advance to others	Permanent Advance, Advance against projects, Advance against scheme, Grants	
		60	Deposits with external Agencies	Electricity, Telephones, Water, Petrol Pumps,	
		80	Other current assets	HP Instalments received, Interest Receivable on Loans & advances, Scheme Expenses	
461	**Accumulated Provisions against Loans, Advances and Deposits**				
		10	Loans to Others		
		20	Advances		
		30	Deposits		
470	**Other Assets**				
		10	Deposit Works - Expenditure	Civil, Electrical, Others	Note: This account will not have balance at the year end

Major Code	Major Head Description	Minor Code	Minor Head Description	Detailed Heads	Remarks
		20	Inter Unit Accounts		Note: This account will not have balance after consolidation of all AUs accounts
		30	Interest Control Payable	Lease, HP	
480	**Miscellaneous Expenditure to be written off**				
		10	Loan Issue Expenses		
		20	Discount on Issue of loans		
		30	Others		

CHAPTER 5

GENERAL ACCOUNTING PROCEDURES

INTRODUCTION

5.1 This chapter discusses the Books of Accounts to be maintained and the General Accounting Procedures to be followed by the ULB under the accrual based accounting system.

BOOKS OF ACCOUNTS

5.2 The books of accounts shall be maintained separately for each financial year as prescribed in the State Act/Rules.

5.3 The following are the primary Books of Accounts that shall be maintained at the ULB:

a. Cash Book (Form GEN-1) shall be the Book of Original Entry for recording transactions involving cash and/or bank. The Cash Book may also be referred to as the Cash and Bank Book. The Cash Book has two sides, viz., "Receipt" and "Payment". All collections on behalf of the ULBs shall be recorded on the "Receipt" side and all payments shall be recorded on the "Payment" side. Separate Cash Books shall be maintained in respect of each bank account. Designated Bank Accounts may be operated for deposit of collections pertaining to Property & Other Taxes, Octroi, Water Supply, Cess, Public Works, Special Funds etc., as has been provided in the applicable rules and regulations. Exhibit 5.1 provides the format of the Cash Book.

Exhibit 5.1
Cash Book

Receipt **Payment**

Sr. No.	Date	Rcpt. Vchr. No.	Code of Account	Particulars of Receipt	L/F	Cash Amount (Rs.)	No. of Bank Challan	Bank Account Amount (Rs.)	Sr. No	Date	Pymt. Vchr. No.	Code of Account	Particulars of Payment	L/F	Cash Amount (Rs.)	Bank Account Amount (Rs.)
				Balance B/F												

b. Journal Book (Form GEN-2) shall be the book of original entry for recording all transactions other than those involving cash and/or bank. A non-cash/bank transaction is first recorded in the Journal Book by dividing into its debit and credit aspects, from which a posting is done in the relevant ledger account. Recording of income in respect of Property & Other Taxes Bills raised, recording of liability on receipt of supplier's bills are examples of transactions, which shall be first recorded in the Journal Book. Exhibit 5.2 provides the format of the Journal Book.

Exhibit 5.2
Journal Book

Sr. No.	Date	Jrnl. Vchr. No.	Code of Account	Particulars	L/F	Debit Amount (Rs.)	Credit Amount (Rs.)

c. Ledger (Form GEN-3) shall be the book that shall contain all the accounts as specified in the Chart of Accounts. The Ledger has two sides, viz, "Debit" (Dr.) and "Credit" (Cr.). The head of account which is "Debited" while recording the accounting entry in the Journal Book (Form GEN-2) or which is recorded on the "Payment" side of the Cash Book (Form GEN-1) shall be posted on the "Debit" side of the Ledger. Similarly the head of account which is "Credited" while recording the accounting entry in the Journal Book or which is recorded on the "Receipt" side of the Cash Book shall be posted on the "Credit" side of the Ledger. Each entry in the Cash Book and the Journal Book shall have a posting in the Ledger (except transactions relating to deposit into or withdrawal of cash from bank or transfer of amount from one bank to another bank account). The Ledger shall provide a listing of all the transactions in respect of a head of account during an accounting period. The posting of the entries from the books of original entry to the Ledger has been explained later in this chapter. Exhibit 5.3 provides the format of the Ledger.

Exhibit 5.3
Ledger

Dr. **Cr.**

Date	Code of Account	Particulars	Folio	Amount (Rs.)	Date	Code of Account	Particulars	Folio	Amount (Rs.)

ACCOUNTING DOCUMENTS

5.4 Vouchers prepared at the ULBs shall form the base documents for recording the transactions in the Books of Original Entry. The vouchers shall be numbered serially. The accounting documents to be prepared by the ULBs are described below:

a. Cash/Bank Receipt Voucher (Form GEN-4) shall be the document prepared for recording receipt entries in the Cash Book. The Cash Receipt Voucher shall be prepared for receipts in cash and the Bank Receipt Voucher for receipts by cheques, demand drafts, banker' s cheques, etc., which need to be deposited in the bank for realisation. ***Separate series of numbers shall be***

maintained for cash transactions and for each bank account. For example, the Bank Receipt Vouchers in respect of Bank Account A and B may have the series BRV-A-1 onwards and BRV-B-1 onwards respectively.

b. Cash/Bank Payment Voucher (Form GEN-5) shall be the document prepared for recording payment entries in the Cash Book. ***Separate series of numbers shall be maintained for cash transactions and for each bank account***. For example, the Bank Payment Vouchers in respect of Bank Account M and N may have the series BPV-M-1 onwards and BPV-N-1 onwards respectively.

c. Contra Voucher (Form GEN-6) shall be the document prepared for recording transactions involving deposit of cash into the bank, withdrawal of cash from bank or transfer of amount from one bank to another.

d. Journal Voucher (Form GEN-7) shall be the document prepared for recording entries in the Journal Book. These entries would not involve any cash/bank related transactions.

OTHER REGISTERS/FORMS

5.5 The specific books of accounts, forms and registers to be maintained at the various departments of the ULB can be defined in the State Manual depending on the rules and regulations governing them. However inputs required from various departments for recording the transactions are prescribed in the subsequent chapters. Some of the other general registers and forms which shall be required to be maintained are provided in Table 5.1 below:

Table 5.1
Other General Registers and Forms

Sr. No.	Name of the Form	Form Number
1	Receipt	GEN-8
2	Receipt Register	GEN-9
3	Statement on Status of Cheques Received	GEN-10
4	Collection Register	GEN-11
5	Summary of Daily Collection	GEN-12
6	Register of Bills for Payment	GEN-13
7	Payment Order	GEN-14
8	Cheque Issue Register	GEN-15
9	Register of Advance	GEN-16
10	Register of Permanent Advance	GEN-17
11	Deposit Register	GEN-18
12	Summary Statement of Deposits Adjusted	GEN-19
13	Demand Register	GEN-20
14	Bill for Municipal Dues	GEN-21
15	Summary Statement of Bills Raised	GEN-22
16	Register of Notice Fee, Warrant Fee, Other Fees	GEN-23
17	Summary Statement of Notice Fee, Warrant Fee, Other Fees	GEN-24

Sr. No.	Name of the Form	Form Number
18	Register of Refunds, Remissions and Write-offs	GEN-25
19	Summary Statement of Refunds and Remissions	GEN-26
20	Summary Statement of Write-Offs	GEN-27
21	Statement of Outstanding Liability for Expenses	GEN-28
22	Documents Control Register/Stock Account of Receipt/Cheque Book	GEN-29
23	Register of Immovable Property	GEN-30
24	Register of Movable Property	GEN-31
25	Register of Land	GEN-32
26	Function-wise Income Subsidiary Ledger	GEN-33
27	Function-wise Expense Subsidiary Ledger	GEN-34
28	Asset Replacement Register	GEN-35
29	Register of Public Lighting System	GEN-36

5.6 The formats of all books, registers, and forms referred in this chapter and those listed (Form GEN-8 to GEN-36) above are annexed to this chapter.

PROCEDURE TO BE FOLLOWED FOR ACCOUNTING OF COLLECTIONS

5.7 The collections in respect of the receipts of the ULB may be made at Collection Offices (i.e. at the department, Ward Offices, Single-Window, etc.) or at other Collection Centres (i.e. branches of Designated Banks and other Collection Centres). The general procedure for the receipt, deposit and accounting of the collections shall be as follows:

a. Collection at Counters: For receipt of cash or any amount received in the form of cheques/draft, a Receipt, duly signed and dated shall be issued in Form GEN-8. In cases where the payer has to submit Bills/Challans, one copy shall be returned to the payer along with the Receipt. All cheques/drafts received shall be recorded in a Receipt Register, maintained in Form GEN-9. Receipt Register can be maintained in perforated sheets, so that the second copy can be used for depositing cheques with Bank or other Collection Offices of the ULB.

b. Deposit of amount collected: The amount collected (cash, cheques as well as drafts) shall be deposited into Designated Bank Accounts or with the other designated Collection Offices of ULBs, by the end of the day. The amount shall be deposited in the bank on the same day or on the next working day.

c. Remittance of collections to other Collection Offices: The Collection Office receiving the cash/cheque/demand draft/ banker's cheque from other collection centers, shall issue a Receipt (Form GEN-8) to acknowledge the receipt of cash/cheque/demand draft/banker's cheque from other collection offices. The

receiving Collection Centre shall record the receipt issued for receipt of the cheques/drafts received from other collection centers in its receipt register maintained in Form GEN -9.

d. Entry in Collection Register. The Collection Offices and Collection Centres shall record the particulars of each Receipt issued in the Collection Register, maintained in Form GEN-11, on a daily basis. The Collection to be maintained in Form GEN-11 is to be account head wise details of the daily collections. This collection register shall be maintained in triplicate where in one copy can be sent to the concerned departments along with one copy of the Bill/Challan collected, if any, one can be sent to the Accounts and other one will be retained as book copy.

e. Preparation of a Summary of Daily Collection. Based on the details from the collection register, the collection offices shall prepare a Summary of Daily Collection in Form GEN-12. The Summary of Daily Collection is a covering sheet that provides a summary of the total revenues collected by the Collection Office/Centre.

f. Collections at branches of Designated Banks directly from the payers. The officers, designated for the purpose of co-ordinating with the branches collecting the receipt directly from the payers, shall also prepare a Summary of Daily Collection in Form GEN – 12.

g. Preparation of Bank Receipt Voucher. The Accounts Department shall prepare a Bank Receipt Voucher (Form GEN-4) and pass the entry for recording the collections based on the Summary of Daily Collection (Form GEN-12) received.

For example, the following entry shall be passed in respect of receipt of Security Deposit received by cheque and deposited in Main Bank Account:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21 (a) 340-10-(a)	Bank Account * To Deposit Contractors – Security Deposit	Dr. Cr.	10,000	 10,000	Cash Book, Ledger

** Specify name of the Bank and Account number*
(a) Insert Minor Head Codes of Account as applicable

h. Entry in Cash Book. In practice, the above entry shall be passed in the Main Cash Book (Form GEN-1), in the "Bank" column on the "Receipt" side, as follows:

Cash Book of _____ Name of ULB (Main)

Receipt **Payment**

Sr. No.	Date	Rcpt. Vchr. No.	Code of Account	Particulars of Receipt	L/F	Cash Amount (Rs.) Illustrative figures	Bank Amount (Rs.) Illustrative figures	Sr. No.	Date	Pymt. Vchr. No.	Code of Account	Particulars of Payment	L/F	Cash Amount (Rs.) Illustrative figures	Bank Amount (Rs.) Illustrative figures
	1/1/04		340-10-(a)	To Deposit from contractors – Security Deposit			10,000								

(Extracted Cash Book)

i. Posting in the Ledger. From the Cash Book, a posting shall be made to the Ledger (Form GEN-3) in the "Deposit from Contractors - Security Deposit t" Account on the "Credit" side, as shown below:

Deposit from contractors - Security Deposit

Dr. **Cr.**

Date	Code of Account	Particulars	Folio	Amount (Rs.) (Illustrative figure)	Date	Code of Account	Particulars	Folio	Amount (Rs.) (Illustrative figure)
					1/1/04	450-21-01	By Bank Account		10,000

j. Similarly, collections in respect of Property & Other Taxes shall be accounted as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Bank Account *	Dr.	25,000		Cash Book, Ledger
431-80-(a)	To Receivables control account - Property Tax	Cr.		25,000	

** Specify Name of Bank and account number*

(a) Insert Detailed Head Codes of Account as applicable

In practice, the above entry shall be passed in the relevant Cash Book (Form GEN-1), in the "Bank" column on the "Receipt" side and posted to the Ledger (Form GEN-3), as follows:

Cash Book of _____(Name of Bank)

Receipt **Payment**

Sr. No.	Date	Rcpt. Vchr. No.	Code of Account	Particulars of Receipt	L/ F	Bank Amount (Rs.) Illustrative figures	Bank Amount (Rs.) Illustrative figures	Sr. No.	Date	Pymt. Vchr. No.	Code of Account	Particulars of Payment	L/ F	Bank Amount (Rs.) Illustrative figures	Bank Amount (Rs.) Illustrative figures
	1/1/04		431-80-(a)	To Recevables control account – Property Tax			25,000								

(Extracted Cash Book)

Receivables Control account

Dr. **Cr.**

Date	Code of Account	Particulars	Folio	Amount (Rs.) (Illustrative figure)	Date	Code of Account	Particulars	Folio	Amount (Rs.) (Illustrative figure)
					1/1/04	450-21-(a)	By Bank Account		25,000

k. The entries to be passed for recording the collection of revenues have been provided in the subsequent chapters, e.g., Chapter 6 - Property and Other Taxes, Chapter 7 – Octroi, Chapter 8 - Cess, Chapter 9 - Water Supply, Chapter 10 – Assigned revenues, Chapter 11 – Rents, Fees and Other Incomes, etc.

l. Updation of Subsidiary Ledgers. The Accounts Department shall maintain separate Subsidiary Ledger for each of the Major revenues in Form GEN – 33. The Subsidiary Ledgers would provide function-wise break-up of above-mentioned income earned/received by the ULBs on a daily basis. Separate folios shall be maintained for each function within the Subsidiary Ledger for recording incomes in respect of each function. When some income is earned, it will be first recorded in the Cash Book on the receipt side or in the journal from bills submitted by the concerned departments. Thereafter the entry will be posted to the credit of the appropriate income account in the Main Ledger. Simultaneously, the amount will also be recorded in the folio for the concerned function in the Subsidiary Ledger under the respective income column.

m. This is illustrated with reference to the Function Health Department which have received from various type of heads as listed below:

Day 1

License fee: Rs. 1,000

Registration fees from patients: Rs. 500

Sale of Medicines: Rs. 10,000

Day 2

X-ray and Pathology Charges: Rs. 2,000

Sale of Tender Forms: Rs. 500

Receipt of Malaria Control Grant Rs.5,000

n. The folio for the Revenue in the Subsidiary Ledger shall provide for separate columns for various major heads on Income for which the incomes are received. The details of income received, after being posted in the general ledger, shall be posted in the relevant Subsidiary Ledger as follows:

Table 5.2

Function wise Income Subsidiary Ledger

Function : Health

Date	Ref. No.	Particulars	Total Amount	Income			
				Revenue Grants	Fees & User charges	Sale & Hire Charges	…
1	1	License Fees	1,000		1,000		
	2	Registration Fees from patients	500		500		
	3	Birth & Death Fees	10,000		10,000		
2	4	X-Ray and Pathology Charges	2,000		2,000		
	5	Sale of Forms	500			500	
	6	Malaria Control grant	5,000	5,000			
	:						
	:						
		Total for the month	**19,000**	**5,000**	**13,500**	**500**	
		Cum. total at the beginning of the month	NIL	NIL	NIL	NIL	NIL
		Cum. Total at the end of the month	**21,000**	**5,000**	**13,500**	**500**	

o. Each of the above entries will be first posted in the respective ledger accounts in the Main Ledger. Thus, *the Main Ledger will be a complete record from which a Trial Balance can be prepared.* However, *for ascertaining function-wise details the Subsidiary Ledger will need to be referred.*

p. Summary of major head wise income for each of the function may be prepared from the Subsidiary Ledgers in the following format (Table 5.3).

Table 5.3

Summary of major head wise Income

Sl. No	Function code	Functions Head	Total Income	Major Heads of Income			
				Revenue Grants	Fees & User charges	Sale & Hire Charges	…
		Health Public Works Civic Amenities ……	19,000	5,000	13,500	500	
Total for the major Heads of Income			**19,000**	**5,000**	**13,500**	**500**	

q. Summary total of major heads of Income prepared as stated above must agree with the major income head wise schedules prepared from Trial Balance.

r. Updation of details regarding cheques/drafts deposited. The realisation/return of the cheques/drafts shall be followed up with the bank. The details of the realisation/non-realisation of the cheques/drafts shall be updated in the Receipt Register (Form GEN-9) as well as communicated to the concerned officer for follow-up. The details should be intimated to the Accounts Department by the

Collection Office/Centre who have actually deposited the cheques and co-ordinating with the bank, through a Statement on Status of Cheques Received, prepared in Form GEN-10.

s. Based on the Statement on Status of Cheques Received (Form GEN-10), the Accounts Department shall reverse the entry passed in "g" above i.e. on preparation of Bank Receipt Voucher.

For e.g. Security Deposit received by cheque and deposited in Main Bank Account is dishonoured. The Accounts Department shall pass the following entry for reversal of receipt.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a)	Deposit from contractors – Security Deposit	Dr.	10,000		Cash Book, Ledger
450-21-(a)	To Bank Account*	Cr.		10,000	

** Specify name of the bank and Account number*

t. Subsidiary Ledgers shall be adequately updated for the reversal entry to be passed in respect of Fees & User Charges and Sale & Hire Charges due to dishonour of cheques.

u. An administrative charge (as per ULBs operations manual) of is normally levied on the dishonored cheques.

v. Transfer of funds from one Bank Account to other Bank Account. Transfers from one Bank account to another will be governed by the applicable rules. On the basis of the cheque prepared for the transfer or on the basis of the bank intimation received, in case of standing instructions being given to the banks for transfer of funds, the Accounts Department shall prepare a Contra Voucher (Form GEN-6). Accounting entries relating to this is explained below under 'Accounting for Contra entries.'

PROCEDURE TO BE FOLLOWED FOR ACCOUNTING OF PAYMENTS

5.8 The general procedure in respect of payments, which shall be applicable for all payments made by the ULB including payment of supplier' s/ contractor's bills, refund of taxes, payment of advance, refund of deposits, investments made, loan repayments, etc., is described below:

a. Receipt of bills/claims. The bills or claims against the ULB shall be received at the various functions of the ULBs or at the Accounts Department as per the procedures laid down for ULBs in this behalf. The concerned department shall

verify the bills/claims received. On satisfactory verification, the bills/claims shall be entered into the Register of Bills for Payment, maintained in Form GEN-13.

b. Preparation of Payment Order. On approval of the payment by the concerned authorities at the respective departments, the department shall forward the bills for payment. To facilitate capture of details a model Payment Order (Form GEN-14) is suggested. The state governments can modify this based on their requirements.

c. Bill Passing/ Approval of bills: Before release of a payment, the Accounts/ Audit department whoever is responsible for passing shall verify and ensure the following relating to a payment order:

- Whether the supporting documents such as invoices, bills, etc are stamped with 'certified for payment' and signed by the authorities of the concerned department;
- Whether adequate budget appropriation/provision is available under the particular head.
- Whether evidence of entry into purchase /fixed assets/ investments register with folio and reference numbers are attached/ available;
- A work / job completion certificate is received and a copy is attached with the payment voucher in the case of release of security or other caution deposits relating to construction or acquisition of fixed assets;
- Whether a copy of the purchase order with update of items / stocks received along with the reference to goods in good condition / satisfactory condition as per specification receipt/ gate pass note, etc is attached with the payment voucher.
- Further, physical verification of the concerned registers such as fixed assets/ stocks/ investments, etc. may also be carried out to ensure that the bills under 'payment order' are entered in the registers.

d. In case of any queries in the process of verification of 'payment order' explained above, including non-reference to the relevant folio/page number of the Stock/Measurement Book or Fixed Asset Register or Register of Bills for Payment, the same shall be noted on the Payment Order and shall be forwarded back to the respective department.

e. The concerned department shall resolve the query raised (in d. above), make the necessary changes in the Payment Order and the other registers/forms, if required, and forward the documents back to the Bill Passing authority for review of the revised payment order.

f. Forwarding for payment. After a satisfactory verification of the payment order and its supporting, the payment order shall be released for payment

g. On approval of payment, entry shall be made in the Register of Bills for Payment maintained at Accounts Department (Form GEN-13) journal voucher is prepared.

h. Preparation of a Cash/Bank Payment Voucher. A Cash/Bank Payment Voucher (Form GEN-5) shall be prepared for payment and verified.

i. The entries to be passed for recording the expenditure and payments have been provided in the subsequent chapters, e.g., Chapter 11 - Public Works, Chapter 12-Stores, Chapter 13-Employee Related Transactions, Chapter 15-Other Revenue Expenditures, etc

j. Preparation of cheque. On verification of the Cash/Bank Payment Voucher, a cheque shall be prepared. The date of preparation of the Bank payment voucher shall be the date of the cheque. The person preparing the cheque shall mention the date of the cheque. An entry of the cheque prepared shall be made in the Cheque Issue Register, maintained in Form GEN-15.

k. Signing of the cheque. The authorised signatories shall sign the cheque, Cash/Bank Payment Voucher and Cheque Issue Register. It is suggested that one of the authorised signatories shall be from Accounts Department.

l. Recording of entry for payment. After the signing of the Cash / Bank Payment Voucher, the Accounts Department shall pass the entry for the payment.

For example, the Accounts Department shall pass the following entry for payment of rent in respect of municipal building:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
220- 10-(a)	Rent, Rates & Taxes	Dr.	5,000		Cash Book, Ledger
450-21-(a)	To Bank Account*	Cr.		5,000	

** Specify name of the bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

m. Entry in Cash Book. In practice, the above entry shall be passed in the Cash Book (Form GEN-1), in the "Bank" column on the "Payment" side, as follows:

Cash Book of _____

Receipt **Payment**

Sr. No.	Date	Rcpt. Vchr. No.	Code of Account	Particulars of Receipt	L/ F	Cash Amount (Rs.) Illustrative figures	Bank Amount (Rs.) Illustrative figures	Sr. No.	Date	Pymt. Vchr. No.	Code of Account	Particulars of Payment	L/ F	Cash Amount (Rs.) Illustrative figures	Bank Amount (Rs.) Illustrative figures
									1/1/04		220-10-(a)	By Rent, Rates & Taxes			5,000

n. Posting in the Ledger. From the Cash Book, a posting shall be made to the Ledger (Form GEN-3) in the "Rent, Rates & Taxes" Account on the "Debit" side, as shown below:

Rent, Rates & Taxes Account

Dr. **Cr.**

Date	Code of Account	Particulars	Folio	Amount (Rs.) (Illustrative figure)	Date	Code of Account	Particulars	Folio	Amount (Rs.) (Illustrative figure)
1/1/04	450-21- (a)	To Bank Account*		5,000					

** Specify name of the bank and account number*

(a) Insert Detailed Head Codes of Account as applicable

Similarly, payment made to a contractor towards construction of a building block shall be accounted as follows (separate Cash Book shall be maintained for Designated Public Works Bank Account):

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a)	Creditors - Contractors Control Account	Dr.	1,00,000		Cash Book, Ledger
450-21-(a)	To Bank Account*	Cr.		1,00,000	

** Specify name of the Bank and Account number*
(a) Insert Minor Head Codes of Account as applicable

In practice, the above entry shall be passed in the Public Works Cash Book (Form GEN-1), in the "Bank" column on the "Payment" side and posted to the Ledger (Form GEN-3), as follows:

Cash Book of _____ the name of the ULB (Public Works)

Receipt **Payment**

Sr. No.	Date	Rcpt. Vchr. No.	Code of Account	Particulars of Receipt	L/F	Bank Amount (Rs.) Illustrative figures	Sr. No.	Date	Pymt. Vchr. No.	Code of Account	Particulars of Payment	L/F	Bank Amount (Rs.) Illustrative figures
								1/1/04		350-10-(a)	By Contractors Control Account		1,00,000

Contractors Control Account

Dr. **Cr.**

Date	Code of Account	Particulars	Folio	Amount (Rs.) (Illustrative figure)	Date	Code of Account	Particulars	Folio	Amount (Rs.) (Illustrative figure)
1/1/04	450-21-(a)	To Bank Account *		1,00,000					

(a) Insert Minor Head Codes of Account as applicable

o. Updation of Subsidiary Ledgers for expenditures. The Accounts Department shall maintain separate Subsidiary Ledger for each of the Major expense head in Form GEN – 34. The Subsidiary Ledgers would provide function-wise break-up of above-mentioned expenses incurred by the ULBs on a daily basis. Separate folios shall be maintained for each function. When some expenditure is incurred, it will be first recorded in the Cash Book on the payment side or in the credit side from journal bills submitted. Thereafter the entry will be posted to the credit of the appropriate expense account in the Main Ledger. Simultaneously, the amount will also be recorded in the folio for the concerned function in the Subsidiary Ledger under the respective expense column.

p. This is illustrated with reference to the Function Public works, which have incurred various types of expenses as listed below.

Day 1

Salaries of staff Rs. 10,000

Books & Periodicals Rs. 1,000

Consumption of stores Rs.3,000

Day 2

Repairs to Roads Rs.20,000

Communication expenses Rs.1,000

Computer consumables Rs.2,000

q. The folio for the Expense in the Subsidiary Ledger shall provide for separate columns for various major heads of expenses. The details of expenses incurred, after being posted in the general ledger under the respective expense head, shall be posted in the relevant Subsidiary Ledger as follows:

Table 5.4

Function wise Expenses Subsidiary Ledger

Function:

Date	Ref. No.	Particulars	Total Amount	Major Heads of Expenses			
				Establishment	Administration	Operations & maintenance	…
1	1	Salaries of staff	10,000	10,000			
	2	Books & Periodicals	1,000		1,000		
	3	Consumption of Stores	3,000			3,000	
2	4	Repairs to Roads	20,000			20,000	
	5	Communication expenses	1,000		1,000		
	6	Computer Consumables	2,000		2,000		
	:						
	:						
		Total for the month	**37,000**	**10,000**	**4,000**	**23,000**	

Date	Ref. No.	Particulars	Total Amount	Major Heads of Expenses			
				Establishment	Administration	Operations & maintenance	…
		Cum. total at the beginning of the month	NIL	NIL	NIL	NIL	NIL
		Cum. Total at the end of the month	**37,000**	**10,000**	**4,000**	**23,000**	

r. Each of the above entries will be first posted in the respective ledger accounts in the Main Ledger. Thus, *the Main Ledger will be a complete record from which a Trial Balance can be prepared*. However, *for ascertaining function-wise details the Subsidiary Ledger will need to be referred*.

s. Summary of major head wise expenses for each of the function may be prepared from the Subsidiary Ledgers in the following format (Table 5.5).

Table 5.5

Summary of major head wise expenses

Sl. No.	Function code	Functions Head	Total Income	Major Heads of Expenses			
				Establishment	Administration	Operations & maintenance	…
1 2 3		Public Works …..	37,000	10,000	4,000	23,000	
Total for the major Heads of Expenses			**37,000**	**10,000**	**4,000**	**23,000**	

t. Summary total of major heads of Expenses prepared as stated above must agree with the major expenses detailed head wise schedules prepared from Trial Balance.

ACCOUNTING FOR JOURNAL ENTRIES

5.9 For transactions other than those involving cash and/or bank, the Accounts Department shall prepare a Journal Voucher (Form GEN-7) for recording the entry in the Journal Book. The following example illustrates the recording of entry in the Journal Book:

5.10 For recording the entry in respect of the raising of demand in respect of Property and Other Taxes, the Accounts Department shall prepare a Journal Voucher (Form GEN-7) and pass the following entry in the Journal Book (Form GEN-2):

Journal Book of _____ name of the ULB

Sr. No.	Date	Jrnl. Vchr. No.	Code of Account	Particulars	L/F	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures
1	1/1/04	XXX	431-10-(a) 110-01-(a)	Receivables for Property Taxes (Year…) To Property tax – Residential Properties		50,000	 50,000

(a) Insert Detailed Head Codes of Account as applicable

.

Posting in the Ledger. From the Journal Book, a posting shall be made to the Ledger (Form GEN-3) as shown below:

Receivables for Property Tax (Year…) Account

Dr. **Cr.**

Date	Code of Account	Particulars	Folio	Amount (Rs.) (Illustrative figure)	Date	Code of Account	Particulars	Folio	Amount (Rs.) (Illustrative figure)
1/1/04	110-01-(a)	To Property Tax - residential Properties		50,000					

Property tax – Residential properties Account

Dr. **Cr.**

Date	Code of Account	Particulars	Folio	Amount (Rs.) (Illustrative figure)	Date	Code of Account	Particulars	Folio	Amount (Rs.) (Illustrative figure)
					1/1/04	431-10-(a)	By Receivables of Property Taxes (Year…)		50,000

** Insert Detailed Head Codes of Account as applicable.*

5.11 The Journal Entries are also passed for rectification of errors in recording of earlier transactions.

For example, if the income in respect of sale of Forms has been taken as Registration Fees from PW contractors:

a. The entry which should have been actually passed would be:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21– (a) 150-11-(a)	Bank Account* To Sale Forms - Tenders	Dr. Cr.	1,000	1,000	Cash Book, Ledger

** Specify name of the bank and account number*
(a) Insert Minor Head Codes of Account as applicable

If the entry has been wrongly passed as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21- (a) 140-10-(a)	Bank Account* To Registration Charges – PW contractors	Dr. Cr.	1,000	1,000	Cash Book, Ledger

** Specify name of the bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

b. To rectify the above, the Accounts Department shall prepare a Journal Voucher (Form GEN-7) and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
140-10-(a) 150-11-(a)	Registration Charges – PW contractors To Sale of Forms – Tender	Dr. Cr.	1,000	1,000	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

PERMANENT/OFFICIAL ADVANCE

5.12 For permanent advance (imprest cash) provided to the various officers/departments of the ULB, such payments shall be initially recorded as an advance provided. The details of the expenditure incurred against the advance shall be recorded in a Register of Permanent Advance maintained at the various departments in Form GEN-16. The details of the advances given shall be recorded in the Register of Advance maintained in Form GEN-16. The concerned department shall prepare Payment Order (Form GEN-15) for replenishment of the permanent advance.

5.13 Similarly, the employees of the ULB to whom official advances are provided for incurring expenditure on behalf of the ULB, shall prepare a Payment Order for the expenditure incurred as soon as the purpose for which the advance was provided is accomplished.

5.14 The Payment Order prepared for expenditure incurred against the permanent advance or against the official advance shall be approved in the same manner as the Payment Order prepared for normal expenditure.

BANK CHARGES:

5.15 Based on the nature of banking services availed by an ULB, service charges or transaction processing charges (for example demand draft commission, outstation cheque clearing charges, etc) are charged by the Banks.

5.16 The Bank through an Advice gives details of their charges. ULBs shall account for the Bank Charges based on the Debit Advices. In the absence of receipt and accounting for bank charges, these will be listed in the bank reconciliation statements prepared as explained in Chapter 29 on Reconciliation Procedures, as items not accounted by the ULB. Accounting entry for Bank Charges shall be as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
240-70-(a) 450-21-(a)	Bank Charges To Bank Account*	Dr. Cr.	1,000	 1,000	Cash Book, Ledger

** Specify name of the bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

STALE/OBSOLETE CHEQUES

5.17 The normal validity period of a cheque is six (6) months or such shorter period as specified on the cheque, from the date of the cheque. On expiry of the validity period, in case the cheque has not been realised, it becomes a stale cheque.

5.18 At period end, the Accounts Department shall review the Cheque Issue Register (Form GEN-15) and the Bank Reconciliation Statements (format provided in Table 30.2 of Chapter 30 on Reconciliation Procedures) to identify the cheques, which have become stale. It shall prepare a Bank Receipt Voucher (Form GEN-4) for recording a notional receipt in respect of the stale cheques. The necessary details shall be updated in the Cheque Issue Register (Form GEN-15). In respect of the stale cheques, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21- (a) 350-80-(a)	Bank Account* To Other Liability – Others - Liability in respect of Stale Cheques	Dr. Cr.	10,000	 10,000	Cash Book

** Specify name of the Bank and Account number*
(a) Insert detailed Head Codes of Account as applicable

5.19 When the cheques are revalidated or a fresh cheque is issued against the stale cheques, the Accounts Department shall prepare a Bank Payment Voucher (Form GEN-5). After approval and signing of the Bank Payment Voucher by the concerned authorities, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-80-(a) 450-21- (a)	Other Liability – Others - Liability in respect of Stale Cheques To Bank Account*	Dr. Cr.	10,000	 10,000	Cash Book, Ledger

** Specify name of the bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

5.20 Liability in respect of Stale Cheques account shall be reviewed periodically and those Stale cheques which were not revalidated for a period of 3years or such period as may be specified by the state government from the date of original issue shall be reversed as 'Write back of Liability for Stale Cheques' under Other incomes of the ULB. Accounts Department shall pass the following entry for recognition of other income:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-80-(a) 180-50-(a)	Other Liability – Others – Liability in respect of Stale Cheques To Unclaimed Liabilities written back – Stale Cheques	Dr. Cr.	5,000	 5,000	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

GENERAL INSTRUCTION FOR PAYMENTS

5.21 All payments made by the Accounts Department shall be recorded in the Cash Book (Form GEN-1) on a daily basis.

5.22 Payments exceeding Rs. 100/- or such other sum as may be prescribed by the ULB rules shall be made only by "Account Payee Crossed" cheque.

5.23 All claims against the ULB, which are barred by time under any provisions of law relating limitation, are ordinarily to be refused and no claim on account of such time barred items is to be paid without the sanction of the Authorities as prescribed in the applicable Act / Rules. This question shall be decided on the merits of each case.

5.24 In case of payments made by drafts that are issued by banks through a written instruction other than a cheque, i.e., an authorisation letter, etc., the copy of the authorising document shall be attached to the Payment Order (Form GEN-14). The entry for payments made in this manner shall be recorded on receiving the drafts from the bank. A copy of the draft shall also be attached to the Payment Order.

5.25 At period end, the officers/departments to whom the permanent advance is provided shall prepare a Payment Order for the replenishment of the expenditure incurred up to the period end and submit it to the Accounts Department within 5 days from the end of the period.

5.26 In respect of cheques, which are cancelled or lost, the Accounts Department shall update the Cheque Issue Register (Form GEN-15) against the specific cheque numbers. The cheques cancelled shall bear the approval of the authorised signatories on the cheque and in the Cheque Issue Register.

5.27 States shall define the rules and procedures for processing of duplicate bills. However it shall be ensured that no claim is processed or paid twice. E.g. payment both against original bill and against copies of bills etc

5.28 ULBs may also bring in additional internal control procedures. Some ULBs operate centralised cheque issue section for delivery of cheques to the parties. Parties coming to collect cheques need not go to any department and instead collect it from this central section.

ACCOUNTING FOR CONTRA ENTRIES

5.29 Contra entry means an Accounting Entry that is recorded on both the sides of a Cash Book, showing inflow and outflow of funds at the same time. Contra entries are the entries for recording deposit of cash in the bank, withdrawal of cash from the bank or transfer of

funds from one bank to another. For example, cash deposited with bank would be reflected as inflow in "Bank" Column on "Receipt" side and simultaneously as outflow in "Cash" Column on "Payment" side. Similarly, balances transferred from one bank account to another would be shown as inflow in "Bank" Column on "Receipt" side in the receiving bank account and simultaneously as outflow in "Bank" Column on "Payment" side in the paying bank account. For recording of a Contra Entry, the Accounts Department shall prepare a Contra Voucher (Form GEN-6). In respect of Contra Entries, the following entries shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
For recording cash deposited into bank					
450-21- (a) 450-10-(a)	Bank Account* To Cash	Dr. Cr.	10,000	 10,000	Cash Book
For recording cash withdrawn from bank					
450-10-(a) 450-21-(a)	Cash To Bank Account*	Dr. Cr.	10,000	 10,000	Cash Book
For recording transfer of funds from one bank to another					
450-21-(a) 450-21- (a)	Main Bank Account* To Designated Bank Account*	Dr. Cr.	10,000	 10,000	Cash Book

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

5.30 Contra Entries shall also be recorded for rectification of entries involving cash and/or bank transactions. For example, if the amount deposited in the Designated Property Tax Bank Account has been wrongly debited to Designated Water Supply Bank Account, then the following entry shall be passed to rectify the error:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 450-21- (a)	Designated Property Tax Bank Account* To Designated Water Supply Bank Account*	Dr. Cr.	10,000	 10,000	Cash Book

** Specify name of the bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

Cash Book of _____ Name of ULB (Main)

Receipt **Payment**

Sr. No.	Date	Rcpt. Vchr. No.	Code of Account	Particulars of Receipt	L/F	Cash Amount (Rs.) Illustrative figures	Bank Amount (Rs.) Illustrative figures	Sr. No.	Date	Pymt. Vchr. No.	Code of Account	Particulars of Payment	L/F	Cash Amount (Rs.) Illustrative figures	Bank Account (Rs.) Illustrative figures
	1/1/04		450-21-(a)	To Designated Health Fund Bank Account*			25,000								

** Specify name of the bank and account number*

(a) Insert Detailed Head Codes of Account as applicable

Cash Book of _____ (Health Fund)

Receipt **Payment**

Sr. No.	Date	Rcpt. Vchr. No.	Code of Account	Particulars of Receipt	L/F	Bank Amount (Rs.) Illustrative figures	Bank Amount (Rs.) Illustrative figures	Sr. No.	Date	Pymt. Vchr. No.	Code of Account	Particulars of Payment	L/F	Bank Amount (Rs.) Illustrative figures	Bank Amount (Rs.) Illustrative figures
									1/1/04		450-21-(a)	By Main Bank Account*			25,000

** Specify name of the bank and account number*

(a) Insert Detailed Head Codes of Account as applicable

Banking arrangements

5.31 ULBs may enter arrangements with their bankers as listed below in respect of collections and payments. Such arrangements would enable ULBs in improvement of funds management.

5.32 Illustrative list of arrangements with Banks:

- Acting as an authorised collection agency for direct collection. This facilitates collection at all authorised branches of the Bank providing easy access.
- Operation of collection counter at ULB's offices
- Arrangement for collection of Deposits from authorised collection centres at a fixed time (say end of the day)
- Issuing daily Debit/Credit Advises
- Issue Account Statements on a weekly basis or for such other periods
- Tele banking facilities
- Salary Credit for employees

INTERNAL CONTROLS

5.33 The following general internal controls shall be observed by the ULBs:

a. The closing balance of cash as per the Cashier's Cash Book shall be verified daily with the physical cash balance at all the Collection Offices and must be signed by the person verifying the cash.

b. The cash chest should have two keys. One key will be with the cashier of the collection office and the other will be with another officer designated for this purpose by the ULB.

c. Cash in chest should be insured for theft, fire etc.

d. The officers designated by the ULB for operating the Designated Bank Accounts shall co-ordinate with the banks on a daily basis and ascertain the status of the cheques/drafts deposited by them.

e. Bank reconciliation shall be carried out monthly by the officers of the ULB designated for the purpose of handling the bank accounts and the same shall be duly verified and signed by the designated senior officer.

f. Original copy of the cancelled Receipt shall be attached with the duplicate copy with the words "Cancelled" marked on it.

g. At the time of approving payment, the Accounts Department shall ensure that the Payment Order provides reference of Register of Bills for Payment, Measurement Book, Stock Ledger or Fixed Asset Register, as the case may be, depending on the purpose for which payment is made.

h. At the time of recording collections, the Accounts Department shall ensure that the total amount of collections as per the collection register tallies with the total amount as per Receipt register for cheques received and total of cash collections as per summary of daily collection in form GEN - 12.

i. Original copies of all the cancelled documents such as receipts, payment vouchers shall be retained in the office file with reasons / justification for cancellation written on the cancelled documents.

j. At the end of each month, the Accounts Department shall ensure compliance with the month-end procedure described in Chapter 11 – Rents, Fees and Other Incomes in respect of Fees & User Charges and Sale & Hire Charges, reference to which is invited.

k. At the end of each month, the Accounts Department shall comply with the month-end procedure in respect of:
   - Operations and Maintenance Expenses as described in Chapter 12 – Public Works,
   - Employee related expenses as described in Chapter 13 – Employee Related Transactions, and
   - Administrative Expenses as described in Chapter 16 – Other Revenue Expenditures.

l. 'Liability for Stale Cheques account should be reviewed at the end of every quarter and all the stale cheques dated more than 3 years or such period as may be specified by the state government from the date of original issue shall be identified and reversed as other income of the ULB.

m. The Head of Accounts Department shall ensure stamping of all the bills once approved for approval and then for payment to ensure the same bill is not processed once again.

n. The Head of the Accounts Department shall ensure that all the bank charges accounted based on the bank reconciliation statement are supported with original bank debit advises.

5.34 The Head of Accounts Department shall certify all Reconciliation Statements.

Form GEN-1

_____Name of the ULB

CASH BOOK

Receipt **Payment**

Sr. No.	Date	Rcpt. Vchr. No.	Code of Account	Particulars of Receipt	L/F	Cash Amount (Rs.)	Bank Account Amount (Rs.)	Sr. No.	Date	Pymt. Vchr. No.	Code of Account	Particulars of Payment	L/F	Cash Amount (Rs.)	Bank Account Amount (Rs.)

Notes

- Balance brought forward is the opening balance to be entered
- The date of receipt to be shown in Cash book shall be the date on which amount has actually been received
- All moneys received shall immediately and without reservations be entered in the Cash book
- The receipts shall be classified in the column provided according to budget heads
- The payment side of Cash book shall be posted from the details of vouchers and of the cheque drawn
- The amount side of each cheque shall be entered as soon as the cheque is signed
- Each entry in the cash book should be attested by the authorised officer
- The classification and totals of cash book should be initialled by some responsible officer other than the writer of Cash book
- Cash book should be closed daily

Form GEN-2

_____Name of the ULB

JOURNAL BOOK

Sr. No.	Date	Jrnl. Vchr. No.	Code of Account	Particulars	L/F	Debit Amount (Rs.)	Credit Amount (Rs.)

Form GEN-3

_____Name of the ULB

LEDGER

_____ Account

Dr. **Cr.**

Date	Code of Account	Particulars	Folio	Amount (Rs.)	Date	Code of Account	Particulars	Folio	Amount (Rs.)

Form GEN-4

_____ Name of the ULB

CASH/BANK RECEIPT VOUCHER

NAME OF THE FUND:
_____

Name of the Bank: _____
Pay-in-slip Ref. No./Date: _____ **CRV/BRV No:____**
Date:_____

Budget		**Code of Account**	**Account Description**	**Chalan for Remittance of Money No.**	**Amount (Rs.)**
`Function	**Functionary**				
1	**2**	**3**	**4**	**5**	**6**
Total					
Prepared by:		**Verified by:**		**Approved by:**	**Posted by:**
Date:		**Date:**		**Date:**	**Date:**

Notes:
1. A separate Bank Receipt Voucher shall be prepared in respect of each separate Bank Book maintained.
2. All the Challans for Remittance of Money, the details of which are included in this Bank Receipt Voucher, shall be attached to it.

Form GEN-5

_____ Name of the ULB

CASH/BANK PAYMENT VOUCHER

NAME OF THE FUND: _____

Name of the Bank: _____
Date: _____
Department: _____ **CPV/BPV No:_____**
Name of Claimant: _____ **P.O./W.O. No.: _____**

Budget		Code of Account	Account Description	Payment Order No.	Cheque No.	Amount (Rs.)
Function	Functionary					
1	2	3	4	5	6	7
Total (in words):						
Prepared by:		Verified by:		Approved by:		Posted by:
Date:		Date:		Date:		Date:
Received Payment						
Signature of Receiver						

Notes:

1. A separate Bank Payment Voucher shall be prepared in respect of each separate Bank Book maintained.
2. Payment Order for which payment is made shall be attached to the Bank Payment Voucher.
3. The payment vouchers and its supportings shall be cancelled with 'paid' stamp.

Form GEN-6

_____ Name of the ULB

CONTRA VOUCHER

Date: _____ **Contra Voucher No: _____**

Code of Account	Account Description	Debit Amount (Rs.)	Credit Amount (Rs.)
1	2	3	4
Total			
Prepared By	**Verified By**	**Approved By**	**Posted By**
Date	**Date**	**Date**	**Date**

Note:

1. The supporting documents forming the basis of the entry shall be attached to the Contra Voucher.

Form GEN-7

_____ Name of the ULB

JOURNAL VOUCHER

NAME OF THE FUND: _____

Date: _____ **Journal Voucher No: _____**

Budget		Code of Account	Account Description	Debit Amount (Rs.)	Credit Amount (Rs.)
Function	**Functionary**				
1	**2**	**3**	**4**	**5**	**6**
		Total			
		Prepared By	**Verified By**	**Approved By**	**Posted By**
		Date	**Date**	**Date**	**Date**

Note:

1. The supporting documents forming the basis of the entry shall be attached to the Journal Voucher.
2. The narration for the entry should be clearly (understandably) stated.

Form GEN-8

_____ Name of the ULB

RECEIPT

Date : _____

Received from Shri _____ a sum of Rs. _____ (in words) towards _____

_____vide cash/cheque/demand draft/Banker' s cheque no_____ dated _____

drawn on _____Bank, _____Place of the Bank.

Signature of Authorised Officer

Signature of Clerk

---------- **----------**
Entered in Collection Register **Page No.**

N.B. Cheque/Draft/Banker's cheque are subject to realisation

Note: Separate receipt books can be maintained for Cash / Cheques.

Form GEN-9

_____ Name of the ULB

RECEIPT REGISTER

Sr. No.	Receipt Number	Receipt Date	Mode of receipt Cash/ Cheque/draft	Name of the Drawer	Cheque/ Draft No.	Bank (for amounts received through Cheque/ draft	Cash (for amounts received by Cash)	Deposited into Bank Account No.	Date of Deposit	Date of Realisation	Whether Returned	Remarks*
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**
	Opening total											
	Days total **											
	Closing total											

** Specify the details of the substitute cheque received in case of dishonour of the cheque.*
*** This total shall be tallied with total as per the Collection Register for the day and also the amount as per the 'Summary of daily collections'*

Note:

1. For each entry made; record the Name, Designation, and Signature of the person making the entry in the register and the person checking the entry.
2. This can be prepared in perforated sheets, as the same shall be used for making support to the deposit slip into the designated bank account or to other collection offices.
3. Separate sheets shall be used in respect of Cash and Cheques/drafts received

Form GEN-10

_____ Name of the ULB

STATEMENT ON STATUS OF CHEQUES RECEIVED
FROM _____ BY _____

Date: _____ **Sr. No.: _____**

Sr. No.	Sr. No. of the Statement of Cheques Deposited received	Date of the Statement of Cheques Deposited received	Cheque/ Draft No.	Amount (Rs.)	Deposited into Bank Account No.	Realised/ Returned	Date of Realisation/ Return intimation from the bank
1	2	3	4	5	6	7	8

Prepared By* : _____ **Received By*: _____**

Checked By* : _____ **Dated:**

Dated:

** Record the name, designation and signature of the person.*

Form GEN-11

_____ Name of the ULB

COLLECTION REGISTER OF _____ FOR THE YEAR 20__ to 20__

_____ ***Department***

Sr. No.	Date of Receipt	Receipt No. with book no.	Name of the payer	Reference number **	Particulars of Income					Total (Rs.)	Remarks
					Account Head* (Rs.)	Account Head * (Rs.)	Account Head * (Rs.)	Account Head * (Rs.)	Others (Specify)* (Rs.)		
1	2	3		4	5	6	7	8	9	10	11
	Opening total										
	Days total #										
	Closing total										

Prepared By* : _____**
Checked By* : _____** **Entered By :*** _____**
Date: **Checked By :*** _____**

** Specify the head of Income under which collection is made*
*** Specify the identification details in respect of the cheque, e.g., Bill No. in case of Property & Other Tax Collections, Tender No./Work Order No. in case of Earnest Money Deposit or Security Deposit, etc.*
**** Record the name, designation and signature of the person.*

 # This total shall be tallied with total as per the Receipt Register for the day and also the amount as per the 'Summary of daily collections'

Note: Each day' s collection should be recorded on a separate page of the Register and every page should be signed as provided.

Form GEN-12

_____ Name of the ULB

SUMMARY OF DAILY COLLECTION OF
_____ COLLECTION OFFICE/COLLECTION CENTRE

Date: _____ **Sr. No. : _____**

Sr. No.	Name of the Department	Name of the Revenue Head	Amount (Rs.)	Amount (Rs.)	Deposited With*
1	2	3	4	5	6
	Revenue accounted for on Cash basis #				
1	Tax Department	Property Transfer Charges			
2	Octroi	Penalties and transit fees			
3	Water Supply	Water Connection Charges			
		Water Tanker Charges			
		Road Damage Charges			
	Revenue accounted for on Accrual basis				
4	Water Supply	Water Tax, Water Benefit tax			
		Notice fees, Warrant fees			
Grand Total					
Amount in Words : Rupees _____					
Receipt No. issued by the Collection Office:					
(in case collections are deposited with Collection Office)					
	Cash	_____	**Rs: _____**		
	Cheque	_____	**Rs: _____**		
	(For cheques realised)				
	Total		**Rs. _____**		
Prepared By : _____**		Examined and entered			
Checked By : _____**		**Accountant/Authorised Officer**			
Dated:		**Dated:**			

** Specify the Bank Name and Account Number in case of amount directly deposited with bank.*
*** Record the name, designation and signature of the person.*
# For revenues accounted for on Cash basis, one consolidated figure for the total collections may be given instead of giving a receipt-wise entry.

Examples of cash basis of accounting of the few of the revenue items are as follows:
a. Transfer charges relating to Transfer of Properties has to be recognised only on actual receipt basis

Form GEN-13

_____ Name of the ULB

REGISTER OF BILLS FOR PAYMENT FOR THE YEAR _____

Sr. No.	Date of presentation by the Supplier/ Department *	Name of Party/ Department*	Particulars	Amount of Bill (Rs.)	Initials of Authorised Officer	Date of Sanction	Voucher No.	Amount Sanct-ioned (Rs.)	Date of Payment or issue of cheque	Amount Dis-allowed (Rs.)	Balance outstanding at the end of the year (Rs.)	Reason for delay in payment	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13	14

** In respect of the register maintained at the Accounts Department, mention the date of presentation of the bill by the concerned department and the name of the department.*

Note: For each entry made; record the Name, Designation, and Signature of the person making the statement and the person checking the entry.

Form GEN-14

_____ Name of the ULB

PAYMENT ORDER

Bill No.: **Voucher No.:** **Date:**

Name and address of Payee:

Stock / Bills for Payment:

Reference to _____Book / Register **Head of Account:**

Measurement / Fixed Asset:

Sr. No.	Particular of work or articles		Quality or weight	Rate	Unit	Amount (Rs.)
1	2		3	4	5	6
	Total amount (in words) Rs.					
	(1) Amount allotted ..	Certified that the rate and quantities shown in this bill are correct and the materials, articles have been received in good condition and have been entered in the appropriate supplies register on numerical account at page				
	(2) Previous expenditure .. Rs.					
	(3) Expenditure shown in the bill.. Rs.					
	Total of 2 and 3 .. Rs.					
	Balance available .. Rs.					
		Date				
				Signature of Officer		
				Receiving the articles		
	Submitted to the Designated Authority for sanction	Resolution No. . . . . Date . . . . . the`				
		sum of Rs. . . . . .(in words)				
		shown in the bill is sanctioned.				
I have examined the claim and found it correct in all respects.						
	Date			Date		
Chief Accounts Officer Commissioner or the Authorised Officer						
	Pay Rupees . . . . . .(in words)		To			
	. . . .		The Accountant for payment.			
			. . . . .			
	Date Authorised Officer		Date Commissioner or the Authorised Officer			
	Received payment of Rs. . . . . (in words)	Paid by cheque/draft No. . . . . date				
	. . . . in	and entered in the cash book on Page				
	full settlement of the claim.					
	Stamp	Chief Accounts Officer Commissioner or the Authorised Officer				
	Payees Signature					

Form GEN-15

_____ Name of the ULB

CHEQUE ISSUE REGISTER

Sr. No.	Date	Bank Payment Voucher No. & Date	Payment Order Number & Date	Name of the Payee	Nature of Payment	Cheque/ Draft No.	Date of the Cheque/ Draft	Amount (Rs.)	Entered By	Signature of the First Authorised Signatory	Signature of the Second Authorised Signatory	Date of Issue of Cheque/ Draft	Signature of the Recipient of Cheque/ Draft	Date of Clearance	Remarks *
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

** Specify the details of the stale cheques and the subsequent revalidation of the cheque or issue of the fresh cheques.*

Note: For each entry made; record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry.

Form GEN-16

_____ Name of the ULB

REGISTER OF ADVANCES FOR THE YEAR 20 ____to 20____

Sr. No.	Date	Name of the person to whom the advance is paid	Particulars of the Advance	Bank Payment Voucher Number & Date	Payment Order Number & Date	Amount (Rs.)	Date of Repayment/ Adjustment	Voucher Number of Repayment/ Adjustment	Balance remaining unadjusted at the end of the year	Remarks
1	2	3	4	5	6	7	8	9	10	11

Note:

1. After each entry, leave few blank spaces depending on the repayment/adjustment schedule of the Advance
2. For each entry made; record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry.

Form GEN-17

_____ Name of the ULB

REGISTER OF PERMANENT ADVANCE

Of _____ for the year _____

Initial disbursement/Recoupment of the Permanent Advance					Expenditure				Daily Balance (Rs.)	Initials of the officer holding the advance	Remarks
Sr. No.	Date	Payment Order No.	Sr. No. of Expenditures for which Payment Order is submitted	Amount (Rs.)	Nature of Expenditure	Date of Bill	To whom paid	Amount Paid (Rs.)			
1	2	3	4	5	6	7	8	9	10	11	12
									(5-9)		

Note:
For each entry made; record the Name, Designation and Signature of the person making the statement and the person checking the entry.

Form GEN-18

_____ Name of the ULB

DEPOSIT REGISTER FOR THE YEAR ENDED 20_to 20
In respect of _____

Sr. No.	Date	Name of the Party	Nature/ Type/Kind of Deposit	Receipt Number	Amount (Rs.)	Refund or Adjustments					Balance Deposit (Rs.)	Remarks**
						Date & Voucher No.	Adjusted against demand of			Amount (Rs.)		
							Income*	Year	Amount (Rs.)			
1	2	3	4	5	6	7	8	9	10	11	12	13

** Specify the head of account of the income against which the deposit is adjusted*
*** Details of the Lapsed Deposits should be given in the "Remarks" column.*

Note: For each entry made; record the Name, Designation and Signature of the person making the statement and the person checking the entry.

Form GEN-19

_____ Name of the ULB

SUMMARY STATEMENT OF DEPOSITS ADJUSTED DURING THE PERIOD _____

In respect of **_____**

Date : ***Sr. No.*** **_____**

Particulars (Revenue Head-wise)	Arrears (Rs.)				Current Demand (Rs.)	Total (Rs.)	Deposits Adjusted Register No.
	Year (Others)	Year (-3)	Year (-2)	Year (-1)			
1	2	3	4	5	6	7	8
Total							

Amount in Words: Rupees _____

Prepared By :* **_____** **Examined and entered**

Checked By :* **_____** **Accountant/Authorised Officer**

Dated: **Dated:**

** Record the name, designation and signature of the person.*

Form GEN-20

_____ Name of the ULB

DEMAND REGISTER OF _____ INCOME FOR THE YEAR 20__ to 20__

_____ Department ***_____ Ward or Circle***

Sr. No.	Date	Bill No.	Name of the person from whom income is due	Particulars	Demand								Collections						
					Revenue* (Rs.)	Revenue* (Rs.)	Notice Fee (Rs.)	Warrant Fee (Rs.)	Other Fees (Rs.)	Penalty (Rs.)	Others (Specify) (Rs.)	Total (Rs.)	Receipt Number & Date of collection	Revenue* (Rs.)	Revenue* (Rs.)	Notice Fee (Rs.)	Warrant Fee (Rs.)	Other Fees (Rs.)	Penalty (Rs.)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
				Arrears															
				Year (Others)															
				Year (-3)															
				Year (-2)															
				Year (-1)															
				Current Year															
				Bill **															

Collections		Remission/Write-off									Balance								Remarks
Others (Specify) (Rs.)	Total (Rs.)	No. and date of order	Revenue* (Rs.)	Revenue* (Rs.)	Notice Fee (Rs.)	Warrant Fee (Rs.)	Other Fees (Rs.)	Penalty (Rs.)	Others (Specify) (Rs.)	Total (Rs.)	Revenue* (Rs.)	Revenue * (Rs.)	Notice Fee (Rs.)	Warrant Fee (Rs.)	Other Fees (Rs.)	Penalty (Rs.)	Others (Specify) (Rs.)	Total (Rs.)	
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40

** Separate columns shall be maintained in respect of each revenue for which demand is raised in the same bill.*
*** Entries shall be separately made for each bill raised. Entry shall be made only for the current demand raised.*

Notes:

1. Please provide a reference of the Bill No. for Notice Fee, Warrant Fee, Other Fees and Penalty in Column No. 3.
2. Please provide a reference of Form GEN-30 (Register of Refunds, Remissions and Write-offs for remission and write-offs in Column No. 23.
3. For each entry made; record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry.

Form GEN-21

_____ Name of the ULB

BILL OF _____ INCOME
FOR THE PERIOD _____

No. _____

Name _____

Address _____

Serial No. in Demand Register _____

The incomes shown below amounting to Rs. _____ are due from you in respect of _____ and you are requested to pay the same within ___ days of presentation of this bill.

Particulars*	Arrears (Rs.)					Current Demand (Rs.)	Total (Rs.)
	Year (Others)	Year (-3)	Year (-2)	Year (-1)	Current Year's First Bill		
1	2	3	4	5	6	7	8
Notice Fee							
Warrant Fee							
Other Fees							
Penalty							
Others, Specify _____							
Total Bill Raised							
Less: Advance Adjusted							
Balance Payable							

Amount in Words : Rupees _____

If, within the said period of _____ days:

(a) the sum demanded in this bill is not paid; or
(b) no cause is shown to the satisfaction of the Commissioner, why the same should not be paid; or
(c) no appeal is preferred according to section ____ of the Act governing the ULB ; a notice of demand will be served upon you for the payment of the said sum.

The ULB reserves the right to adjust any deposits/sum lying with it, if the amount of this bill is not paid

Prepared By:* _____

Office: _____ **Checked By:*** _____

Dated: **Commissioner/Authorised Officer**

** Specify each & every income head separately for which bill is raised, if raised in the same bill.*
*** Amount to be inserted in words.*
**** Record the name, designation and signature of the person.*

Form GEN-22

_____ Name of the ULB

SUMMARY STATEMENT OF BILLS RAISED FOR THE PERIOD
_____*in respect of* _____

Date: ***Sr. No.*** _____

_____ *Ward*	Arrears (Rs.)					Current Demand (Rs.)	Total (Rs.)
Particulars (Revenue Head-wise)	**Year (Others)**	**Year (-3)**	**Year (-2)**	**Year (-1)**	**Current Year's First Bill**		
1	**2**					**3**	**4**
Property & Other Taxes							
Tax revenues (specify)							
Notice Fee							
Warrant Fee							
Other Fees							
Penalty							
Other, Specify _____							
Total bill raised for income of ULB							
Revenue collected in Advance Adjusted							
Total							
Amount in Words: Rupees _____							
Prepared By :* _____ **Checked By :*** _____ **Dated:**					**Examined and entered** Accountant/Authorised Officer **Dated:**		

** Record the name, designation and signature of the person.*

Note: This statement should be prepared separately for each ward and then consolidated.

Form GEN-23

_____ Name of the ULB

REGISTER OF NOTICE FEE, WARRANT FEE, OTHER FEES AND PENALTIES CHARGED

In respect of _____

Sr. No.	Date	Name and Address of the payer	Particulars	Fresh Bill No.	Notice Fee				Warrant Fee				Other Fee			Penalty			Remarks
					Notice No.	Date of Issue	Date of Service	Fee Charged (Rs.)	War-rant No.	Date of Issue	Date of Service	Fee Charged (Rs.)	Particu-lars	Date of Charge	Fee Charged (Rs.)	Bill No./ Docu-ment No. by which levied	Date of Docu-ment	Amt. (Rs.)	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20

Note:
1. A reference of the Bill No. and fees charged should be made in Form GEN-23 (Demand Register).
2. For each entry made; record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry.

Form GEN-24

_____ Name of the ULB

SUMMARY STATEMENT OF NOTICE FEE, WARRANT FEE, OTHER FEES AND PENALTIES CHARGED

FOR THE PERIOD _____
in respect of _____ Income

Sr. No. _____

Particulars					**Amount (Rs.)**
1					**2**
Notice Fee					
Warrant Fee					
Other Fees					
Penalty					
Total					
Amount in Words : Rupees : _____					
Prepared By* : _____			**Examined and entered**		
Checked By* : _____			**Accountant/Authorised Officer**		
Dated:			**Dated:**		

** Record the name, designation and signature of the person*

Form GEN-25

_____ Name of the ULB

REGISTER OF REFUNDS, REMISSIONS & WRITE-OFF

in respect of _____

Sr. No.	Date	Name and Address of the person/ party	Particulars (Refunds/ Remission/ Write-offs)	Year in respect of which granted	Order Number & Date	Under Section	Name and Designation of the Sanctioning Authority	Amount										Date of Payment & Voucher No. (in case of Refunds)	Remarks
								Reve -nue (Rs.)	Reve -nue (Rs.)	Reve -nue (Rs.)	Reve -nue (Rs.)	Notice Fee (Rs.)	Warran t Fee (Rs.)	Other Fees (Rs.)	Penalty (Rs.)	Other (Specify) (Rs.)	Total (Rs.)		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
				Arrears															
				Year (Others)															
				Year (-3)															
				Year (-2)															
				Year (-1)															
				Current Year															

Note:
1. A reference of the folio no. of this Register for remissions and write-offs should be made in the Demand Register (Form GEN-23).
2. For each entry made; record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry.

Form GEN-26

_____ Name of the ULB

SUMMARY STATEMENT OF REFUNDS AND REMISSIONS
FOR THE PERIOD _____

in respect of _____

_____ ***Department*** ***Sr. No.*** _____

Particulars		Refunds	Remissions	
		Receivables of Revenue	Revenue received in advance	Refunds payable
1		2	3	4
Arrears				
Year (Others)				
Year (-3)				
Year (-2)				
Year (-1)				
Current Year (20XX)				
Total				
Amounts in Words : Rupees _____				
Prepared By :*** _____		**Examined and entered**		
Checked By :*** _____		**Accountant/Authorised Officer**		
Dated:		**Dated:**		

** Separate Statements shall be prepared for each income in respect of which demand is raised*
*** Including remission of interest charged on delayed payment*
**** Record the name, designation and signature of the person*

Form GEN-27

_____ Name of the ULB

SUMMARY STATEMENT OF WRITE-OFFS

FOR THE PERIOD _____

in respect of **_____**

_____ ***Department*** ***Sr. No.*** **_____**

Particulars		**Write-offs**		
		Taxes	**State Education Cess**	**Employment Guarantee Cess**
1		**2**	**3**	**4**
Arrears				
Year (Others)				
Year (-3)				
Year (-2)				
Year (-1)				
Current Year (20XX)				
Total				
Amounts in Words : Rupees _____				
Prepared By :*** _____		**Examined and entered**		
Checked By :*** _____		**Accountant/Authorised Officer**		
Dated:		**Dated:**		

** Separate Statements shall be prepared for each income in respect of which demand is raised*
*** Including write-offs of interest charged on delayed payment*
**** Record the name, designation and signature of the person*

Form GEN-28

_____ Name of the ULB

STATEMENT OF OUTSTANDING LIABILITY FOR EXPENSES
As on _____

Date : _____ **Department _____**

Sr. No.	Name of the Supplier/ Contractor	Nature of Payable	Code of Account	Date of Bill	Bill Amount (Rs.)	In respect of Grant/ Special Fund	Remarks
1	2	3	4	5	6	7	8
	Total						

Amount (in words) : Rupees _____

Prepared By :* _____ **Checked By :***

** Record the name, designation and signature of the person.*

Form GEN-29

_____ Name o the ULB

DOCUMENT CONTROL REGISTER/STOCK ACCOUNT OF RECEIPT/CHEQUE BOOK
Kind of Document _____

Receipt						Issue			To whom issued	
Date	From whom received	Number of Forms	Books		Voucher No. and Date	Number of Forms	Books		Designation	Signature of person receiving forms or books
			No.	No. of pages			No.	No. of pages		
1	2	3	4	5	6	7	8	9	10	11

Balance						Return of books and forms			Initials of the person returning the books	Initials		Remarks
Number of Forms	Books		Initials		Date	Number of Forms	Books			Clerk	Authorised officer	
	No.	No. of pages	Clerk	Authorised Officer			No.	No. of pages				
12	13	14	15	16	17	18	19	20	21	22	23	24

Note : For each entry made; record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry.

Form GEN-30

_____ Name of the ULB

REGISTER OF IMMOVABLE PROPERTY

Asset Identification No.:
Description of the Structure:
Location of the Structure:
Survey No. of the land on which Structure is located:
Dimensions of the Structure:
Area of land on which constructed (sq. mtr.):
Title documents available:
Mode of acquisition:
Warranty / Defects Liability Clause:
Security Deposit retained:
Date and amount of Security Deposit released:

Sr. No.	Date of acquisition / construction / improvement	Payment Order No.	Ref. No. of Cash Book / Journal Book / Ledger where entry is recorded	Ref. No. of Register of Land	Cost of acquisition/ construction / improvement (Rs.) (please specify incidental cost separately)	To whom paid / Name of the contractor	Purpose of Expenditure	Source of Funds	In case of Building, specify how building is being currently used
1	2	3	4	5	6	7	8	9	10
Total for the year 20-20****									
Total for the year 20-20****									

Opening Written Down Value (Rs.) (equal to column 6 in first year)	Year of Depreciation	Depreciation provided (Rs.)	Closing Written Down Value (Rs.)	Date of Disposal	Receipt Voucher No.	Name of the person to whom Structure is disposed	Sale Value (Rs.)	Initials of the Authorised Officer	Remarks
11	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
			(11-13)						
Total for the year 20-20****									
Total for the year 20-20****									

Notes:

1. All the structures should be categorised into relevant asset class. Unique asset identification numbers are to be provided for all assets initially. Separate Registers shall be maintained for each class of structures owned by the ULB.
2. Each structure shall be recorded on a separate page in the register.
3. At the end of the accounting year, the amount in column 14 in respect on the current year shall be the amount to be entered in column 11 of the next year (next row).
4. In the year in which there is any improvement to the asset, add the cost of improvement to the current year' s opening written down value.
5. For each entry made, record the Name, Designation and Signature of the person making entry in the register and the person checking the entry.
6. Totals should be taken at the end of each year in respect of total cost incurred on acquisition / construction / improvement (from the date of acquisition/construction) for each of the Structure owned by the Municipal Body.
7. In Remarks column, indicate whether the Municipal Body has the ownership right to the property or have only utilisation rights.

Form GEN-31

_____ Name of the ULB

REGISTER OF MOVABLE PROPERTY

Sr. No.	Asset Identification No.	Particulars and description of the Property	Location of the Property	Number or quantity	Date of acquisition / construction/ improvement	Mode of acquisition	Payment Order No.	Ref. No. of Cash Book / Journal Book / Ledger where entry is recorded		Cost of acquisition/ construction / improvement (Rs.)		To whom paid	Purpose of Expenditure	Source of Funds
1	2	3	4	5	6	7	8	9		10		11	12	13
Total for the year 20**-20**														
Total for the year 20**-20**														

Opening Written Down Value of the property (Rs.) (equal to column 10 in first year)	Year of Depreciation	Depreciation provided (Rs.)	Closing Written Down Value (Rs.)	Date of Disposal	To whom Disposed and Nature of Disposal	No. and date of Disposal Order	Number or quantity disposed	Amount realised if sold, & date of credit in treasury or bank (Rs.)	Balance quantity	Security Deposit retained (Rs.)	Date and amount of Security Deposit released	Initials of the Authorised Officer	Remarks
14	15	16	17	18	19	20	21	22	23	24	25	26	27
			(14-16)										
Total for the year 20-20****													
Total for the year 20-20****													

Note:

1. All the movable assets should be categorised into relevant asset class with unique ID nos. Separate Registers shall be maintained for each class of movable assets owned by the Municipal Body.
2. At the end of the accounting year, the amount in column 17 in respect on the current year shall be the amount to be entered in column 14 of the next year (next row).
3. In the year in which there is any improvement to the asset, add the cost of improvement to the total of current year' s opening written down value and cost of improvement.
4. For each entry made; record the Name, Designation, and Signature of the person making the entry in the register and the person checking the entry.
5. In case of Plant & Machinery, the details should be given department-wise, location-wise. Separate folios should be allotted for each of the locations.
6. Plant & Machinery of Water Works and Drainage System and sub-station and transformers of the Public Lighting System shall be recorded in this form.
7. Details of any improvements to the plant and machinery, which has resulted into increasing the capacity of the plant and machinery, should be mentioned separately.
8. In case of Plant & Machinery, specify the date of commencement of operations and the number of shifts for which plant & machinery is operated alongwith the description of the property in column no. 3.
9. In case of Vehicles, specify the vehicle no., registration no., engine no. and chasis no. alongwith the description of the vehicle, year of manufacture and ' make' in column no. 3.
10. In Remarks column, indicate whether the Municipal Body has the ownership right to the property or have only utilisation rights.
11. Totals should be taken at the end of each year in respect of total cost incurred on acquisition / construction / improvement (from the date of acquisition / construction) for each of the movable asset owned by the Municipal Body.

Form GEN-32

_____ Name of the ULB

REGISTER OF LAND

Asset Identification No.:
Description of the Land:
Specify, if leasehold/freehold:
Location of the Land:
Survey No. of the Land:
Area (sq. mtr.):
Title documents available:
Mode of acquisition:
Specify whether any building, trees, etc., acquired with land:
Value paid for acquiring building, trees, etc:
Security Deposit retained:
Date and amount of Security Deposit released:

Sketch the boundaries of the Land:

Sr. No.	Date of acquisition / improve ment	Payment Order No.	Ref. No. of Cash Book / Journal Book / Ledger where entry is recorded	Ref. No. of Register of Immovable Property	Cost of acquisition / improve ment (Rs.)	To whom paid	Purpose of Expendi-ture	Source of Funds	Specify how land is being currently used	Date of Dispo-sal	Receipt Voucher No.	Name of the person to whom land is disposed	Value Realised (Rs.)	Initials of the Author ised Officer	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

Sr. No.	Date of acquisition / improve ment	Payment Order No.	Ref. No. of Cash Book / Journal Book / Ledger where entry is recorded	Ref. No. of Register of Immovable Property	Cost of acquisition / improve ment (Rs.)	To whom paid	Purpose of Expendi-ture	Source of Funds	Specify how land is being currently used	Date of Dispo-sal	Receipt Voucher No.	Name of the person to whom land is disposed	Value Realised (Rs.)	Initials of the Author ised Officer	Remarks
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**
Total for the year 20-20****															
Total for the year 20-20****															

Notes:

1. Details of all the land belonging to the municipal body, irrespective of the fact, whether it is vacant or any structure has been constructed on that, should be included here. Unique asset ID Nos. to be allotted to each item.
2. Each plot of land shall be recorded on a separate page in the register.
3. Specify if land is industrial/agricultural/residential in ' Description of Land' .
4. For each entry made, record the Name, Designation and Signature of the person making entry in the register and the person checking the entry.
5. Totals should be taken at the end of each year in respect of total cost incurred on acquisition / improvement (from the date of acquisition) for each of the land owned / utilised by the Municipal Body.

Form GEN - 33

_____ Name of the ULB

FUNCTION –WISE INCOME SUBSIDIARY LEDGER

Function:

Sl. No	Function code	Functions Head	Total Income (Rs.)	Major Heads of Income						
				Tax Revenue Code:	Assigned Revenue	Rental Income from Properties	Fees & User Charges	Sale & Hire Charges	Revenue Grants	…..
Cumulative total at the beginning of the month (Rs.)										
Cumulative total at the end of the month (Rs.)										

* For each Major Revenue, columns for functions relevant to revenue will only be opened.

Form GEN - 34

_____ Name of the ULB

FUNCTION –WISE EXPENDITURE SUBSIDIARY LEDGER

Function:

SI. No.	Function code	Functions Head	Total Income (Rs.)	Major Heads of Income						
				Establishment	Administrative	Operations & Maintenance	Interest & Finance	Programme	Revenue Grants	…..
Total for the month (Rs.)										
Cumulative total at the beginning of the month (Rs.)										
Cumulative total at the end of the month (Rs.)										

* For each major expenditure, columns for functions relevant to the expenditure will only be opened.

Form GEN-35

_____ Name of the ULB

ASSET REPLACEMENT REGISTER

Sr. No.	Source			Utilised						Balance (Rs.)
	Date of transfer to Asset Replacement Bank	Voucher No.	Amount (Rs.)	Date of acquisition / construction / improvement	Payment Order No.	Ref. No. of Cash Book / Journal Book / Ledger where entry is recorded	Cost of acquisition/ construction / improvement (Rs.) (please specify incidental cost separately)	To whom paid / Name of the contractor	Ref. No. of Fixed Asset Register *	
1	2	3	4	5	6	7	8	9	10	11

Notes:

1. Separate folio should be used for different Asset-class.
2. For each entry made, record the Name, Designation and Signature of the person making entry in the register and the person checking the entry.

* Reference shall be provided for Register of Immovable property, Register of Movable property, etc.

Form GEN-36

_____ Name of the ULB

REGISTER OF PUBLIC LIGHTING SYSTEM

Area / Location / Survey No.:
Title documents available:
Mode of acquisition
Warranty / Defects Liability Clause:
Security Deposit retained:
Date and amount of Security Deposit released:

Sr. No.	Asset Identification No.	Number of lamp posts	Meters of cables used	Date of acquisition / improvement	Mode of acquisition	Payment Order No.	Ref. No. of Cash Book / Journal Book / Ledger where entry is recorded	Cost of acquisition / improvement (Rs.)	To whom paid	Purpose of Expenditure	Source of Funds
1	2	3	4	5	6	7	8	9	10	11	12
Total for the year 20-20****											
Total for the year 20-20****											

Opening Written Down Value (Rs.) (equal to column 9 in first year)			Year of Depreciation	Depreciation provided (Rs.)	Closing Written Down Value of the property (Rs.)	Date of Disposal	Receipt Voucher No.	Name of the person to whom Property disposed	Value Realised (Rs.)	Initials of the Authorised Officer	Remarks
13			**14**	**15**	**16**	**17**	**18**	**19**	**20**	**21**	**22**
					(13-15)						
Total for the year 20-20****											
Total for the year 20-20****											

Note :

1. Separate Registers shall be maintained in respect of each location.
2. At the end of the accounting year, the amount in column 16 in respect on the current year shall be the amount to be entered in column 13 of the next year (next row).
3. In the year in which there is any improvement to the asset, add the cost of improvement to the current year' s opening written down value.
4. Cost incurred in acquisition and erection of lampposts and that in respect of cables shall be indicated separately.
5. For each entry made; record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry.
6. Totals should be taken at the end of each year in respect of total cost incurred on acquisition / improvement (from the date of acquisition) for each of the location.

CHAPTER 6

PROPERTY & OTHER TAXES

INTRODUCTION

6.1 This chapter contains the recommended accounting system for Property and Other Taxes related transactions.

6.2 Property Tax is the main source of income of most ULBs. Property tax is levied on residential and commercial properties. Property tax is collected from the citizens and organisations, which own the properties. In respect of property tax on State or Central Government departments or undertakings, the property tax is received from the State or Central Government, as the case may be and in respect of Government undertakings, property tax is received directly from such undertakings or from the State or Central Government.

6.3 Property Tax may comprise of the following:

i. General Tax
ii. Water Tax
iii. Water Benefit Tax
iv. Conservancy Tax or Sewerage Tax
v. Sewerage Benefit Tax
vi. Education Cess
vii. Development Cess
viii. Street Tax
ix. Fire Brigade Tax
x. Tax on Vehicles, Boats and Animals
xi. Light Tax

xii. Health Tax
xiii. Dog Tax
xiv. Tree Cess
xv. Fire Cess
xvi. Any other taxes

6.4 In addition to the taxes referred above, following may be collected by the Property Tax Department:

a. Property Transfer Charges

b. Notice Fee, Warrant Fee, Other Fees and interest and penalties charged for delays and defaults made by the taxpayers

ACCOUNTING PRINCIPLES

6.5 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Property and Other Taxes:

a. Revenue in respect of Property and Other Taxes shall be recognised in the period in which they become due and demands are ascertainable.

b. In case of new or changes in assessments, tax can be accrued in the month in which the demand is served;

c. Interest element and Penalties, if any, in demand shall be reckoned only on collection;

d. Revenue in respect of Notice Fee, Warrant Fee, and Other Fees charged shall be recognised when the bills for the same are raised;

e. Revenue in respect of Property Transfer Charges shall be recognised on actual receipt;

f. Collections to be made on behalf of state Government i.e., State Education Cess, Employment Guarantee Cess and Library Cess and included in the Property tax demand shall be reckoned together with Property tax demand and credited to a control account called "State Government Levies in Taxes- Control Account."

g. The liability towards dues to the State Government for collections on its behalf shall be recognised as and when they are collected;

h. Revenue in respect of Rebate from State Government for collection made on their behalf shall be recognised at the rates prescribed by the State Government at the time of creating the liability to the State Government;

i. In respect of the demand outstanding beyond two (2) years, provision shall be made in the Demand, based on the following provisioning norms:

- Outstanding for more than 2 year but not exceeding 3 years: 25%
- Outstanding for more than 3 years but not exceeding 4 years: 50% (additional 25%)
- Outstanding for more than 4 years but not exceeding 5 years: 75% (additional 25%)
- Outstanding for more than 5 years: 100% (additional 25%)

j. While making provision for receivables as stated above, the relevant proportion 'State Govt. Cesses/ levies in Property Taxes - Control account' shall also be provided by debiting to a separate account.

k. Any additional provision for demand outstanding (net on overall basis) required to be made during the year shall be recognised as expenditure of the current year and any excess provision written back during the year shall be recognised 'as other income' of the ULB for the current year.

l. Refunds, remissions of taxes for the current year shall be adjusted against the income and if pertain to previous years then it shall be treated as prior period item

m. Write-offs of taxes shall be adjusted against the provisions made and to that extent recoverable and 'State Government dues control' account balance gets reduced.

n. Any subsequent collection or recovery of 'Receivables for Property Taxes which were already written off" shall be recognised as a 'Prior Period Income'.

o. Demands raised with retrospective effect will be treated as prior period income to the extent it pertains to earlier years.

p. Part-payments received in respect of Property and Other Tax levies shall be adjusted as per applicable Act of the state.

q. Wherever self-assessment of taxes are prevalent, income can be accrued based on records available with the ULB when it becomes due as per the provisions of the respective Municipal Acts. Further changes arising out of self-assessment will be treated as 'Change in Demand' and will be accounted accordingly.

ACCOUNTING RECORDS AND PROCEDURES

6.6 *This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Property & Other Taxes For the purposes of accounting of Property & Other taxes there are certain forms, registers, etc., which are specific to Property & Other Taxes, e.g., Summary Statement of Year-wise & Head-wise Collection of Property & Other Taxes (Form POT-3). These (Form POT-1 to POT-5) are annexed to this chapter*

TAX BILLS

6.7 A Summary Statement of Bills Raised shall be prepared ward-wise and tax-head-wise, in Form P&OT-1 on monthly basis within 7 days from the end of the previous month. This forms the base for accounting and the following entry shall be passed.

a. Recording of demand raised on existing assessments:

Code of Account	Accounting Entry (Illustrative Heads)	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-10-(a)	Receivable for Property Taxes (Year…)	Dr.	7,70,000		Journal Book, Ledger
110-01-(a)	To Property Tax – Residential	Cr.		2,00,000	
110-01-(a)	To Property Tax – Commercial	Cr.		3,00,000	
110-02-(a)	To Water Tax	Cr.		1,00,000	
110-03-(a)	To Sewerage Tax	Cr.		50,000	
110-(b)	To Others*	Cr.		50,000	
431-91-(a)	To State Govt. Cesses/ levies in Property Taxes – Control account **	Cr.		70,000	

** Specify the heads of each income for which demand is raised.*
*** Specify the name of the cess*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable
Note: The postings in the Ledger Account of "Receivables for Property Tax" Account and Revenue accounts shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book.

1. It is a normal practice for the ULB to include the arrears of the tax dues while issuing the fresh demand. Entries in respect of the arrears would have already been recorded in the earlier years. The above entry to be passed is only in respect of the current year demand.

2. Cesses/Levies collected on behalf of State Government together with property tax demand shall be reckoned and credited to control account, "State Govt. Cesses/ levies in Property Taxes - Control account" above. However the liability to the State Government arises only upon collection. The treatment of this is discussed subsequently.

b. Recording of demand raised in case of new assessments:

1. In case of new assessments, demand may be raised for a period earlier to the financial year in which the assessment is made. In such case the demand should be split according to the period to which it relates and income related to earlier period be accounted as Prior period Income as provided below.

Code of Account	Accounting Entry (Illustrative Heads)	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-10-(a)	Receivables for Property Taxes (Year…)	Dr.	4,400		Journal Book, Ledger
110-01-(a)	To Property Tax – Residential	Cr.		2,000	
280-10-(a)	To Prior period Income – Taxes*	Cr.		2,000	
431-91-(a)	To State Govt. Cesses/ levies in Property Taxes – Control account **	Cr.		400	

** Specify the heads of each income for which demand is raised.*
*** Specify the name of the cess*
(a) Insert Detailed Head Codes of Account as applicable
Note: The demand raised is for 2 assessment periods for Rs.2,200 each of which Rs. 200 is towards state cess.

c. Recording of Change in assessments:

Any demand raised earlier may undergo changes by court order / by the order of Commissioner / by any other competent authority. This may either lead to increase or decrease in demand amount. A summary statement of all changes in Demand Raised shall be prepared, in Form P&OT- 2 on monthly basis within 7 days from the end of the previous month. This forms the base for accounting and the following entry shall be passed.

i. In case the revised demand is more than what was recorded earlier, then, the entry to be passed is same as accounting of existing demand, for the difference amount.

ii. In case the revised demand is less than what was recorded earlier, the entry passed earlier has to be reversed for the difference. The reversal shall be reflected in the current year revenue incase the revision in demand relates to the current year and in any other case the reversal shall be accounted as prior period expenses. The remission / refund amount shall be adjusted against Receivables if the demand is outstanding. The accounting entry for the same is as follows.

Code of Account	Accounting Entry (Illustrative Heads)	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
110-90-(a)	Tax Remission & Refund - Property & Other Taxes	Dr.	500		Journal Book, Ledger
280-50-(a)	Prior period expenses – Refund of Taxes*	Dr.	500		
431-91-(a)	State Govt. Cesses/ levies in Property Taxes – Control Account **	Dr.	100		
431-10-(a)	To Receivables for Property Taxes (Year…)	Cr.		1,100	

** Specify the heads of each income for which demand is raised.*
*** Specify the name of the cess*
(a) Insert Detailed Head Codes of Account as applicable

iii. If the demand is already paid, it will either be taken as credit and adjusted against future payments or will be paid to the tax payee as refund depending on the governing principle of the ULB. The amount of refunds/remissions shall be credited to the account 'Advance Collection of Revenues' with account code 350-41-(a) (instead of 431-10-(a) as indicated in the above entry) when it is to be adjusted against future payments. If it is to be refunded then it shall be credited to the Refunds payable account with account code 350-40-(a).

SELF ASSESSMENT

6.8 Self-Assessment of taxes is a method of bringing better compliance and improved collection. In such cases, income shall be accrued on the due date (as per provisions of respective Municipal Acts) based on the information available with the ULB in the assessment records. On due date, a Summary Statement of Bills Raised shall be prepared by the Tax Department as provided earlier and income shall be accrued as in the normal case.

6.9 However on submission of self- assessment forms, upon scrutiny and approval as per the rules and regulations laid down for this purpose, it shall be recorded in the books of accounts. The effect of this could either lead to increase or decrease in demand. The accounting procedure to be adopted will be same as change in assessment.

COLLECTION OF TAXES

6.10 The procedure for accounting of collections is described below:

a. Recording of tax collections. Based on Summary of Daily Collection (Form GEN-12) received from the various Collecting Offices / Centers, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 431-80-(a)	Bank Account* To Receivables Control Accounts – Property Taxes	Dr. Cr.	5,10,000	5,10,000	Cash Book, Ledger

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

b. The Summary of daily collection (Form GEN-12) does not provide the details in respect of the year-wise head-wise collections made in respect of Property and Other Taxes. Hence, the total amount collected should be credited to "Receivables Control Accounts - Property Taxes" Account. The collection made shall be segregated into year wise, head wise collection on a monthly basis.

c. Recording of break-up of collections: A Summary Statement of Year-wise/ Head-wise Collection of Property & Other Taxes in Form P&OT-3 on a monthly basis shall be prepared and sent to the Accounts Department to record the details of collection. Interest on delayed payment may be charged to the taxpayer in accordance with relevant provisions. Interest shall be recognised as income only on collection.

d. To record the break-up of collections into year-wise recovery, tax received in advance and to record the interest income the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-80-(a)	Receivables Control Accounts -Property Taxes	Dr.	5,10,000		Journal Book, Ledger
431-10-(a)	To Receivables for Property Taxes (Year…)	Cr.		4,40,000	
431-10-(a)	To Receivables for Property Taxes (Year…)	Cr.		55,000	
350-41-(a)	To Advance Collection of Revenues –Property Taxes*	Cr.		11,000	
171-80-(a)	To Other Interests – Receivables	Cr.		1,000	
140-20-(a)	To Penalties and Fines	Cr.		3,000	

** Adjustment of tax collected in advance is discussed separately under section 'Adjustment of Tax Received in Advance' below.*

(a) Insert Detailed Head Codes of Account as applicable

RECOGNITION OF LIABILITY AND PAYMENT OF SPECIFIC STATE GOVERNMENT DUES

6.11 Recording of liability to State Government and rebate income earned: The specific head-wise liability in respect of the amount collected on behalf of the State Government shall be recognised on collection based on the Summary Statement of Year-wise Head-wise Collection of Property & Other Taxes (Form P&OT 3). Further the ULB may be entitled to a rebate for the collections made on behalf of the State Government. It shall be accounted as income on creation of specific head wise liability. To record the liability and income the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-91-(a)	State Govt. Cesses/ levies in Property Taxes – Control account *	Dr.	45,000		Journal Book, Ledger
350-30-(a)	To Government Dues Payable *	Cr.		40,500	
140-70-(a)	To Service/ Administrative Charges –Rebate from State Government	Cr.		4,500	

** Specify the name of the cess*

(a) Insert Detailed Head Codes of Account as applicable

6.12 Recording of payment made to State Government: A Payment Order (Form GEN-14) is made for remittance of payment of collections made on behalf of the State Government. Based on Payment Order the following entry shall be made to record the payment order.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-30-(a)	Government Dues Payable – Cess*	Dr.	40,500		Cash Book, Ledger
450-21-(a)	To Bank Account **	Cr.		40,500	

** Specify the name of the cess*
** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

DISCOUNT ALLOWED

6.13 The ULB may provide for discount on property & other taxes for payment within a certain period, if allowed by its rules. Discount allowed shall be reckoned along with the details of collection and be recorded from the Summary Statement of Year-wise Head-wise Collection of Property & Other Taxes. To record the discount allowed, the following accounting entry to be passed.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
240-80-(a)	Other Finance Expenses – Discount on early payment	Dr.	100		Journal Book, Ledger
431-10-(a)	To Receivables for Property Taxes (Year…)	Cr.		100	

(a) Insert Detailed Head Codes of Account as applicable

NOTICE FEE, WARRANT FEE, OTHER FEES AND PENALTIES

6.14 Notices of demand and warrants shall be issued and penalties may be charged as per the relevant provisions.

6.15 Recording of demand raised: A Summary Statement of Notice Fee, Warrant Fee and Other Fees in Form P&OT-1 shall be prepared on a monthly basis. The following entry shall be passed to record the demand raised. :

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-10-(a)	Receivables for Property Taxes (Year…)	Dr.	600		Journal Book, Ledger
140-40-(a)	To Other Fees – Notice Fees	Cr.		300	
140-40-(a)	To Other Fees - Warrant Fee	Cr.		300	

(a) Insert Detailed Head Codes of Account as applicable

REFUNDS AND REMISSIONS

6.16 All refunds and remissions arising under eligible circumstances as provided in the Act and regulations governing the revenues shall be duly recorded in the Demand registers maintained and the details of the same shall also be communicated to the Accounts Department. It is to be noted that refund/ remission on account of the reasons referred above generally granted for the tax amounts only and the portion of any other levy/cess in the original demand is not refunded/remitted. The reversal shall be reflected in the current year revenue incase the revision in demand relates to the current year and in any other case the reversal shall be accounted as prior period expenses.

6.17 Recording of refunds/remissions payable: A Summary Statement of Refunds and Remissions in Form P&OT- 4 on a monthly basis shall be prepared. Refunds/Remissions pertaining to prior period shall be identified separately from the current period based on which the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
110-90-(a)	Tax Remission and Refund– Property Taxes	Dr.	300		Journal Book, Ledger
280-50-(a)	Prior period expenses –Refund of Taxes – Property Taxes	Dr.	200		
350-40-(a)	To Refunds Payable-Taxes*	Cr.		500	

**Refunds/Remissions arising on account of change in provisions shall be either passed for 'Payment' (Refund payable account) or credited to the account 'Advance collection of Revenues' (under the account code 350-41-(a)) in accordance with the principles of the ULB.*

(a) Insert Detailed Head Codes of Account as applicable

6.18 Recording of payment refunds/remissions granted: The Accounts Department shall prepare a Payment Order (Form GEN-14) in respect of the refunds and communicate the details of refunds made to the Tax Department for updating the Register of Demand and other registers. To record payment of refunds/remissions granted, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-40-(a) 450-21-(a)	Refunds Payable – Taxes To Bank Account*	Dr. Cr.	500	 500	Cash Book, Ledger

** Specify name of the Bank and Account number*

(a) Insert Minor Head Codes of Account as applicable

PAYMENT TO THE URBAN LOCAL BODY FOR PROPERTIES OCCUPIED BY THE STATE GOVERNMENT IN LIEU OF GENERAL TAX AND EDUCATION CESS:

6.19 Recording of demand raised: In case there are separate provisions under the law for charging property tax on properties occupied by State Government, a Summary Statement of Bills Raised (Form P&OT- 1) in this regard be prepared in the same way as in case of other properties based on which following accounting entry will be passed

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-10-(a) 110-01-(a)	Receivables for Property Taxes (Year…) To Property Taxes - Service Charges	Dr. Cr.	1,000	 1,000	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

6.20 The procedure for collection and accounting of sums received from the State Government in this regard shall be the same as discussed for Property and Other Taxes collected other wise.

PROVISION FOR UNREALISED PROPERTY AND OTHER TAX RECEIVABLES AND WRITE-OFFS

6.21 Recording of provision for unrealised tax. The demand outstanding beyond two (2) shall be provided for as per provisioning norms given below:

a. Outstanding for more than 2 year but not exceeding 3 years: 25%

b. Outstanding for more than 3 years but not exceeding 4 years: 50% (additional 25%)

c. Outstanding for more than 4 years but not exceeding 5 years: 75% (additional 25%)

d. Outstanding for more than 5 years: 100% (additional 25%)

6.22 For example, provision for the Period ended 31 March, 2004 is as under:

a. 25% of outstanding Receivables of Property & Other Taxes for the year ended March 31, 2002

b. 50% of outstanding Receivables of Property & Other Taxes for the year ended March 31, 2001

c. 75% of outstanding Receivables of Property & Other Taxes for the year ended March 31, 2000

d. 100% of outstanding Receivables of Property & Other Taxes for the year ended March 31, 1999 and before

While making provision for receivables as stated above, the relevant proportion 'State Govt. Cesses/ levies in Property Taxes - Control account' shall also be provided by debiting to a separate account.

6.23 The amount required being provided as per provisioning norms stated above, shall be compared with the balance lying in the Provision for outstanding Tax-PTD. If the amount to be provided is more than the balance, then additional provision shall be made for the difference amount. If the amount to be provided is less than the balance, it reflects the amounts provided for has been collected, and the provision made towards that can be written back. This process has to be carried over at every period/yearend.

6.24 Computation of provision or write back of as at the period end date is explained with the example given below in Table 6.1 & 6.2.

Table 6.1
Computation of Additional Provision at the Period end

Sl. No.	Particulars	Taxes (Rs.)	Stat e Govt. Dues (Rs)
a.	Balance in the 'Provision for Outstanding Property Taxes account' as at 31 March 2003	10,000	1,000
b.	Cumulative provision required to be made as at 31 March 2004	11,500	1,150
c. (a-c)	Additional provision to be made as at 31 March 2004	**1,500**	**150**

Table 6.2
Excess of provisions at the Period end

Sl. No.	Particulars	Taxes (Rs.)	Stat e Govt. Dues (Rs)
a.	Balance in the 'Provision for Outstanding Property Taxes account' as at 31 March 2003	10,000	1,000
b.	Cumulative provision required to be made as at 31 March 2004	9,500	950
c. (b-a)	**Excess provision to be written back as at 31 March 2004**	**(500)**	**(50)**

6.25 For any additional provision to be made for the period as computed in Table 6.1, the following entry shall be passed by the Accounts Department:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270-10-(a)	Provisions for Doubtful Receivables – Property Taxes	Dr.	1,500		Journal Book, Ledger
432-91-(a)	State Govt Cesses/ levies in Property Taxes – Provision account	Dr.	150		
432-10-(a)	To Provision for Outstanding Property Taxes	Cr.		1,650	

(a) Insert Detailed Head Codes of Account as applicable

6.26 The effect of the above entry will be as follows:

a. Provision for Doubtful Receivables- Property Taxes shall be shown as an expense under the schedule Provision & write offs.

b. State Govt. Dues provided will be a adjusted against 'State Govt Cesses/ levies in Property Taxes - Control account'

c. Provision for Outstanding Tax will be shown as a deduction from Receivables for Property Taxes in the Balance Sheet as at March 31, 2004.

6.27 For any excess provision arrived for the period as computed in Table 6.2, the following entry shall be passed by the Accounts Department:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
432-10-(a)	Provision for Outstanding Property Taxes	Dr.	550		Journal Book, Ledger
180-60-(a)	To Excess Provision Written Back – Property Taxes	Cr.		500	
432-91-(a)	To State Govt. Cess/ Levies in Property Taxes – Provision account	Cr.		50	

(a) Insert Detailed Head Codes of Account as applicable

6.28 Recording of write-offs: If for any reason, it is decided by the ULB to write-off property and other taxes, which was earlier treated as an income, the write off shall be adjusted against the provision made and the following entry will be passed based on summary statement of write off in form P & OT–5.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
432-10-(a)	Provision for Outstanding Property Taxes	Dr.	1,100		Journal Book, Ledger
431-91-(a)	State Govt. Cesses/ levies in Property Taxes – Control account *	Dr.	100		
431-10-(a)	To Receivables for Property Taxes (Year…)	Cr.		1,100	
432-91-(a)	To State Govt. Cess/ levies in Property Taxes – Provision account	Cr.		100	

** Specify the name of the cess*

(a) Insert Detailed Head Codes of account as applicable

6.29 Recording of subsequent collection/ recovery of 'Receivables of Property and Other Taxes' written off: In case of a 'Receivable of Property & Other taxes' written off already were recovered/collected during the year, the accounts department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-80-(a)	Receivable Control Account –Property Taxes	Dr.	1,100		Journal Book, Ledger
280-30-(a)	To Recovery of Revenues written off – Property Taxes	Cr.		1,000	
350-30-(a)	To Government Dues Payable – Cess	Cr.		100	

(a) Insert Minor Head Codes of Account as applicable

6.30 Recording of payment made to state government dues has already been explained in para 6.12.

TRANSFER OF AMOUNT OUTSTANDING IN RESPECT OF ARREARS FROM SPECIFIC YEAR-WISE ACCOUNT TO GENERAL ACCOUNT

6.31 The arrears of Property and Other Taxes shall be carried forward year-wise, i.e., in "Receivables for Property Taxes (Year…)" account up to five years. On completion of the fifth year, the amount outstanding in the specific year-wise receivable account shall be transferred to a general arrears account, i.e., "Receivables for Property Taxes (Others)" Account. For example, the tax receivable in respect of the demand raised during the accounting year 1998-99 shall be carried forward in "Receivables for Property Taxes (1999)" Account up to the year ending March 31, 2004. On March 31, 2004, the balance outstanding in this account shall be transferred to "Receivables for Property Taxes (Others)" Account.

6.32 Recording of transfer of arrears to general account. To record this transfer, the Accounts Department shall pass the following entries:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-10-(a)	Receivables for Property Taxes (Others)	Dr.	10,000		Journal Book, Ledger
431-10-(a)	To Receivables for Property Taxes (Year…)	Cr.		10,000	

(a) Insert Minor Head Codes of Account as applicable

ADJUSTMENT OF TAX RECEIVED IN ADVANCE

6.33 The Tax Department shall intimate the Accounts Department of the advance adjusted against the subsequent demand raised through the Summary Statement of Bills Raised (Form P&OT-1).

a. Recording of subsequent demand raised. To record the demand raised for tax, the Accounts Department shall pass the same entry as in the case of existing assessments. The accounting entry to be passed is explained in Para 6.7 a.

b. Recording of adjustment of advance. To record the adjustment of tax received in advance, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-41-(a)	Advance Collection of Revenues – Property Taxes	Dr.	1,000		Journal Book, Ledger
431-10-(a)	To Receivables for Property Taxes (Year…)	Cr.		1,000	

(a) Insert Minor Head Codes of Account as applicable

RECOVERY OF PROPERTY AND OTHER TAXES THROUGH LEGAL PROCEEDINGS

Cost of Recovery

6.34 Recording of cost of recovery: Expenditure incurred in respect of attachment and sale of the properties of the defaulter shall be recorded as cost incurred on recovery, and the accounting entry is as follows.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
220-51-(a)	Legal Expenses – Cost of Recovery Tax Revenues	Dr.	300		Cash Book, Ledger
450-21-(a)	To Bank Account*	Cr.		300	

** Specify name of the Bank and Account number*

(a) Insert Detailed Head Codes of Account as applicable

Collections on Sale of Attached Property

6.35 Recording of collection: On the basis of the Summary of Daily Collection (Form GEN-12) received from the various Collection Offices and Collection Centres, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 350-90-(a)	Bank Account* To Sale Proceeds – Attached Properties	Dr. Cr.	5,00,000	 5,00,000	Cash Book, Ledger

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

6.36 The Tax Department shall send the details of the adjustment of the amount collected to the Accounts Department. Based on the intimation received from the Tax Department, to record the adjustment of the amount collected on sale of attached property, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-90-(a)	Sale Proceeds - Attached Properties	Dr.	5,00,000		Journal Book, Ledger
431-80-(a)	To Receivable Control Accounts – Property Taxes	Cr.		1,00,000	
350-30-(a)	To Government Dues Payable – Court Attachments	Cr.		50,000	
350-40-(a)	To Refunds Payable - Attached Properties	Cr.		3,50,000	

(a) Insert Detailed Head Codes of Account as applicable

6.37 The Tax Department shall prepare the Payment Orders (Form GEN-14) in respect of the amounts payable subsequent to the sale of the attached property and send it to the Accounts Department for payment. On making the payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-30-(a)	Government Dues Payable – Court Attachments	Dr.	50,000		Cash Book, Ledger
350-40-(a)	Refunds Payable - Attached Properties	Dr.	3,50,000		
450-21-(a)	To Bank Account*	Cr.		4,00,000	

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

6.38 The amount to be credited to the "Receivable Control Accounts - Property Taxes" shall include the amount receivable in respect of tax as well as the expenditure incurred in respect of the recovery from the taxpayer.

6.39 The entries for adjustment of collection against year-wise receivable and recognition of specific liabilities for collection of State Government dues shall be recorded on the basis of the Summary Statement of Year-wise Head-wise Collection of Property & Other Taxes which have been discussed above.

6.40 To record the receipt of cost of recovery, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-80-(a)	Receivables Control Accounts- Property Taxes	Dr.	20,000		Journal Book, Ledger
220-51-(a)	To Legal Expenses- Cost of Recovery of Tax Revenues	Cr.		20,000	

(a) Insert Detailed Head Codes of Account as applicable

PROPERTY TRANSFER CHARGES

6.41 The ULB may charge fees for transfer of property. The revenue for the Property Transfer Charges levied shall be recognised on collection.

6.42 Recording of collection. On the basis of the Summary of Daily Collection (Form GEN-12) received from the various Collection Offices and Collection Centres, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 431-80-(a)	Bank Account* To Receivables Control Accounts- Property Taxes	Dr. Cr.	300	300	Cash Book, Ledger

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

6.43 Recording of specific income in respect of Property Transfer Charges: Based on the Summary Statement of Year-wise Head-wise Collection of Property & Other Taxes (Form P&OT-3) received from the Tax Department, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-80-(a) 140-40-(a)	Receivables Control Accounts- Property Taxes To Other Fees – Property Transfer Charges	Dr. Cr.	300	300	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

INTERNAL CONTROLS

6.44 The following internal controls shall be observed by the ULB in respect of Property and Other Taxes related transactions:

a. The Tax Department shall ensure those Bills / Demands are raised on a quarterly/half yearly basis for Property and Other Taxes.

b. The Head of the Accounts Department shall ensure that taxes are accrued in the month in which it is due and journalisation of all the demands/bills raised for property & other taxes before accounting for the collection.

c. The Head of the Accounts Department and the Head of the Tax Department shall reconcile the balance at the beginning of the accounting year in respect of the year-wise Property and Other Tax Receivables (as appearing in the Balance Sheet of the previous year) with the year-wise total of the arrears recorded in the Demand Register.

d. A quarterly reconciliation shall be carried out by the Head of the Accounts Department and the Head of the Tax Department in respect of the amount collected and the year-wise amount outstanding between the balances in the Ledger Accounts maintained at the Accounts Department and the Demand Register maintained at the Tax Department.

e. The officers designated by the ULB for operating the Designated Property Tax Bank Account(s) shall co-ordinate with the banks on a daily basis and ascertain the status of the cheques/drafts deposited by them.

f. The Tax Department shall ensure that the Receipt / Summary of daily collection prepared, provides reference to the Tax Collection Register.

g. Write-off of Property Tax receivables should be based on specific procedures and authorisation levels. The State Government/ ULB to lay down the level of seniority of officers and the amounts, which they would be competent to write-off.

h. The Chief Executive Officer/Head of the ULB shall specify such appropriate calendar of returns /reports for monitoring.

6.45 All Reconciliation Statements shall be certified by the Head of the Accounts Department.

PRESENTATION IN THE FINANCIAL STATEMENTS

6.46 The various heads of account used for the accounting of Property and Other Taxes related transactions shall be reflected in the Financial Statements or in the Schedules attached to the Financial Statements of the ULB. All these Financial Statements and schedules should be affixed with signature and seal of designated authorities.

6.47 The provision against the outstanding property tax receivable is to be disclosed under the major head Accumulated Provisions as a separate line item in the Balance Sheet below the 'Sundry Debtors'.

6.48 The Schedule of the Income and Expenditure Statement in respect of Property and Other Taxes is presented below.

Schedule I-1: Schedule of Tax Revenue

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
110-01-(a) 110-01-(a) 110-01-(a) 110-02-(a) 110-90-(a)	Tax on Residential Properties Tax on Commercial Properties Service Charges in lieu of Property taxes Water Taxes … ……..* Sub-total Less Tax Remission and Refunds Sub-total		
Total Income of Property Taxes to be shown as a part of Tax revenue Schedule			

** Insert all taxes raised along with Property Taxes*

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-1 (a): Refund/Remission of revenues

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
110-90-(a)	Property Taxes		
Total Income of Property Taxes to be shown as a part of Refund and Remissions of Taxes Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I – 4: Schedule of Fees and User Charges

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
140-20-(a) 140-40-(a) 140-40-(a) 140-40-(a) 140-40-(a)	Penalties and Fines Mutation Fees Property Transfer Charges Notice Fees Warrant Fees		
… …	……		
… …	……		
Total Income of Property Taxes to be shown as a part of Fees and User Charges Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I – 8: Schedule of Interest Earned

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
171-80-(a)	Other Interests- Interest on Receivables		
Total Income of Property Taxes to be shown as a part of Interest Earned Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I – 9: Schedule of Other Incomes

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
180-60-(a)	Excess provision written-back – Property Taxes		
Total Income of Property Taxes to be shown as a part of Other Income Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-11: Administrative Expenses

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
220-51-(a)	Legal Expenses - Cost of recoveries of tax revenues (net of amount received from State government/assessee for the cost of recovery)		
Total Expense of Property Taxes to be shown as a part of Administrative Expenses Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-13: Interest and Finance Charges– Head-wise

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
240-80-(a)	Other Finance Expenses – Discount on Early/Prompt Payment		
Total Expense of Property Taxes to be shown as a part of Interest and Finance Charges Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I – 16: Schedule of Provisions and Write off

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
270-10-(a)	Provision for Doubtful receivables – Property Taxes		
Total Expense of Property Taxes to be shown as a part of Provision and Write off Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-18: Prior Period Items

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
	Income (a)		
280-10-(a) 280-30-(a)	Taxes Recovery of Revenues written off		
	Expense (b)		
280-50-(a)	Refund of Taxes		
Total [a-b] of Property Taxes to be shown as a part of Prior Period Items Schedule			

(a) Insert Detailed Head Codes of Account as applicable

6.49 The Balance Sheet Abstracts in respect of Property and Other Taxes are presented below:

Schedule B-9: Schedule of Other Liabilities (Sundry Creditors)

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
350-30-(a) 350-40-(a) 350-41-(a)	Government Dues Payable Refunds Payable Advance Collection of Revenues		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-15: Schedule of Sundry Debtors (Receivables)

Code No.	Particulars	Current Year Amount (Rs.)			Previous Year Amount (Rs.)
		Gross Amount	Provision for Out standing Receivables	Net Amount	
1	2	3	4	5 = 3 – 4	6
431-10-(a) 431-91-(a)	Receivables of Property Taxes Less than 5 years * More than 5 years* Sub – total Less: State Government Cesses/Levies in Taxes – Control Accounts				
Net Receivables of Property Taxes					

** Break up for provision for outstanding revenues are given in Column 4*

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-17: Schedule of Cash and Bank Balances

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
450-10-(a) 450-21-(a)	Cash Bank Account		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Form P&OT-1

(NAME OF THE ULB)

SUMMARY STATEMENT OF BILLS RAISED

FOR THE PERIOD _____

in respect of Property & Other Taxes

Sr. No._____

_____Ward

Particulars	Arrears							Current Demand (Rs.)	Total (Rs.)	Advance Adjusted (Rs.)	Outstanding Amount (Rs.) (9-10)
	Year (Others) (Rs.)	Year (5) (Rs.)	Year (4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)	Current year's First Bill (Rs.)				
1			2	3	4	5	6	7	8	9	10
General Tax Water Tax Water Benefit Tax Conservancy/Sewerage Tax Sewerage Benefit Tax Education Cess Street Tax State Education Cess Employment Guarantee Cess Library Cess Fire Brigade Tax Dog Tax Tree Cess Amount Due in lieu of General Tax											

Particulars	Arrears							Current Demand (Rs.)	Total (Rs.)	Advance Adjusted (Rs.)	Outstanding Amount (Rs.) (9-10)
	Year (Others) (Rs.)	Year (5) (Rs.)	Year (4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)	Current year's First Bill (Rs.)				
1			2	3	4	5	6	7	8	9	10
Other Taxes* Notice Fee Warrant Fee Other Fees											
Total bill raised for income of the ULB											
Demand raised for taxes collected on behalf of State Government Library Cess State Education Cess Employment Guarantee Cess Any other Cess^											
Total											

Amount in Words : Rupees _____

Prepared By :** _____ Examined and entered
Checked By :** _____ Accountant/Authorised Officer
Dated: Dated:

** Specify the other taxes that are levied by the ULB.*
^ Specify the other cess that are levied ad collected on behalf of state government
*** Record the name, designation and signature of the person.*

Note: 1. This statement should be prepared separately for each Ward and then consolidated.

Form P&OT-2

_____ *(NAME OF THE ULB)*

SUMMARY STATEMENT OF DEMAND ADJUSTMENTS RAISED

FOR THE PERIOD _____

in respect of Property & Other Taxes

Sr. No._____

_____Ward

Particulars	Existing Demand							Proposed Demand							Change in Demand							Impact + / (-)
	Year (Others) (Rs.)	Year (5) (Rs.)	Year (4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)	Current year' s	Year (Others) (Rs.)	Year (5) (Rs.)	Year (4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)	Current year' s	Year (Others) (Rs.)	Year (5) (Rs.)	Year (4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)	Current year' s	
1			2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
General Tax																						
Water Tax																						
Water Benefit Tax																						
Conservancy/Sewerage Tax																						
Sewerage Benefit Tax																						
Education Cess																						
Street Tax																						
State Education Cess																						
Employment Guarantee Cess																						
Library Cess																						
Fire Brigade Tax																						
Dog Tax																						
Tree Cess																						
Amount Due in lieu of Education Cess																						

Particulars	Existing Demand							Proposed Demand							Change in Demand							Impact + / (-)
	Year (Others) (Rs.)	Year (5) (Rs.)	Year (4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)	Current year' s	Year (Others) (Rs.)	Year (5) (Rs.)	Year (4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)	Current year' s	Year (Others) (Rs.)	Year (5) (Rs.)	Year (4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)	Current year' s	
1			2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Other Taxes*																						
Notice Fee																						
Warrant Fee																						
Other Fees																						
Total bill raised for income of the ULB																						
Demand raised for taxes collected on behalf of State Government																						
Library Cess																						
State Education Cess																						
Employment Guarantee Cess																						
Any other Cess^																						

Amount in Words : Rupees _____

Prepared By :** _____ Examined and entered
Checked By :** _____ Accountant/Authorised Officer
Dated: Dated:

** Specify the other taxes that are levied by the ULB.*
^ Specify the other cess that are levied and collected on behalf of state government
*** Record the name, designation and signature of the person*

Note:
1. This statement should be prepared separately for each Ward and then consolidated.

Form P&OT-3

(NAME OF THE ULB)

SUMMARY STATEMENT OF YEAR-WISE HEAD-WISE COLLECTION OF PROPERTY & OTHER TAXES

FOR THE PERIOD _____

Sr. No. _____

Collection Centre *Deposited with* _____

Particulars	Arrears						Current Year' s Demand (Rs.)	Total (Rs.)
	Year (Others) (Rs.)	Year (-5) (Rs.)	Year (-4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)		
1	2	3	4	5	6	7	8	9
Collection in respect of incomes for which demand is raised								
General Tax								
Water Tax								
Water Benefit Tax								
Conservancy/Sewerage Tax								
Sewerage Benefit Tax								
Education Cess								
Street Tax								
Fire Brigade Tax								
Dog Tax								
Tree Cess								
Amount Due in lieu of General Tax								
Amount Due in lieu of Education Cess								
Other Taxes*								
Notice Fee								

Particulars	Arrears						Current Year' s Demand (Rs.)	Total (Rs.)
	Year (Others) (Rs.)	Year (-5) (Rs.)	Year (-4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)		
1	2	3	4	5	6	7	8	9
Warrant Fee Other Fees								
Penalties								
Others, Specify _____								
Sub-Total								
Collections of taxes on behalf of State Government								
Library Cess								
State Education Cess								
Employment Guarantee Cess								
Any other cess ^								
Sub-Total								
Collection in respect of incomes accounted on actual receipt basis								
Property Transfer Charges								
Others, Specify _____								
Sub-Total								
Collection in respect of incomes written off								
Property Tax								
Government Cess								
Sub-total								
Receipt of Cost of Recovery								
Tax collected in Advance								
Others, Specify _____								
Total Collections								

Particulars	Arrears						Current Year' s Demand (Rs.)	Total (Rs.)
	Year (Others) (Rs.)	Year (-5) (Rs.)	Year (-4) (Rs.)	Year (-3) (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)		
1	2	3	4	5	6	7	8	9

Amount in Words : Rupees _____

Prepared By :** _____ Examined and entered
Checked By :** _____ Accountant/Authorised Officer
Dated: Dated:

** Specify the other taxes that are levied by the ULB*
^ Specify the other cess that are levied ad collected on behalf of state government
*** Record the name, designation and signature of the person*
Note: This statement should be prepared separately for each Collection Office/Collection Centre and then consolidated.

Form P&OT-4

_____ *NAME OF THE ULB*

SUMMARY STATEMENT OF REFUNDS /REMISSIONS

FOR THE PERIOD _____

in respect of Property & Other Taxes

Sr. No _____

Particulars	Refunds/Remissions*			
	Advances # Rs.	Receivables # Rs.	Refunds Payable # Rs.	Total Rs.
1				
Arrears **Year (Others)** **Year (-5)** **Year (-4)** **Year (-3)** **Year (-2)** **Year (-1)** **Current Year (20XX)**				
Total				

Amount in Words : Rupees_____

Prepared By :** _____ Examined and entered

Checked By :** _____ Accountant/Authorised Officer

Dated: Dated:

** Include total amount of all income heads of account in respect of Property and Other Taxes.*

*** Record the name, designation, and signature of the person.*

 # The details of whether refunds/remissions are treated as 'refund payable' or adjustment of receivables or 'Revenues received in advance' shall be entered in this form in order to account for the refunds/remissions Accordingly.

Form P&OT-5

_____ *NAME OF THE ULB*

SUMMARY STATEMENT OF WRITE OFF

FOR THE PERIOD _____

in respect of Property & Other Taxes

Sr. No. _____

Particulars		**Write-offs (Rs.)***			
		Taxes*	**State Education Cess**	**Employment Guarantee Cess**	**Total**
1		**2**	**3**	**4**	**5**
Arrears **Year (Others)** **Year (-5)** **Year (-4)** **Year (-3)** **Year (-2)** **Year (-1)** **Current Year (20XX)**					
Total					

Amount in Words : Rupees_____

Prepared By :** _____ Examined and entered

Checked By :** _____ Accountant/Authorised Officer

Dated: Dated:

** Include total amount of all income heads of account in respect of Property and Other Taxes.*

*** Record the name, designation, and signature of the person.*

CHAPTER 7

OCTROI

INTRODUCTION

7.1 This chapter contains the recommended accounting system for Octroi related transactions.

7.2 For determining the liability for Octroi, a valuation/assessment of the goods is carried out at the point of entry. Octroi may be collected in one of the following ways:

a. On valuation/assessment of the goods at the point of entry into the city and spot collection of the entire amount payable. This could include nakas located at the roads leading to entry into the city or at major transportation hubs like railway stations, airport, port, etc. or a post office.

b. On provisional valuation/assessment of the goods at the point of entry into the city and spot collection of a substantial amount payable, subject to confirmation and final valuation/assessment at the Octroi Head Office, at which time, a further amount may be payable or a refund granted to the importer. In such cases, it is possible that a deposit may be collected towards the octroi payable on final assessment.

c. On valuation/assessment of the goods at the point of entry into the city, but collected periodically. This facility is extended to regular importers whose goods are allowed to pass without spot payment of Octroi. Such importers are allowed Account Current facilities.

7.3 In addition to octroi, following may be collected by the Octroi Department:

a. Transit Fees from vehicles plying across the municipal area and not intending to bring any goods for consumption, use or sale within the city. (A Transit Deposit may be collected from such importers on entry and refunded on exit).

b. Penalties in the event of octroi under recovery or evasion

c. Octroi on Consumption of Electricity

d. Miscellaneous receipts, e.g., escort fees, toll, etc.

7.4 Most of the transactions of the Octroi Department relate to tax revenues and fees & user charges. The Octroi Department incurs the usual administrative expenses such as establishment expenses, rent, printing & stationery, office expenses, etc. In addition , it may incur the following expenses:

a. Performance Bonus payable to octroi staff;

b. Compilation fees paid to the railway and postal authorities for compiling information with respect to the goods imported via railways and post, respectively;

c. Security charges to the Police Department or Security Agencies payable for service rendered in connection with provision of security at the octroi nakas.

ACCOUNTING PRINCIPLES

7.5 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to octroi and other income:

a. Revenue in respect of octroi payable on spot assessment for non-current account importers shall be recognised on actual receipt.

b. Revenue in respect of penalties, transit fees, etc., shall be recognised on actual receipt.

c. In case of account current facility holders, revenue in respect of octroi shall be recognised on a valuation/assessment being done at the time of the entry of the goods within the municipal limits.

d. In cases where a provisional assessment is made, revenue shall be recognised in respect of the entire amount received provisionally or by way of deposit. At the time of final assessment, the additional amount recovered, if any, shall be recognised as revenue when recovered.

e. Refunds shall be recognised as expenditure as and when the amounts are determined.

f. Transit Deposits and/or any other deposits collected, including Security Deposit

collected from account current importers, shall be recognised as a liability when received and such liability shall be settled on its refund.

g. Transit Deposit and/or any other deposit received shall be forfeited and recognised as income when the right for claiming refund of deposit has expired.

h. Octroi on Consumption of electricity shall be recognised as income on actual receipt during the year. However, at year-end alone, it shall be accrued if sanction order (or proceedings) is passed and the amount is ascertained

ACCOUNTING RECORDS AND PROCEDURES

7.6 This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Octroi. For the purposes of accounting of Octroi there are certain forms, registers, etc., which are specific to Octroi, e.g., Summary Statement of Collection/Refund of Octroi (Form OC-1). These (Form OC-1 to OC-4) are annexed to this chapter

Octroi

7.7 The procedure, in brief, followed for levy and collection of octroi is described in subsequent paras under two broad heads:

a. Final assessment cases at Octroi Nakas, and

b. Provisional assessment cases at Octroi Nakas.

Final Assessment cases at Octroi Nakas

7.8 In cases where a final assessment of octroi is made at the octroi naka, the steps in accounting shall be as follows:

a. Goods imported to the ULB limits for consumption, use or sale shall be assessed for octroi at the various octroi nakas. The amount assessed shall be collected on the spot and a receipt shall be issued.

b. The procedure to be followed for remittance and/or deposit of octroi collections made at the nakas and at the octroi office shall be the same as provided in the Chapter 5 on General Accounting Procedures.

c. Recording of Octroi received. On receipt of Summary of daily collection, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 110-51-(a)	Bank Account* To Octroi & Toll – Octroi	Dr. Cr.	10,000	10,000	Cash Book, Ledger

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable.

Provisional Assessment cases at the Octroi nakas

a. In cases where a provisional assessment of octroi is made on receipt of details of collection received in Form OC – 2, the Accounts Departments shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 110-51-(a)	Bank Account* To Octroi & Toll - Provisional Octroi	Dr. Cr.	10,000	10,000	Cash Book, Ledger

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable.

b. On assessment of Octroi, deficit in octroi is recovered and the excess deposit / provisional octroi collected is refunded to the importer

c. For settlement of provisional octroi cases, the following entries are passed:

i. For recovery of additional octroi in case the provisional octroi collected is less than the final octroi assessed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 110-51-(a)	Bank Account* To Octroi & Toll – Provisional Octroi	Dr. Cr.	1,000	1,000	Cash Book, Ledger

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable.

ii. For refund of provisional octroi in case the amount collected on provisional assessment is more than the final octroi assessed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
110-51-(a)	Octroi & Toll - Provisional Octroi	Dr.	800		Cash Book, Ledger
450-21-(a)	To Bank Account*	Cr.		800	

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable.

iii. For transfer of Provisional Octroi to Octroi Income on final assessment:

The amount adjusted against collection on provisional assessment, the following entry will be made:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
110-51-(a)	Octroi & Toll – Provisional Octroi	Dr.	10,200		Journal Book, Ledger
110-51-(a)	To Octroi & Toll – Octroi	Cr.		10,200	

(a) Insert Detailed Head Codes of Account as applicable.
Note: The net octroi collected finally should be Rs. 10,200 calculated as Rs.10,000 (provisionally collected) plus 1,000 (additional octroi assessed) minus Rs.800 (excess provisional octroi refunded)

Account Current facility

7.9 As per the rules of the relevant State Act, Account Current facility may be provided to importers. The brief procedure in respect of Account Current facility shall be as under:

a. Recording of receipt of Security Deposit from Account Current importer. The Octroi Department may collect a Security Deposit for extending the Account Current facility. The details of the Security Deposit shall be recorded in a 'summary statement of collection/refund' in Form OC – 1. The Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Bank Account*	Dr.	1,00,000		Cash Book, Ledger and Deposit register
340-20-(a)	To Deposit Revenues – Octroi Account Current	Cr.		1,00,000	

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

b. Recording of octroi due from the Account Current importers. The assessment details of goods under current facility shall be forwarded to the Accounts Department in Form no OC -3 and the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-19-(a)	Receivables for Other Taxes - Octroi from Account Current Importers	Dr.	10,000		Journal Book, Ledger
110-51-(a)	To Octroi & Toll –Account Current Importers	Cr.		10,000	

(a) Insert Detailed Head Codes of Account as applicable

c. Recording of Octroi received. The details of the consolidated recoveries from Account Current importers shall be entered in Form OC – 3 which shall be sent to the Accounts Department, on the basis of which following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 431-19-(a)	Bank Account* To Receivables for Other Taxes –Octroi from Account Current Importers	Dr. Cr.	9,000	9,000	Cash Book, Ledger

** Specify name of the Bank and account number*

(a) Insert Detailed Head Codes of Account as applicable

d. Recording of adjustment of Security Deposit against Octroi due. In case of non-receipt of the whole or part of the amount outstanding within a specified period, the Security Deposit received from the importer may be adjusted against the amount outstanding. The details of the amount forfeited shall be sent to the Accounts Department in Form OC – 3, based on which the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-20-(a)	Deposit Revenues –Octroi Account Current	Dr.	1,000		Journal Book, Ledger and Deposit register
431-19-(a)	To Receivables for Other Taxes –Octroi from Account Current Importers	Cr.		1,000	

(a) Insert Detailed Head Codes of Account as applicable

e. Recording of refund of Octroi Security Deposit. On payment of the security deposit, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-20-(a) 450-21-(a)	Deposit Revenues –Octroi Account Current To Bank Account*	Dr. Cr.	9,000	 9,000	Cash Book, Ledger

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable.

Transit Fee and Transit Deposit

7.10 ULBs may collect transit fee and refundable transit deposit for goods imported in the City for immediate exportation out of the City.

Transit Fee

7.11 The accounting for transit fee shall be carried out based on Statement of collection in Form OC-1 and is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 140-12-(a)	Bank Account* To Fees for Grant of Permit – Transit Fee	Dr. Cr.	500	 500	Octroi Cash Book, Ledger

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable.

Transit Deposit

7.12 The accounting for transit deposit shall be carried out as follows:

a. The details of the transit deposit collected by the octroi nakas shall be recorded in the Deposit Register maintained.

b. At the time of exit, the exit octroi naka shall refund the transit deposit (as per the Rules prescribed by the ULB) on presentation of the Transit Pass and obtain a confirmation of receipt from the party.

c. The exit naka shall enter the details of transit deposit refunded

d. A Consolidated statement for Transit Collection and Refunds in Form no OC – 4 be forwarded to the Accounts Department, and the accounting entry passed is as follows.

i. To record transit deposit collected:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 340-20-(a)	Bank Account* To Deposit Revenues – Transit Deposit	Dr. Cr.	1,000	 1,000	Cash Book, Ledger

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable.

ii. To record transit deposit refunded:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-20-(a) 450-10-(a)	Deposit Revenues – Transit Deposit To Cash	Dr. Cr.	1,000	 1,000	Cash Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable.

7.13 Recording of Transit Deposit lapsed. The right to claim refund of transit deposit shall lapse if not claimed within the period stipulated, subject to any Rules framed by the ULB. The lapsed transit deposit shall be recognised as an income of the ULB. The accounting entry to be passed is as follows.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-20-(a) 180-11-(a)	Deposit Revenues - Transit Deposit To Lapsed Deposit	Dr. Cr.	100	 100	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable.

Penalties

7.14 The Octroi Department may levy penalties in cases of under recovery or evasion of octroi assessed and paid by the importer.

7.15 Recording of receipt of octroi penalty. Based on Statement of Collection (Form OC – 1) received, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 140-20-(a)	Bank Account* To Penalties & Fines – Octroi	Dr. Cr.	200	 200	Octroi Cash Book, Ledger

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

7.16 Recording of miscellaneous income. For miscellaneous income other than those specified above, e.g., in respect of toll, escort fees, fees for temporary import of goods for job work, labour charges, processing charges, etc., the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 140-40-(a)	Bank Account* To Other Fees	Dr. Cr.	1,500	 1,500	Octroi Cash Book, Ledger

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable.

Other Security Deposits received for various facilities offered

7.17 Recording of Other Security Deposit. The ULB may accept Security Deposit for various facilities offered to the importers such as for cheque facility, temporary import of goods, etc. The Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 340-20-(a)	Bank Account* To Deposit Revenues –Octroi Security Deposit	Dr. Cr.	10,000	 10,000	Octroi Cash Book, Ledger, Deposit Register

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable.

7.18 Refund of Security Deposit. The Security Deposit shall be refunded on an application being made by the party as per the rules and on payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-20-(a) 450-21-(a)	Deposit Revenues -Octroi Security Deposit To Bank Account*	Dr. Cr.	10,000	 10,000	Octroi Cash Book, Ledger, Deposit Register

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

ACCOUNTING FOR REFUND/REMISSION OF OCTROI

7.19 Recording of refund/remission of Octroi. Octroi collected as per the requirements of the Rules may be refunded/remission under certain circumstances. The accounting entry for the refund/remission shall be as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
110-90-(a) 350-40-(a)	Tax Remission & Refunds – Octroi To Refunds Payable-Octroi**	Dr. Cr.	1,000	 1,000	Octroi Cash Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable
***Refunds/Remissions arising on account of applicable rules shall be either passed for 'Payment' (under the account code 350-40-(a)) or credited to the account 'Advance Collection of Revenues - Octroi' (under the account code 350-41-(a)) in accordance with the principles of the ULB.*

Recording of payment of refunds/remissions granted.

7.20 The Accounts Department shall prepare a Payment Order (Form GEN-14) in respect of the refunds/remissions and communicate the details of refunds/remissions payments to the Octroi Department for updating the Register of Demand and other registers. To record refunds/remissions payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-40-(a) 450-21-(a)	Refunds Payable - Octroi To Bank Account*	Dr. Cr.	1,000	 1,000	Cash Book, Ledger, Register of Demand

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

ACCOUNTING FOR OCTROI ON CONSUMPTION OF ELECTRICITY

7.21 The ULB may receive share of Octroi levied by the State on consumption of electricity.

7.22 Recording of receipt: Octroi on Consumption of Electricity is an income of uncertain nature and the amount cannot be ascertained with reasonable accuracy as it depends on consumption of electricity. Thus, it should be accounted on receipt of proceeds from the State Government. A receipt is issued in Form GEN-8 for amount received. Based on receipt the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 120-20-(a)	Bank Account* To Compensation in lieu of Taxes /Duties - Octroi in lieu of Electricity	Dr. Cr.	10,000	 10,000	Octroi Cash Book, Ledger

** Specify name of the Bank and account number*

(a) Insert Detailed Head Codes of Account as applicable.

ACCOUNTING FOR OCTROI RELATING TO PRIOR PERIOD

7.23 There may be instances wherein the assessment/ascertainment of the Octroi amount relating of the prior years/periods is completed in the current year. The accounting entry to be followed for this transaction is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-19-(a) 280-10-(a)	Receivables for Other Taxes – Octroi To Prior period Income – Taxes (Octroi & Toll)	Dr. Cr.	15,000	 15,000	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable.

YEAR END ACCRUAL AND REVERSAL

7.24 Year end accrual of income: During the year the income on octroi on consumption of electricity is accounted on collection. However, at year-end alone, it shall be accrued if sanction order (or proceedings) is passed and the amount is ascertained.

7.25 Recording of Accrued Income. For recording the Accrued Income, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-50-(a) 120-20-(a)	Receivables from Government –Octroi To Compensation in lieu of Taxes/ Duties – Octroi in lieu of Electricity	Dr. Cr.	10,000	 10,000	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable.

7.26 Receipt of Accrued Income: In the next accounting period, upon receipt of accrued income, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-50-(a) 450-21-(a)	Receivables from Government –Octroi To Bank Account*	Dr. Cr.	10,000	 10,000	Cash Book, Ledger

** Specify Name of the Bank and account number*

(a) Insert Detailed Head Codes of Account as applicable.

ACCOUNTING FOR EXPENDITURE

7.27 The procedure to be followed with respect to the payment of expenditures peculiar to the Octroi Department shall be as follows:

a. Recording of Performance Bonus paid. Performance Bonus payable shall be arrived at on the basis of Rules, if any, prescribed in this behalf. On payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
210-10-(a) 450-21-(a)	Octroi Performance Bonus To Bank Account *	Dr. Cr.	500	 500	Cash Book, Ledger

** Specify Name of the Bank and account number*

(a) Insert Detailed Head Codes of Account as applicable.

b. Compilation Fees may be paid to the Railway and Postal departments. The bills received for services rendered shall be recorded on Payment, for which the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
220-80(a) 450-21-(a)	Other Operating Expenses To Bank Account*	Dr. Cr.	400	 400	Cash Book, Ledger

** Specify name of the Bank and account number*
(a) Insert detailed Head Codes of Account as applicable

c. The ULB may pay security Charges to the Police Department or Security Agency. On receipt of Payment Order, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
220-11-(a) 450-21-(a)	Office Maintenance – Security Expenses To Bank Account*	Dr. Cr.	400	 400	Cash Book, Ledger

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

INTERNAL CONTROLS

The following internal controls shall be observed by the ULBs:

7.28 The Head of the Accounts Department shall exercise the following internal controls:

a. The amount remitted by the Octroi Department shall be daily reconciled with the statement of collections and the Summary of daily collection furnished by it;

b. The balance in the Octroi Deposit ledger account shall be reconciled quarterly with the Register of Deposits maintained at the Octroi Department;

c. For Octroi outstanding in respect of account current holders, accounts shall be reconciled with the amount of octroi remaining unrealised as per the records maintained by the Octroi Department on a monthly basis;

d. The balance in the account current of the importer who has been extended the account current facility shall be reconciled on a monthly basis with the Statement of Accounts received from the importers;

e. At the time of refund of octroi or any deposit, it shall be ensured no amount is due from the concerned applicant;

f. The Octroi Department shall reconcile on a weekly basis the transit deposit collected and refunded by the octroi nakas;

g. Chief Executive officer/Head of the departments of all ULBs may specify appropriate reports to be put up for monitoring.

7.29 All Reconciliation Statements shall be certified by the Head of the Accounts Department

PRESENTATION IN THE FINANCIAL STATEMENTS

7.30 The various heads of accounts used for the accounting of Octroi related transactions shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the ULB. All such Financial Statements and schedules should be affixed with signature and seal of designated authorities.

7.31 The Schedule of the Income and Expenditure Statement in respect of Octroi Income is presented below.

Schedule I-1: Schedule of Tax Revenues

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
110-51-(a) 110-51-(a) 110-51-(a) 110-90-(a)	Octroi & Toll – Octroi Income Octroi & Toll – Provisional Octroi Octroi & Toll – Account Current Importers …….. ……. …….. Less Tax Remission and Refunds Sub-total		
Total Income of Octroi & Toll to be shown as a part of Tax revenue Schedule			

** Insert the other Heads of Account and the corresponding Codes of Account for other charges levied by the ULB.*

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-1 (a): Schedule of Remission and Refund

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
110-90-(a)	Octroi & toll		
Total Income of Octroi to be shown as a part of Refund and Remissions of Taxes Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-2: Schedule of Income from Assigned Revenues & Compensations

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
120-20-(a)	Compensation in lieu of Taxes/Duties – Octroi in Lieu of Electricity		
Total Income of Octroi to be shown as a part of Assigned Revenues & Compensation Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-4: Schedule of Income from Fees & User Charges

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
140-12-(a) 140-12-(a) 140-20-(a) 140-20-(a)	Fees for Grant of Permit – Transit Fees Fees for Grant of Permit – Escort Fees Other Fees Penalties and Fines		
Total Income of Octroi to be shown as a part of Fees & User Charges Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I – 9: Schedule of Other Incomes

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1 180-11-(a)	2 Lapsed Deposit	3	4
Total Income of Octroi to be shown as a part of Other Income Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-18: Schedule of Prior Period Items

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
280-10-(a) 280-50-(a)	**Income (A)** Taxes **Expense (B)** Refund of Taxes		
Total [A-B] of Octroi to be shown as a part of Prior Period Items Schedule			

(a) Insert Detailed Head Codes of Account as applicable

7.32 The Balance Sheet Abstracts in respect of the Octroi Income are presented below.

Schedule B-15: Schedule of Sundry Debtors (Receivables)

Code No.	Particulars	Current Year Amount (Rs.)			Previous Year Amount (Rs.)
		Gross Amount	Provision for Out standing Receivables	Net Amount	
1	2	3	4	*5 = 3 – 4*	*6*
431-10-(a)	Receivables of Other Taxes – Octroi & Toll Less than 3 years * More than 3 years* Sub – total				
	Total				

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-7: Schedule of Deposits Received

Amount in Rs.

Code No.	Nature of Deposit	Opening balance as the beginning of the year	Additions during the current year	Refunded during the year	Balance outstanding at the end of the current year
1	**2**	**3**	**4**	**5**	**6**
340-20-(a) 340-20-(a) 340-20-(a)	From Revenues - Octroi Security Deposit (Account Current) From Revenues - Transit Deposit From Revenues - Octroi Security Deposit (Others)				
	Total				

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-17: Cash and Bank Balances

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	**2**	**3**	**4**
450-10-(a) 450-21-(a)	Cash Bank Account		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

FORM OC - 1

_____ (NAME OF THE ULB)

SUMMARY STATEMENT OF COLLECTION / REFUNDS OF OCTROI

FOR THE PERIOD _____

Date

Sr. No.	Description of the remittance	Amount Collected (Rs.) (1)	Amount Refunded (Rs.) (2)	
1 2 3	Octroi Duty collected Octroi Duty Penalty collected Miscellaneous Income collected			
	Octroi Deposit			
1 2 3 4	Octroi Deposit collected Octroi Deposit adjusted for octroi duty Additional Octroi duty collected where initially octroi deposit was collected Refund of excess Octroi Deposit			
	Deposits other than those specified above			
1 2	Other Deposits Octroi Duty refunded			
3	**Collections, net of refund/ adjustment, remitted to the head octroi office / Municipal's Office/ Designated bank account**			

Amount in Words : Rupees _____

Prepared By* : _____ **Examined and entered**

Checked By* : _____ **Accountant/Authorised Officer**

Dated: **Dated:**

** Record the name, designation and signature of the person.*

Note : This statement should be prepared separately for each Collection Office/Collection Centre and then consolidated.

FORM OC – 2

_____ (NAME OF THE ULB)

SUMMARY STATEMENT OF FINAL ASSESSMENT OF PROVSIONAL

ASSESSMENT FOR THE PERIOD _____

Date

Sr. No.	Description of the remittance	Amount Collected (Rs.) (1)	Amount Refunded (Rs.) (2)	Amount Adjusted (Rs.) (3)
	Provisional Assessment			
1	Provisional Octroi Duty collected			
2	Octroi Duty assessed on final assessment *			
3	Refund of excess octroi duty collected on provisional assessment at the time of final assessment			
4	Additional Octroi Duty collected			

Prepared By : _____** **Examined and entered**

Checked By : _____** **Accountant/Authorised Officer**

Dated: **Dated:**

* *Collection adjusted against amount collected will have to be shown against the column Adjustm*ents and the balance Amount collected / refunded will be shown under column 1 0r 2 respectively

** Record the name, designation and signature of the person.

Note : This statement should be prepared separately for each assessment Centre and then consolidated.

FORM OC - 3

_____ *(NAME OF THE ULB)*

SUMMARY STATEMENT OF ASSESSMENT OF ACCOUNT CURRENT HOLDERS FOR THE PERIOD _____

Date

Sr. No.	Description of the remittance	Amount Assessed (Rs.) (1)	Amount Collected (Rs.) (2)	Amount Adjusted (Rs.) (3)
	Current Account Transaction			
1	Octroi Duty Due from current account holders			
2	Octroi Duty collected from current account holders *			
	Deposits other than those specified above			
3	Deposit received from Current Account Holder			
4	Deposit adjusted from Current Account Holder			

Prepared By : _____** **Examined and entered**

Checked By : _____** **Accountant/Authorised Officer**

Dated: **Dated:**

* *Collection adjusted against amount collected will have to be shown against the column Adjustm*ents and the balance Amount collected / refunded will be shown under column 2

** Record the name, designation and signature of the person.

Note : This statement should be prepared separately for each assessment Centre and then consolidated.

FORM OC - 4

_____ (NAME OF THE ULB)

SUMMARY STATEMENT OF TRANSIT FEES COLLECTIONS AND

REFUNDS FOR THE PERIOD _____

Date

Sr. No.	Description of the remittance	Amount Collected (Rs.) (2)	Amount Paid (Rs.) (2)	Amount Adjusted (Rs.) (3)
1	Transit Fee Collected			
2	Transit Deposit Collected			
3	Transit Deposit Refunded			
4	**Net Amount remitted/deposited with Bank (1+2-3)**			
5	Transit Deposit Lapsed *			
Total remittance in words:				

Prepared By : _____** **Examined and entered**

Checked By : _____** **Accountant/Authorised Officer**

Dated: **Dated:**

** Transit Deposit lapsed shall be shown under the column Adjustments*
*** Record the name, designation and signature of the person.*

Note : This statement should be prepared separately for each assessment Centre and then consolidated.

CHAPTER 8

CESS

INTRODUCTION

8.1 This chapter contains the recommended accounting system for Cess related transactions.

8.2 Cess is the tax levied along with any other tax or in lieu of tax and is considered income of the ULB.

8.3 It may be noted that the provisions covered in this chapter are not applicable to cesses collected on behalf of the State Government. For e.g. Library Cess. Accounting treatment in respect of these cess are detailed in Chapter 6 on Property and Other taxes

8.4 Cess is normally collected by self-declaration made in the returns filed under the relevant provisions.

8.5 The normal procedure in respect of levy and collection of Cess is briefly discussed below:

a. Every person (individual/entity) who is liable to pay Cess gets registered with the Cess Department.

b. The registered individual/entity voluntarily assesses their Cess liability and pays the same to the ULB at specified periodic intervals.

c. The Cess Department undertakes an assessment of the returns filed to determine the actual Cess liability.

d. Additional demand is raised for Cess, interest and penalties if the Cess paid voluntarily is less than the assessed Cess liability. In case the Cess paid is more than the assessed Cess liability, the excess Cess collected is refunded.

8.6 In addition to Cess, following may be collected by the Cess Department:

a. Cess Registration Fee at the prescribed rates from the dealers applying for registration.

b. Penalties and/or interest in the event of evasion and for delays and defaults made by the dealers.

ACCOUNTING PRINCIPLES

8.7 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Cess:

a. Revenue in respect of collection of Cess Income with Returns (on filing of returns by the dealers) shall be recognised on actual receipt.

b. Revenue in respect of Cess Income on Assessment shall be recognised in the period in which they become due, i.e., when the demand is raised.

c. Revenue in respect of Cess Registration Fee, Interest and Penalties levied on assessment shall be recognised on actual receipt.

d. In respect of the demand outstanding beyond two (2) years, provision shall be made to the extent of income of ULB, based on the following provisioning norms:

- Outstanding for more than 2 years but not exceeding 3 years: 50%
- Outstanding for more than 3 years: 100% (additional 50%)

e. Any additional provision for demand outstanding (net on overall basis) required to be made during the year shall be recognised as expenditure and any excess provision written back during the year shall be recognised as income of the ULB.

f. Refunds, remissions of Cess for the current year shall be adjusted against the income and if pertain to previous years then it shall be treated as prior period item.

g. Write-offs of taxes shall be adjusted against the provisions made and to that extent recoverable gets reduced

h. In the case of subsequent collection or recovery of 'Receivables of Cess Income' which were already written off shall be recognised as a 'Prior Period Income'.

i. Demands raised with retrospective effect will be treated as prior period income to the extent it pertains to earlier years

ACCOUNTING RECORDS AND PROCEDURES

8.8 *This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Cess. For the purposes of accounting of Cess there are certain forms, registers, etc., which are specific to Cess, e.g., Summary Statement of Year-wise & Head-wise Collection of Cess (Form CE-2). These (Form CE-1 to CE-4) are annexed to this chapter*

CESS COLLECTION ON REGISTRATION AND FILING OF RETURNS

8.9 The following shall be the procedure for accounting of the collections made in respect of Cess:

a. Recording of collections relating to Cess. Based on Summary of Daily Collection (Form GEN-12) received from the various Collecting Offices / Centers, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 110-52-(a)	Bank Account* To Cess –Gross Income	Dr. Cr.	9,00,000	 9,00,000	Cash Book, Ledger

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

The summary of daily collections does not provide the details in respect of the year-wise head-wise collections made in respect of Cess. Hence, the total amount collected should be credited to "Gross Cess Income" Account. The Cess department updates the Head wise & year wise collection register maintained (in Form CE – 2) for collection based on the collection statement received from collection centers along with bills if any.

b. Recording of break-up of collections. A Summary Statement of Year-wise/ Head-wise Collection of Cess in Form CE -2 shall be prepared on a monthly basis and sent to the Accounts Department to record the details of collection. To record the head-wise break-up of the collections made and to record cess received in advance, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
110-52-(a) 140-10-(a)	Cess - Gross Income To Empanelment Registration Charges – Cess	Dr. Cr.	9,00,000	 45,000	Journal Book, Ledger
110-52-(a) 350-41-(a)	To Cess - Net Income To Advance Collection of Revenues- Cess*	Cr. Cr.		8,50,000 5,000	

** Adjustment of Cess received in advance is discussed separately under section 'Adjustment of Cess Received in Advance' below.*

(a) Insert Detailed Head Codes of Account as applicable√

RAISING OF DEMAND FOR ADDITIONAL CESS, INTEREST AND PENALTIES ON ASSESSMENT

8.10 Recording of demand raised. On completion of assessment of the dealers, the Cess Department shall prepare a Summary Statement of Demand Raised on Assessment in Form CE-1 on a monthly basis and send it to the Accounts Department within 7 days from the beginning of the month. The demand raised could be on account of additional cess, interest, penalties and/or fines charged as per the applicable provisions. Income in respect of demand raised for interest, penalties and/or fines charged shall be recognised as income on actual collection. To record the demand raised in respect of additional cess, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-20-(a) 110-52-(a) 280-10-(a)	Receivables for Cess (Year…) To Cess – Net Income To Prior Period Income Taxes – Cess	Dr. Cr. Cr.	50,000	 44,000 6,000	Journal Book, Ledger

(a) Insert detailed Head Codes of Account as applicable

8.11 Recording of collections in respect of demand raised. On the basis of the Summary of Daily Collection (Form GEN – 12) received from the various Collection Offices and Collection Centres, the Accounts Department shall pass the following entry to record collections in respect of demand raised:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 431-80-(a)	Bank Account* To Receivables Control Account - Cess	Dr. Cr.	1,00,000	 1,00,000	Cash Book, Ledger

** Specify name of the Bank and account number*

(a) Insert Detailed Head Codes of Account as applicable.

8.12 Recording of break-up of collections. On the basis of monthly Summary Statement of Year-wise Head-wise Collection of Cess (Form CE-2) received from the Cess Department, the Accounts Department shall pass the following entry to record the break-up of the collections made:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-80-(a)	Receivables Control Account – Cess	Dr.	1,25,000		Journal Book, Ledger
431-20-(a)	To Receivables for Cess (Year…)	Cr.		70,000	
431-20-(a)	To Receivables for Cess (Year…)	Cr.		30,000	
171-80-(a)	To Other Interest – Interest Receivable for Cess	Cr.		15,000	
140-20-(a)	To Penalties and Fines - Cess	Cr.		10,000	

(a) Insert Detailed Head Codes of Account as applicable.

REFUNDS/REMISSIONS

8.13 The Cess Department shall duly grant refunds/remissions on account of change in rules applicable for Cess of any other reasons as applicable. The details of the same shall be communicated to the Accounts Department.

8.14 Recording of refunds/Remissions payable. A Summary Statement of Refunds and Remissions in Form CE-3 shall be prepared on a monthly basis and sent to the Accounts Department, based on which the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
280-50-(a)	Prior Period Expenses Refund of Taxes- Cess	Dr.	1,000		Journal Book, Ledger
350-40-(a)	To Refunds Payable – Cess*	Cr.		1,000	

** Refunds/Remissions arising on account of change in the applicable rules shall be either passed for 'Payment' (refund payable) or credited to the account 'Advance Collection of Revenues' (under the account code 350-41-(a)) in accordance with the accounting principles of the ULB.*

(a) Insert Detailed Head Codes of Account as applicable.

8.15 Recording of payment for refunds. The Accounts Department shall prepare a Payment Order (in Form GEN- 14) in respect of the refunds and communicate the details of refunds made to the Cess Department for updating their records. To record refunds made, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-40-(a) 450-21-(a)	Refund Payable-Cess To Bank Account *	Dr. Cr.	500	 500	Cash Book, Ledger

** Specify name of the Bank and account number*

(a) Insert Detailed Head Codes of Account as applicable

PROVISION FOR UNREALISED CESS RECEIVABLES

8.16 Recording of provision for unrealised Cess Income. The demand outstanding beyond two (2) years shall be provided for as per provisioning norms given below:

a. Outstanding for more than 2 years but not exceeding 3 years: 50%

b. Outstanding for more than 3 years: 100% (additional 50%).

8.17 For example, provision for the Period ended March 31, 2004 is as under:

a. 50% of outstanding Receivables of Cess Income for the year ended March 31, 2002

b. 100% of outstanding Receivables of Cess Income for the year ended March 31, 2001 and before.

8.18 The amount required being provided as per provisioning norms stated above, shall be compared with the balance lying in the Provision for outstanding Cess. If the amount to be provided is more than the balance, then additional provision shall be made for the difference amount. If the amount to be provided is less than the balance, it reflects the amounts provided for has been collected, and the provision made towards that can be written back. This process has to be carried over at every period/yearend.

8.19 Additional provision or reversal of excess provision for the current period shall be calculated similar to computations explained in Tables 6.1 & 6.2 in Chapter 6 on Property & Other Taxes.

8.20 For making the provision, the following entry shall be passed by the Accounts Department:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270-10-(a) 432-20-(a)	Provision for Doubtful Receivables – Cess To Provision for Outstanding Cess	Dr. Cr.	1,500	 1,500	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

8.21 The effect of the above entry will be as follows:

a. Provision for Doubtful Receivables- Cess shall be shown as an expense under the schedule Provision & write offs.

b. Provision for Outstanding Cess will be shown as a deduction from Receivables for Cess in the Balance Sheet.

8.22 To record the write back of the provision made earlier, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
432-20-(a) 180-60-(a)	Provision for Outstanding Cess To Excess Provision written back – Cess	Dr. Cr.	500	 500	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

WRITE-OFFS

8.23 Recording of Write-offs. If for any reason, it is decided by the ULB to write-off any Cess Income dues, the details of the write off has to be entered in the 'Statement of Write off' by the respective departments in Form CE – 4. This form has to be prepared on a monthly basis and forwarded to the Accounts Department and based on which , the write off shall be adjusted against the provision made and the following entry will be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
432-20-(a) 431-20-(a)	Provision for Outstanding Cess To Receivables for Cess (Year…)	Dr. Cr.	500	 500	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

8.24 Recording of subsequent collection/ recovery of 'Receivables of Cess Income' written off: In case of a 'Receivables of Cess Income' written off already were recovered/collected during the year, the accounts department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-80-(a)	Receivables Control Account - Cess	Dr.	1,000		Journal Book, Ledger
280-30-(a)	To Prior period Income Recovery of Revenues Written off - Cess	Cr.		1,000	

(a) Insert Detailed Head Codes of Account as applicable

TRANSFER OF AMOUNT OUTSTANDING IN RESPECT OF ARREARS FROM SPECIFIC YEAR-WISE ACCOUNT TO GENERAL ACCOUNT

8.25 The arrears of Cess shall be carried forward year-wise, i.e., in "Receivables of Cess Income (Year…)" Account up to three years. On completion of the third year, the amount outstanding in the specific year-wise receivable account shall be transferred to a general arrears account, i.e., "Receivables of Cess Income (Others)" Account. For example, the cess receivable in respect of the demand raised during the accounting year 2000-01 shall be carried forward in "Receivables of Cess Income (2001)" Account up to the year ending March 31, 2004. On March 31, 2004, the balance outstanding in this account shall be transferred to "Receivables of Cess Income (Others)" Account.

8.26 Recording of transfer of arrears to general account. To record this transfer, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-20-(a)	Receivables for Cess (Others)	Dr.	2,000		Journal Book, Ledger
431-20-(a)	To Receivables for Cess (Year…)	Cr.		2,000	

(a) Insert Detailed Head Codes of Account as applicable

ADJUSTMENT OF CESS RECEIVED IN ADVANCE

8.27 The Cess Department shall intimate the Accounts Department of the advance adjusted against the subsequent demand raised by the Cess Department through the Summary Statement of Demand Raised on Assessment CE-2.

a. Recording of subsequent demand raised. To record the demand raised for cess on assessment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-20-(a) 110-52-(a)	Receivables for Cess (Year…) To Cess Income	Dr. Cr.	50,000	 50,000	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

b. Recording of adjustment of advance. To record the adjustment of Cess received in advance, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-41-(a) 431-20-(a)	Advance Collection of Revenues – Cess To Receivables of Cess (Year…)	Dr. Cr.	5,000	 5,000	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

RECOVERY OF CESS THROUGH LEGAL PROCEEDINGS

8.28 The transactions in respect of recovery of Property and Other Taxes have been described in Chapter 6 – Property & Other Taxes (paras. 6.34 to 6.40) reference to which is invited. The transactions relating to recovery of Cess shall be accounted in similar manner.

INTERNAL CONTROLS

8.29 The following internal controls shall be exercised by the ULB in respect of Cess related transactions:

a. The Head of the Accounts Department and the Head of the Cess Department shall reconcile the balance at the beginning of the accounting year in respect of the year-wise Cess Receivable (as appearing in the Balance Sheet of the previous year) with the year-wise total of the arrears recorded by the Cess Department.

b. A quarterly reconciliation shall be carried out by the Head of the Accounts Department and the Head of the Cess Department in respect of the amount collected and the year-wise amount outstanding between the balances standing in the relevant Ledger Accounts maintained at the Accounts Department and the records/registers maintained at the Cess Department.

c. The officers designated by the ULB for operating the Designated Cess Bank Account shall co-ordinate with the banks on a daily basis and ascertain the status of the cheques/drafts deposited by them.

d. The Head of the Cess Department shall annually co-ordinate with the department handling the Shop and Establishment registrations and ascertain that the dealers who have been granted new registrations and are liable to Cess have registered with the Cess Department.

e. The Cess Department shall ensure that the Receipt / Summary of Daily Collection prepared, provides reference to the Cess Collection Register.

f. The Chief Executive Officer/Head of the ULB shall specify such appropriate calendar of returns /reports for monitoring.

8.30 All Reconciliation Statements shall be certified by the Head of the Accounts Department.

PRESENTATION IN THE FINANCIAL STATEMENTS

8.31 The various heads of account used for the accounting of Cess related transactions shall be reflected in the Financial Statements or in the Schedules attached to the Financial Statements of the ULB. All such Financial Statements and schedules should be affixed with signature and seal of designated authorities.

8.32 The provision against the outstanding Cess Income receivable is to be disclosed under the major head Accumulated Provisions as a separate line item in the Balance Sheet below 'Sundry Debtors'.

8.33 The Schedule of the Income and Expenditure Statement in respect of Cess is presented below.

Schedule I-1: Schedule of Tax Revenues

Code of Account	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
110-52-(a)	Cess - Net Income … …….. Sub-total Less 110-90-(a) Tax Remission and Refunds – Cess Sub-total		
Total Income of Cess to be shown as a part of Tax revenue Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-1 (a): Schedule of Refund and Remission

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
110-90-(a)	Cess Income		
Total Income of Cess to be shown as a part of Refund and Remissions of Taxes Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-4: Schedule of Income from Fees & User Charges

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1		3	4
140-10-(a)	Empanelment & Registration Charges – Cess		
140-20-(a)	Penalties & Fines – Cess		
	Total		

(a) Specify the Detailed Head Code of Accounts depending on the Department to which the revenue relates

Schedule I – 9: Schedule of Other Incomes

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
180-60-(a)	Excess provision written-back – Cess		
Total Income of Cess to be shown as a part of Other Income Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-11: Administrative Expenses

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
220-51-(a)	Legal Expenses - Cost of recoveries of Cess (net of amount received from State government for the cost of recovery)		
Total Expense of Cess to be shown as a part of Administrative Expense Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I – _16: Schedule of Provisions and Write off

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
270-10-(a)	Provision for Doubtful Receivables – Cess		
Total Expense of Cess to be shown as a part of Provision and Write off Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-18: Prior Period Items

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
	Income (a)		
280-10-(a) 280-30-(a)	Taxes Recovery of Revenues written off		
	Expense (b)		
280-50-(a)	Refund of Taxes		
Total [a-b] of Cess to be shown as a part of Prior Period Items Schedule			

(a) Insert Detailed Head Codes of Account as applicable

8.34 The Balance Sheet Abstract in respect of Cess is presented below.

Schedule B-9: Schedule of Other Liabilities (Sundry Creditors)

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	**2**	**3**	**4**
350-40-(a) 350-41-(a)	Refunds Payable Taxes – Cess Advance Collection of Revenues		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-15: Schedule of Sundry Debtors (Receivables)

Code No.	Particulars	Current Year Amount (Rs.)			Previous Year Amount (Rs.)
		Gross Amount	Provision for Outstanding Receivables	Net Amount	
1	**2**	**3**	**4**	**5 = 3 – 4**	**6**
431-20-(a)	Receivables for Cess Less than 3 years * More than 3 years*				
	Total Receivables of Cess				

** Break up for provision for outstanding revenues are given in Column 4*

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-17: Schedule of Cash and Bank Balances

Code of Account	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	**2**	**3**	**4**
450-10-(a) 450-21-(a)	Cash Bank Account		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Form CE-1

_____ ***Name of the ULB***

SUMMARY STATEMENT OF DEMAND RAISED ON ASSESSMENT
FOR THE PERIOD _____
in respect of Cess

Sr. No. _____

Particulars	Year (Others)	Year (-2)	Year (-1)	Current Year
1	2	3	4	5
Cess Others, Specify _____				
Total				
Amount in Words : Rupees _____ Advance Adjusted: Against Voluntary Returns filed by the dealers Against demand raised on Assessment *				
Prepared By** : _____ **Checked By** : _____** **Dated:**	**Examined and entered** **Accountant/Authorised Officer** **Dated:**			

** Provide year-wise details in respect of advance adjusted against demands raised.*
***Record the name, designation, and signature of the person.*

Form CE-2

_____***Name of the ULB***

SUMMARY STATEMENT OF YEAR-WISE HEAD-WISE COLLECTION OF CESS
FOR THE PERIOD _____

Sr. No. _____

_____ ***Collection Center*** ***Deposited with*** _____

Particulars	Year Others (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)	Current Year (Rs.)	Advance Received (Rs.)	Total (Rs.)
1	2	3	4	5		6
Collection in respect of incomes accounted on accrual basis Cess demand raised on Assessment Others, Specify _____						
Sub-Total						
Collection in respect of incomes accounted on actual receipt basis Cess received along with Voluntary Returns Cess Registration Fees Interest Penalties Fines Others, Specify _____						
Sub-Total						
Receipt of Cost of Recovery Cess received in Advance Others, Specify _____						
Total Collection						
Amount in Words : Rupees _____						
Prepared By** : _____ **Checked By** : _____** **Dated:**			**Examined and entered** **Accountant/Authorised Officer** **Dated:**			

* *Record the name, designation and signature of the person.*

Note :. This statement should be prepared separately for each Collection Office/Collection Centre and then consolidated.

Form CE-3

_____ *NAME OF THE ULB*

SUMMARY STATEMENT OF REFUNDS /REMISSIONS

FOR THE PERIOD _____

In respect of Cess Income

Sr. No._____

Particulars	Refunds/Remissions			
	Advances # Rs.	Receivables # Rs.	Refunds Payable # Rs.	Total Rs.
1				
Arrears				
Year (Others)				
Year (-5)				
Year (-4)				
Year (-3)				
Year (-2)				
Year (-1)				
Current Year (20XX)				
Total				

Amount in Words : Rupees_____

Prepared By :** _____ Examined and entered
Checked By :** _____ Accountant/Authorised Officer

Dated: Dated:

** Include total amount of all income heads of account in respect of Property and Other Taxes.*
*** Record the name, designation, and signature of the person.*

The details of whether refunds/remissions are treated as 'refund payable' or adjustment of receivables or 'Revenues received in advance' shall be entered in this form in order to account for the refunds/remissions Accordingly.

Form CE-4

_____ *NAME OF THE ULB*

SUMMARY STATEMENT OF WRITE OFF

FOR THE PERIOD _____

In respect of Cess

Sr. No. _____

Particulars		Amount (Rs.)
1		**2**
Arrears		
Year (Others)		
Year (-5)		
Year (-4)		
Year (-3)		
Year (-2)		
Year (-1)		
Current Year (20XX)		
Total		

Amount in Words : Rupees_____

Prepared By :** _____ Examined and entered

Checked By :** _____ Accountant/Authorised Officer

Dated: Dated:

** Include total amount of all income heads of account in respect of Property and Other Taxes.*

*** Record the name, designation, and signature of the person.*

CHAPTER 9

WATER SUPPLY

INTRODUCTION

9.1 This chapter contains the recommended accounting system for Water Supply related transactions.

9.2 ULBs have an obligation to make reasonable and adequate provision for the management and maintenance of all municipal water works and the construction or acquisition of new works necessary for a sufficient supply of water for public and private purposes.

9.3 ULBs are entitled to charge the users for the provision of these services. The charges for the water supply are either recovered as a Tax along with the Property Tax, based on the Assessment Value of the property or as a charge based on measurement or at a fixed amount or both.

9.4 The following are the revenue sources in relation to water supply:

i. Water Tax
ii. Sewerage Tax
iii. Water supply Charges
iv. Sewerage Charges
v. Meter Rent for Water Supply;
vi. Connection Charges for Water Supply and
vii. Water Tanker Charges.
viii. Road Damage Recovery Charges.

ACCOUNTING PRINCIPLES

9.5 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to **Water Supply and Sewerage**:

a. Revenue in respect of Water Tax, Water Benefit Tax, Water Supply Charges, Water Meter Rent, Sewerage Charges, shall be recognised in the period in which they become due. It is to be noted that the water tax and the related taxes may also be included in the bill raised for property tax.

b. Revenue in respect of Notice Fee, Warrant Fee, and Other Fees shall be recognised when the bills for the same are raised.

c. Revenue in respect of Connection Charges for Water Supply shall be recognised on actual receipt.

d. Revenue in respect of Water Tanker Charges and Road Damage Recovery Charges, Penalties shall be recognised on actual receipt.

e. In respect of the demand outstanding beyond two (2) years, provision shall be made to the extent of income of the ULB as follows

- If water tax is collected as a component in Property Tax, provisioning shall be made in the same way as unrealised Property Tax, which is as follows:
  - Outstanding for more than 2 year but not exceeding 3 years: 25%
  - Outstanding for more than 3 years but not exceeding 4 years: 50% (additional 25%)
  - Outstanding for more than 4 years but not exceeding 5 years: 75% (additional 25%)
  - Outstanding for more than 5 years: 100% (additional 25%)
- If water tax demand is raised separately, the taxes and charges shall be provided as follows:
  - Outstanding for more than 2 year but not exceeding 3 years: 50%
  - Outstanding for more than 3 years: 100% (additional 50%)

f. Any additional provision for demand outstanding (net on overall basis) required to be made during the year shall be recognised as expenditure and any excess provision written back during the year shall be recognised as income of the ULB.

g. Refunds, remissions of taxes for the current year shall be adjusted against the income and if pertain to previous years then it shall be treated as prior period item.

h. Write-offs in respect of water supply income shall be adjusted against the provisions made and to that extent recoverable gets reduced.

i. Any subsequent collection or recovery of 'Receivables of Water Supply Income' which were already written off it shall be recognised as a 'Prior Period Income'.

ACCOUNTING RECORDS AND PROCEDURES

9.6 *This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Water Supply. The specific forms (Form WS–1 to WS -4) which are applicable to Water Supply are annexed with this chapter.*

9.7 The accounting records and procedures for accounting of Water Tax and Water Benefit Tax (which are usually collected along with Property Tax) have been described in Chapter 6 – Property and Other Taxes, reference to which is invited.

RAISING OF DEMAND

9.8 A Summary Statement of Bills Raised shall be prepared ward-wise and income - head-wise, in Form WS-1 on a monthly basis within 7 days from the end of the previous month. These forms the base for accounting and the following entry shall be passed.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-30-(a)	Receivables for Fees & User Charge - Water Supply (Year…)	Dr.	13,000		Journal Book, Ledger
140-50-(a)	To User Charges -Water Supply	Cr.		8,000	
140-50-(a)	To User Charges – Sewerage	Cr.		1,000	
140-50-(a)	To User Charges -Meter Charges	Cr.		1,500	
140-(b)	To Others*	Cr.		500	

** Specify the heads of each income for which bill is raised.*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor Head Codes of Account as applicable

9.9 It is a normal practice for the ULB to enter the arrears of the Water Supply Income due while issuing the fresh demand. Entries in respect of the arrears would have already been recorded earlier. The above entry shall therefore be passed only in respect of the current demand.

COLLECTION OF WATER SUPPLY INCOME

9.10 The procedure for accounting of collections is described below :

a. Recording of Water Supply collections. Based on the Summary of Daily Collection (Form GEN 12) received from various Collecting Offices/Centers, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Bank Account *	Dr.	1,500		Cash Book, Ledger
431-80-(a)	To Receivables Control Account – Water Supply	Cr.		1,500	

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

b. The Summary of Daily collection (Form GEN-12) does not provide the details in respect of the year-wise head-wise collections made in respect of Water Supply. Hence, the total amount collected should be credited to "Consolidated

Receivables of Water Supply Income" Account. The collection made shall be segregated into year wise, head wise collection on a monthly basis and maintained as 'Summary statement of year-wise head-wise collection of water and related taxes' in Form WS-2.

c. Recording of break-up of collections. A Summary statement of year-wise/head-wise collection of water and related taxes in Form W-2 as explained above shall be prepared on a monthly basis and sent to the Accounts Department to record the details of collections. To record the break-up of collections into year-wise recovery and to record income received in advance the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-80-(a)	Receivables Control Account-Water Supply	Dr.	1,000		Journal Book, Ledger
431-30-(a)	To Receivables for Fees & User Charges – Water Supply (Year…)	Cr.		700	
431-30-(a)	To Receivables of Fees & User Charges – Water Supply (Year…)	Cr.		250	
350-41-(a)	To Advance Collection of Revenues - Water Supply *	Cr.		50	

** Adjustment of water supply income collected in advance is discussed separately under section* 'Adjustment of Water Supply Income Received in Advance' below.

(a) Insert Detailed Head Codes of Account as applicable

NOTICE FEE, WARRANT FEE AND OTHER FEES

9.11 Notices of demand and warrants shall be issued and other fees may be charged as per the relevant provisions.

9.12 Recording of demand raised. A Summary Statement of Notice Fee, Warrant Fee and Other Fees in Form WS – 1 shall be prepared on a monthly basis and sent to the Accounts Department. The following entry shall be passed to record the demand raised:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-30-(a)	Receivables for Fees & User Charges – Water Supply (Year…)	Dr.	500		Journal Book, Ledger
140-40-(a)	To Other Fees – Notice Fee	Cr.		300	
140-40-(a)	To Other Fees – Warrant Fee	Cr.		200	

(a) Insert Detailed Head Codes of Account as applicable

REFUNDS AND REMISSIONS

9.13 All refunds and remissions granted shall be duly recorded in the Demand Registers maintained in form GEN – 20 and the details of the same shall also be communicated to the Accounts Department.

9.14 Recording of refunds/remissions payable. A Summary Statement of Refunds and Remissions in Form WS-3 shall be prepared on a monthly basis. Refunds/Remissions pertaining to prior period should be identified separately from the current period based on which the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
140-90-(a)	Fees Remission & Refund – Water Supply	Dr.	25		Journal Book, Ledger
280-60-(a)	Prior Period Expenses Refund of Other Revenues –Water Supply	Dr.	25		
350-40-(a)	To Refund Payable – Water Supply	Cr.		50	

**Refunds/Remissions arising on account of change in the applicable rules shall be either passed for 'Payment' (refund payable account) or credited to the 'Advance Collection of Revenues' (under the account code 350-41-(a)) in accordance with the accounting principles of the ULB.*

a) Insert Detailed Head Codes of Account as applicable

9.15 Recording of payment of refunds/remissions granted. The Accounts Department shall prepare a Payment Order (Form GEN-14) in respect of the refunds and communicate the details of refunds/remissions made to the Water Supply Department for updating the Register of Demand and other registers. To record refunds/remissions payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-40-(a) 450-21-(a)	Refunds Payable- Water Supply To Bank Account*	Dr. Cr.	50	 50	Cash Book, Ledger

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

PROVISION FOR UNREALISED REVENUE RECEIVABLES

9.16 Recording of provision for unrealised Water Tax Income. As explained in Para 9.5 (e) the provisioning policy for unrealised Water supply income will be dependent on the basis of its charge. For example, the demand for water tax which were raised separately and outstanding beyond two (2) years shall be provided for as per provisioning norms given below:

- Outstanding for more than 2 year but not exceeding 3 years: 50%
- Outstanding for more than 3 years: 100% (additional 50%)

9.17 For example, provision for the year ended March 31, 2004 is as under:

a. 50% of outstanding Receivables of Water Supply Income for the year ended March 31, 2002

b. 100% of outstanding Receivables of Water Supply Income for the year ended March 31, 2001 and before.

9.18 This process has to be carried over at every Period-end. The amount required to be provided as per provisioning norms stated above, shall be compared with the balance lying in the Provision for Outstanding Fees & User Charges -Water Supply Account. If the amount to be provided is more than the balance, then additional provision shall be made for the difference amount. If the amount to be provided is less than the balance, it reflects the amounts provided for, has been collected and the provision made towards that can be written back.

9.19 Additional provision or reversal of excess provision for the current period shall be calculated similar to computations explained in Tables 6.1 & 6.2 in Chapter 6 for Property & Other Taxes.

9.20 For making the provision, the following entry shall be passed by the Accounts Department:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270-10-(a)	Provision for Doubtful Receivables – Fees & User Charges	Dr.	1,500		Journal Book, Ledger
432-30-(a)	To Provision for Outstanding Fees & User Charges – Water Supply	Cr.		1,500	

(a) Insert Detailed Head Codes of Account as applicable

9.21 The effect of the above entry will be as follows:

a. Provision for Doubtful Receivables Fees & User Charges -Water Supply will be shown as an expense under the schedule Provisions & Write-offs.

b. Provision for Outstanding Fees & User Charges -Water Supply will be shown as a deduction from Receivables for Fees & User Charges -Water Supply (Others) in the Balance Sheet.

9.22 To write back the provision made earlier, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
432-30-(a)	Provision for Outstanding Fees & User Charges – Water Supply	Dr.	500		Journal Book, Ledger
180-60-(a)	To Excess Provision Written Back – Water Supply	Cr.		500	

(a) Insert Detailed Head Codes of Account as applicable

9.23 Recording of Write-offs. If for any reason, it is decided by the ULB to write-off any Water Supply Income dues, which were earlier treated as an income, the details of the write off has to be entered in the 'Statement of Write off' by the respective departments in Form WS – 4. This form has to be prepared on a monthly basis and forwarded to the Accounts Department and based on which, the write off shall be adjusted against the provision made and the following entry will be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
432-30-(a)	Provision for Outstanding Fees & User Charges – Water Supply	Dr.	25		Journal Book, Ledger
431-30-(a)	To Receivables for Fees & User Charges – Water Supply (Year…)	Cr.		25	

(a) Insert Detailed Head Codes of Account as applicable

9.24 Recording of subsequent collection/ recovery of 'Receivables of Water Supply Income' written off: In case of a 'Receivable of Water Supply Income' written off already were recovered/collected during the year, the accounts department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-80-(a)	Receivables Control Account – Water Supply	Dr.	1,000		Journal Book, Ledger
280-30-(a)	To Recoveries of Revenues Written off – Water Supply	Cr.		1,000	

(a) Insert detailed head codes of account as applicable

TRANSFER OF AMOUNT OUTSTANDING IN RESPECT OF ARREARS FROM SPECIFIC YEAR-WISE ACCOUNT TO GENERAL ACCOUNT

9.25 The arrears of water supply income shall be carried forward year-wise, i.e., in "Receivables of Water Supply Income (Year…)" account up to three years. On completion of the third year, the amount outstanding in the specific year-wise receivable account shall be transferred to a general arrears account, i.e., "Receivables of Water Supply Income (Others)" Account. For example, the water supply income receivable in respect of the demand raised during the accounting year 2000-01 shall be carried forward in "Receivables of Water Supply Income (2001)" Account up to the year ending March 31, 2004. On March 31, 2004, the balance outstanding in this account shall be transferred to "Receivables of Water Supply Income (Others)" Account.

9.26 Recording of transfer of arrears to general account. To record this transfer, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-30-(a)	Receivables for Fees & User Charges – Water Supply (Others)	Dr.	2,000		Journal Book, Ledger
431-30-(a)	To Receivables for Fees & User Charges - Water Supply (Year…)	Cr.		2,000	

(a) Insert detailed head codes of account as applicable

ADJUSTMENT OF WATER SUPPLY INCOME RECEIVED IN ADVANCE

9.27 The Water Supply Department shall intimate the Accounts Department of the advance adjusted against the subsequent demand raised by the Water Supply Department through the Summary Statement of Bills Raised (Form GEN – 22).

c. Recording of subsequent demand raised. To record the demand raised for water supply, the Accounts Department shall pass the same entry as in the case of original demand. The entry to be passed is explained in Para 9.8.

d. Recording of adjustment of advance. To record the adjustment of water supply income received in advance, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-41-(a)	Advance Collection of Revenues – Water Supply	Dr.	50		Journal Book, Ledger
431-30-(a)	To Receivables for Fees & User Charges - Water Supply (Year…)	Cr.		50	

(a) Insert detailed head codes of account as applicable

RECOVERY OF WATER SUPPLY INCOME THROUGH LEGAL PROCEEDINGS

9.28 The transactions in respect of Recovery of Property and Other Taxes have been described in Chapter 6 – Property & Other Taxes (Paras 6.34 to 6.40), reference to which is invited. The transactions relating to Recovery of Water Supply Income shall be accounted in similar manner.

INCOME TO BE ACCOUNTED ON ACTUAL RECEIPT BASIS

9.29 The following incomes in respect of Water Supply shall be accounted on actual receipt basis:

a. Connection Charges for Water Supply;
b. Water Tanker Charges;
c. Road Damage Recovery Charges; and
d. Penalties levied in respect of Water Supply related matters.

9.30 The Collection Offices and Collection Centres authorised to collect the above incomes shall prepare a Summary of Daily Collection (Form GEN-12) and send it to the Water Supply Department and the Accounts Department.

9.31 Recording of collection. On the basis of the Summary of Daily Collection (Form GEN-12) received from the various Collection Offices and Collection Centres, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Bank Account*	Dr.	100		Cash Book,
140-40-(a)	To Other Fees – Connection Charges	Cr.		50	Ledger
140-50-(a)	To User Charges - Water Tanker	Cr.		30	
140-70-(a)	To Service/ Administrative Charges Road Damage Recovery	Cr.		10	
140-20-(a)	To Penalties & Fines	Cr.		10	

** Specify name of the Bank and account number*
(a) Insert the Detailed Head Codes of account as applicable

WATER DEPOSITS

9.32 The Water Supply Department may receive deposits towards Water Connection, Water Meter, Water Tankers, etc. The Collection Offices and Collection Centres authorised to collect Water Deposits shall prepare a Summary of Daily collection (Form GEN-12) and send it to the Water Supply Department and the Accounts Department.

9.33 Recording of collection. The Accounts Department shall pass the following entry on the basis of the Summary of Daily Collection (Form GEN- 12) received from the various Collection Offices and Collection Centres:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 340-20-(a)	Bank Account To Deposit Revenues-Water Supply	Dr. Cr.	100	100	Cash Book, Ledger

** Specify name of the Bank and account number*

(a) Insert Detailed Head Codes of Account as applicable

9.34 Recording of adjustment of deposits. The Water Supply Department shall send details of deposits adjusted in the Summary Statement of Deposits Adjusted (Form GEN-19) to the Accounts Department on a monthly basis. To record the adjustment of Water Deposit, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-20-(a) 431-30-(a)	Deposit Revenues –Water Supply To Receivables for Fees & User Charges - Water Supply (Year…)	Dr. Cr.	25	25	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

9.35 Recording of refund of deposit. The deposits shall be refunded as per the rules prescribed in this regard. A Payment Order (Form GEN- 14) shall be prepared by the Water Supply Department for the deposits to be refunded. On refund of Water Deposit, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-20-(a) 450-21-(a)	Deposit Revenues –Water Supply To Bank Account*	Dr. Cr.	50	50	Cash Book, Ledger

** Specify name of the Bank and account number*

(a) Insert Detailed Head Codes of Account as applicable

9.36 Recording of income in respect of lapsed deposit. Deposits not claimed within the period as laid down by the ULB, from the date they are due for payment, shall be lapsed and shall not be repayable to the party. At the end of the accounting year, the Water Supply Department shall prepare a list of such lapsed deposits. To recognise the income, on obtaining the approval of the Authorised Officer, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-20-(a)	Deposit Revenues - Water Supply	Dr.	10		Journal Book, Ledger
180-11-(a)	To Lapsed Deposit	Cr.		10	

(a) Insert Detailed Head Codes of Account as applicable

EXPENDITURE ON WATER WORKS

9.37 The accounting for expenditures pertaining to Water Supply Department shall be similar to that described in Chapter 12 - Public Works (for expenditure incurred through awarding of contracts to outside parties for carrying out certain activities such as laying of new pipelines, construction of pump houses, repairs related to water supply, etc.), Chapter 13- Stores (for expenditure incurred on purchase of stores such as TCL Powder, Chlorine Gas, etc.) and Chapter 16 - Other Revenue Expenditures (in respect of all other expenditures pertaining to water supply related activities such as electricity charges, bulk water purchase charges, etc.) and Chapter 21 - Fixed Assets (in respect of the fixed assets purchased), references to which are invited.

INTERNAL CONTROLS

9.38 The following internal controls shall be observed by the ULB in respect of Water Supply related transaction:

a. The Head of the Accounts Department and the Head of the Water Supply Department shall reconcile the balance at the beginning of the accounting year in respect of the year-wise Water Supply Income receivable (as appearing in the Balance Sheet of the previous year) with the year-wise total of the arrears recorded in the Demand Register.

b. A quarterly reconciliation shall be carried out by the Head of the Accounts Department and the Head of the Water Supply Department in respect of the amount collected and the year-wise amount outstanding between the balances

in the Ledger Accounts maintained at the Accounts Department and the Demand Register maintained at the Water Supply Department.

c. A quarterly reconciliation shall be carried out by the Head of the Accounts Department and the Head of the Water Supply Department in respect of the deposits outstanding, between the balances in the Ledger Accounts maintained at the Accounts Department and the Deposit Register maintained at the Water Supply Department.

d. The officers designated by the ULB for operating the Designated Water Supply Bank Account shall co-ordinate with the banks on a daily basis and ascertain the status of the cheques/drafts deposited by them.

e. The Water Supply Department shall ensure that the Receipt / Summary of Daily Collection prepared, provides reference to the Water Supply Income Collection Register.

f. The Chief Executive Officer/Head of the ULB shall specify such appropriate calendar of returns /reports for monitoring.

9.39 All Reconciliation Statements shall be certified by the Head of the Accounts Department.

PRESENTATION IN THE FINANCIAL STATEMENTS

9.40 The various heads of account used for the accounting of Water Supply related transactions shall be reflected in the Financial Statements or in the Schedules attached to the Financial Statements of the ULB. All such Financial Statements and schedules should be affixed with signature and seal of designated authorities.

9.41 The provision against the outstanding water taxes receivable is to be disclosed under the major head Accumulated Provisions as a separate line item in the Balance Sheet below the 'Sundry Debtors'.

9.42 The Schedule of the Income and Expenditure Statement in respect of Water Supply Income is presented below.

Schedule I-4: Schedule of Income from Fees & User Charges

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
140-20-(a) 140-40-(a) 140-40-(a) 140-40-(a) 140-40-(a) 140-50-(a) 140-50-(a)	Penalties & Fines Other Fees – Connection Charges Other Fees – Disconnection Charges Other Fees – Notice Fees Other Fees – Warrant Fees User Charges – Water Supply User Charges – Sewerage		
140-50-(a) 140-50-(a) 140-70-(a) 140-90-(a)	User Charges – Water Tanker User Charges – Water Meter Service/Administrative Charges – Road Damage Recovery Sub-total Less Fee Remission and Refund Sub-total		
Total Income of Water Supply to be shown as a part of Fees & User Charges Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I – 9: Schedule of Other Income

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
180-11-(a) 180-60-(a)	Lapsed Deposit – Water Supply Excess Provision Written Back – Water Supply		
Total Income of Water Supply to be shown as a part of Other Income Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-11: Administrative Expenses

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
220-51-(a)	Legal Expenses - Cost of recoveries of Water Supply Income (net of amount received from State government for the cost of recovery)		
Total Expense of Water Supply to be shown as a part of Administrative Expenses Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I – 16: Schedule of Provisions and Write off

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
270-10-(a)	Provision for Doubtful Receivables – Water Supply		
Total Expense of Water Supply to be shown as a part of Provision and Write off Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-18: Schedule of Prior Period Items

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
280-20-(a) 280-30-(a)	**Income (A)** Other Revenues – Fees & User Charges Recovery of Revenues written off		
280-50-(a)	**Expense (B)** Refund of Fees & User Charges		
Total [A-B] of Water Supply to be shown as a part of Prior Period Items Schedule			

(a) Insert Detailed Head Codes of Account as applicable

8.49 The Balance Sheet Abstracts in respect of the Water Supply Income are presented below:

Schedule B-7: Schedule of Deposits Received

Code No.	Nature of Deposit	Opening balance at the beginning of the year	Additions during the current year	Refunded during the year	Balance outstanding at the end of the current year
1	2	3	4	5	6
340-20-(a)	Deposits Revenues – Water Supply				
	Total				

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-9: Schedule of Other Liabilities

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
350-40-(a) 350-41-(a)	Refunds Payable of Fees & User Charges – Court Attachment Advance Collection of Revenues		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-15: Schedule of Sundry Debtors (Receivables)

Code No.	Particulars	Current Year Amount (Rs.)			Previous Year Amount (Rs.)
		Gross Amount	Provision for Outstanding Receivables	Net Amount	
1	2	3	4	5 = 3 – 4	6
431-30-(a)	Receivables for Fees & User Charges Less than 3 years * More than 3 years*				
	Total Receivables of Water Supply Income				

** Break up for provision for outstanding revenues are given in Column 4*

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-17: Schedule of Cash and Bank Balances

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
450-10-(a) 450-21-(a)	Cash Bank Account		
	TOTAL		

(a) Insert Detailed Head Codes of Account as applicable

Form WS-1

Name of ULB

SUMMARY STATEMENT OF DEMAND RAISED ON ASSESSMENT FOR THE PERIOD _____

in respect of Water Supply Income

Sr. No. : _____

Particulars	Year (Others)	Year (-2)	Year (-1)	Current Year (Rs.)	Total (Rs.)
1	2	3	4		5
Water Tax Water Supply Charges Water Meter Rent Notice Fee Warrant Fee Penalties Others, Specify _____					
Total					
Amount in Words : Rupees _____					
Advance Adjusted: Against demand raised on Assessment*					
Prepared By : _____** **Checked By** : _____** **Dated:**			**Examined and entered** **Accountant/Authorised Officer** **Dated:**		

* *Provide year-wise details in respect of advance adjusted against demands raised.*

** *Record the name, designation and signature of the person.*

Form WS-2

_____***Name of ULB***

SUMMARY STATEMENT OF YEAR-WISE HEAD-WISE COLLECTION OF WATER TAXES FOR THE PERIOD_____

Sr. No. _____

_____*Collection Centre* *Deposited with* _____

Particulars	Year Others (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)	Current Year (Rs.)	Advance Received (Rs.)	Total (Rs.)
1	2	3	4	5	6	7
Collection in respect of incomes accounted on accrual basis Water Tax Water Supply Charges Water Meter Rent Notice Fee Warrant Fee Other Fees Penalties Others, Specify _____						
Sub-Total						
Collection in respect of incomes accounted on actual receipt basis Water connection charges Road damage recovery charges Water Reconnection Charges Water Tanker Charges Water Charges for Specific Needs Others, Specify _____						
Sub-Total						

Particulars	Year Others (Rs.)	Year (-2) (Rs.)	Year (-1) (Rs.)	Current Year (Rs.)	Advance Received (Rs.)	Total (Rs.)
1	2	3	4	5	6	7
Receipt of Cost of Recovery Water Supply Income collected in Advance Others, Specify _____ **Total Collection**						

* *Record the name, designation and signature of the person.*

Note: This statement should be prepared separately for each Collection Office/Collection Centre and then consolidated.

Form WS-3

_____Name of ULB

SUMMARY STATEMENT OF REFUNDS/REMISSIONS
FOR THE PERIOD _____
in respect of Water Supply Income

Sr. No: _____

Particulars	Year (others) Rs.	Year (-2) Rs.	Year (-1) Rs.	Current Year Rs.	Total Rs.	Remarks #
1	2	3	4			
Water Tax Water Supply Charges Water Meter Rent Notice Fee Warrant Fee						
Water supply incomes received in Advance Penalties Others, Specify _____ **Total**						
Amount in Words : Rupees _____						
Prepared By* : _____ **Checked By* : _____** **Dated:**			**Examined and entered** **Accountant/Authorised Officer** **Dated:**			

** Record the name, designation, and signature of the person.*
 # The details of whether refunds/remissions are treated as 'refund payable' or 'adjustment of receivables' or 'Revenues received in advance' shall be entered in this form for each of the entry in order to account for the refunds/remissions accordingly.

Form WS-4

_____***Name of ULB***

SUMMARY STATEMENT OF WRITE OFFS FOR THE PERIOD _____

in respect of Water Supply Income

Sr. No. _____

Particulars	**Year (Others) Rs.**	**Year (-2) Rs.**	**Year (-1) Rs.**	**Current Year (Rs) Rs.**	**Total Rs.**
1	**2**	**3**	**4**	**5**	**6**
Water Tax Water Supply Charges Water Meter Rent Notice Fee Warrant Fee Penalties Others, Specify _____					
Total					
Amount in Words : Rupees _____					
Prepared By* : _____ **Checked By* : _____** **Dated:**			**Examined and entered** **Accountant/Authorised Officer** **Dated:**		

* *Record the name, designation and signature of the person.*

CHAPTER 10

ASSIGNED REVENUES

INTRODUCTION

10.1 This chapter contains the recommended accounting system for transactions relating to assigned revenues.

10.2 Assigned revenues are usually in the nature of a share in the revenues of the state government, to compensate for certain losses in revenue and arrangement of resources of the ULBs. The ratio of the share in revenues is determined on the basis of the revenues collected by ULBs and the recommendations of the State Finance Commissions and devolution of funds to ULBs.

ACCOUNTING PRINCIPLES

10.3 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Grants:

a. Assigned revenues like Entertainment Tax, Duty / Surcharge on transfer of Immovable properties, shall be accounted during the year only upon actual collection. However, at year-end alone, these shall be accrued if sanction order (or proceedings) is passed and the amount is ascertained.

b. Based on the review of recoverable position of the 'Receivables of Assigned Revenues', the amount of outstanding assigned revenues to be provided or written off shall be ascertained and accounted accordingly on obtaining the relevant approval.

ACCOUNTING RECORDS & PROCEDURES

10.4 This section describes the records, register, documents, accounting entries, etc., in respect of accounting for transactions related to Assigned Revenues.

10.5 Recording of receipt of Assigned Revenue. Details of Assigned revenues received shall be entered in the Receipt Register (Form GEN-9) maintained at the Accounts Department and deposited into the Main Bank Account and also a Receipt (Form GEN-8) shall be issued to the State Government. To record the receipt of assigned revenues, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Bank Account *	Dr.	1,00,000		Cash Book, Ledger
120-10-(a)	To Taxes and Duties Collected by Others - Duty on Transfer of Properties	Cr.		40,000	
120-10-(a)	To Taxes and Duties Collected by Others - Entertainment Taxes	Cr.		30,000	
120-(b)	To Others __**	Cr.		30000	

** Specify name of the Bank and Account number*
*** Specify the heads of each income of the assigned revenue*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor and Detailed Head Codes of Accounts as applicable

Note: The postings in the Ledger (Form GEN-3) of "Main Bank" Account and "Assigned Revenue" Account shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book (Form GEN-2)

10.6 Recording of accruing of assigned revenues: At the end of the accounting period, the Accounts Department shall verify whether any proceedings or sanction order is passed and for which money is not received as at the end of the accounting period. The amount of such receivable as quantified in the proceedings or sanction order shall be accrued as income of the ULB. The Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-50-(a)	Receivables from Government - Assigned Revenues	Dr.	80,000		Journal Book, Ledger, Grant Register
120-10-(a)	To Taxes and Duties Collected by Others –Duty on Transfer of Properties	Cr.		20,000	
120-10-(a)	To Taxes and Duties Collected by Others -Entertainment Taxes	Cr.		25,000	
120-(b)	To Others ____*	Cr.		35,000	

** Specify the heads of each income of the assigned revenue*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor and Detailed Head Codes of Accounts as applicable

10.7 Recording of reversal for Accrued Assigned Revenues. At the end of the period end, the Accounts Department shall verify whether any accrued revenue has been collected during the period and credited to income account. If so, the accrued income shall be reversed and the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
120-10-(a)	Taxes and Duties Collected by Others -Duty on Transfer of Properties	Dr.	6,000		Journal Book, Ledger and Grant register
120-10-(a)	Taxes and Duties Collected by Others -Entertainment Taxes	Dr.	2,000		
120-(b)	Others*	Dr.	3,000		
431-50-(a)	To Receivables from Government - Assigned Revenues	Cr.		9,000	

** Specify the heads of each income of the assigned revenue.*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor and Detailed Head Codes of Accounts as applicable

10.8 Recording of write off of outstanding assigned revenues: The Accounts department as at the end of each year, review the outstanding assigned revenue receivable. The ULB based on its review of the recoverability may consider either making a provision or writing off. The accounting entries in respect of the above are as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270-30-(a)	Revenues Written Off - Assigned revenues	Dr.	500		Journal Book, Ledger,
431-50-(a)	To Receivables from Government – Assigned Revenues	Cr.		500	

(a) Insert Detailed Head Codes of Account as applicable

PERIOD END PROCEDURES

10.9 At the period end, it shall be ensured that all the Receivables of Assigned revenues be reviewed and write off if considered necessary be made. Further, the accounts department shall also ensure that the necessary reversal entries are made for assigned revenues received in the current accounting period, which were accrued in the previous period.

10.10 The Chief Executive Officer/Head of the ULB shall specify such appropriate calendar of returns /reports for monitoring.

PRESENTATION IN FINANCIAL STATEMENTS

10.11 The various heads of account used for the accounting of Assigned revenues related transactions should be reflected in the Financial Statements or in the Schedules attached to the Financial Statements of the ULB. All such Financial Statements and schedules should be affixed with signature and seal of designated authorities.

10.12 The Schedule of the Income and Expenditure Statement in respect of Assigned Revenue is provided below.

Schedule I-2: Assigned Revenues & Compensation

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
120-10-(a)	Taxes and Duties collected by others – Duty on Transfer of Properties		
120-10-(a)	Taxes and Duties collected by others – Entertainment Taxes		
120-20-(a)	Compensation in lieu of Taxes / duties		
120-30-(a)	Compensations in lieu of Concessions		
Total assigned revenues & compensation			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-16 : Schedule of Provisions & Write off

Code No	Particulars	Current Year Amount (Rs)	Previous Year Amount (Rs)
1	2	3	4
270-30-(a)	Revenues written off – Assigned revenues		
Total Expense of Assigned Revenues to be shown as a part of Provision and Write off Schedule			

(a) Insert Detailed Head Codes of Account as applicable

10.13 The Balance Sheet Abstract in respect of Assigned Revenue is provided below.

Schedules B-15: Schedule of Sundry Debtors (Receivables)

Code No	Particulars	Gross Amount (Rs.)	Provision for doubtful receivables Amount (Rs.)	Current Year Amount(Rs)	Previous Year Amount (Rs.)
1	2	3	4	5 (3-4)	6
431-50-(a)	Receivables from Government – Assigned Revenues				
	Total				

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-17: Schedule of Cash & Bank Balances

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
450-10-(a)	Cash Account		
450-21-(a)	Bank account		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

CHAPTER 11

RENTALS, FEES & OTHER INCOMES

INTRODUCTION

11.1 ULBs derive substantial portions of their revenue from Property & other taxes, Water Tax/Water Charges and Grants. In addition, they also have certain additional sources of revenue like Rentals from Municipal Properties, Advertisement Taxes, License Fees, etc. This chapter contains the recommended accounting procedures for transactions related to such Incomes.

11.2 Some of the Incomes under these categories that may arise to ULBs are listed below:

- Crematorium Charges;
- Burial Ground Charges;
- Cattle Pounding Fees;
- Parking Fees;
- Fees for Pay & Use Toilets;
- Slaughtering Fees;
- Library Fees;
- Fire Extinguishing Service Charges;

- Sale & Hire Charges, for example,
  - Sale of Scrap;
- Sale of Forms & Documents;
  - Sale of Tender Forms;
  - Hire Charges of Road Rollers;
  - Hire Charges of Tools & Equipment;
  - Sale of garbage/Manure;
  - Sale of Trees,
  - Sale of Fruits;
  - Sale of Grass;
  - Sale of Nursery Plants;
  - Sale of Flowers; etc.

11.3 The aspects relating to Incomes to be accounted on actual receipt basis include:

- Collections
- Refunds.

INCOMES TO BE ACCOUNTED ON ACCRUAL BASIS

11.4 Incomes for which demand is raised shall be accounted on accrual basis. These include the following (indicative):

i. Rental Income from Municipal Properties, for example
   - Rent from Markets/Shopping Complexes;
   - Rent from Office Buildings;
   - Rent from Guest Houses;
   - Rent from Auditorium, Art Galleries;
   - Rent/Lease from Parking Zones; etc.
   - Rent/Lease from Parking Zones; etc.

ii. Trade License Fees

iii. Advertisement Charges/Rights

iv. Profession Tax.

11.5 The various aspects relating to Incomes to be accounted on accrual basis include:

- Entry in the Demand Register
- Raising of Bills
- Collection of dues
- Refunds, Remissions and write-offs.

ACCOUNTING PRINCIPLES

11.6 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Other Incomes:

- Revenue in respect of Advertisement rights shall be accrued either based on Demand or based on the contract.
- Revenue in respect of Trade License Fees shall be accrued in the year to which it pertains and where the Demand is raised based on applicable Acts of the state.
- Revenues in respect of Profession Tax on Organisations / entities shall be accrued in the year to which it pertains where the demand is raised based on applicable Acts of the state.
- Revenues in respect of rents from properties shall be accrued based on terms of agreement.
- The Other Income, in respect of which demand is ascertainable and can be raised in regular course of operations of the ULB, shall be recognised in the period in which they become due, i.e., when the bills are raised.
- The Other Incomes, which are of an uncertain nature or for which the amount is not ascertainable or where demand is not raised in regular course of operations of the ULB, shall be recognised on actual receipt.
- Revenue in respect Notice Fee, Warrant Fee, Other Fees shall be recognised when the bills for the same are raised.
- Interest element and Penalties, if any, in demand shall be reckoned only on collection.
- In respect of the demand outstanding beyond two (2) years, provision shall be made to the extent of income of ULB, based on the following provisioning norms:
  - Outstanding for more than 2 year but not exceeding 3 years: 50%
  - Outstanding for more than 3 years: 100% (additional 50%)
- Any additional provision for demand outstanding required to be made during the year shall be recognised as expenditure and any excess provision written back during the year shall be recognised as income of the ULB.

- Refunds, remissions of Rents, Fees & Other Incomes for the current year shall be adjusted against the income if pertain to previous years then it shall be treated as prior period item.
- Write-offs of Other Incomes shall be adjusted against the provisions made and to that extent recoverable gets reduced.
- Any subsequent collection or recovery of 'Receivables of Rental, Fees and Other Incomes' which were already written off shall be recognised as a 'Prior Period Income'.

ACCOUNTING RECORDS AND PROCEDURES

11.7 This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Rental, Fees and Other Incomes. For the purposes of accounting of Other incomes there are certain forms, registers, etc., which are specific to certain type of other incomes, e.g., Summary Statement of Year-wise Head-wise Collection of Rents or similar incomes (Form OTH-1). These Forms OTH –1 to OTH –4 are annexed to this chapter.

Accounting for incomes to be accounted on Actual receipt basis

Collection

11.8 The following shall be the procedure for accounting of the collections made in respect of these Incomes:

Recording of income. To record the income in respect of these Incomes accounted on actual receipt basis, based on the Summary of Daily Collection (Form GEN- 12) received from the various Collection Offices and Collection Centers, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Bank Account*	Dr.	10,000		Cash Book,
140-(b)	To _____ (Fees & User) Charges	Cr.		7,000	Ledger
150-(b)	To _____ (Sale & Hire) Charges	Cr.		3,000	

** Specify name of the Bank and account number*
(a) Insert detailed Head codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable.

Note: *The postings in the Ledger (Form GEN-3) of "Bank" Account and "_____User Charges" Account shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book (Form GEN-2)*

Receipt of Incomes in Advance

11.9 In cases where the Incomes that are accounted on actual receipt basis are received in advance, i.e., before providing the services/goods, they shall be recorded as income on collection. In case the amount collected is to be refunded, the refund shall be recorded as expenditure.

11.10 For example, if a sum of Rs. 1,000/- has been received in advance for Service Charges. On receipt, the amount shall be recorded as Fees & User Charges. To record the income, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 140-(b)	Bank Account* To _____ (Fees & User) Charges**	Dr. Cr.	1,000	1,000	Cash Book, Ledger

** Specify name of the Bank and account number*
(a) Insert detailed Head codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable.

11.11 In case the service is not provided and the customer demands a refund of the amount paid by him in advance. To record the refund, the Accounts Department shall pass the following entry on payment of the refund:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
140-(b) 450-21-(a)	Refund - _____ (Fees & User) Charges * To Bank Account*	Dr. Cr.	1,000	1,000	Cash Book, Ledger

* Specify name of the Bank
(a) Insert detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable.

Deposits

11.12 In respect of certain Incomes (including incomes accounted for on accrual basis), a deposit is taken at the time of receiving the application for providing the services/goods, e.g., Rent Deposit, etc. The accounting for the different transactions in respect of deposits received in respect of Incomes, have been discussed below, using the example of Rent Deposit.

11.13 Recording of receipt of deposits. On receipt of deposit, the same shall be treated as a liability. To record the receipt of Rent Deposit, say of Rs. 10,000/-, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 340-20-(a)	Bank Account* To Deposits Revenues – Rent	Dr. Cr.	10,000	10,000	Cash Book, Ledger

* *Specify Name of the Bank and account number*
(a) Insert detailed Head codes of account as applicable

11.14 Recording of adjustment of deposits. The ULB may adjust the deposits received against the cost of the services rendered by it to the customer. On adjustment of deposits, the respective departments shall send the details of deposits adjusted in the Summary Statement of Deposits Adjusted (GEN- 19) to the Accounts Department on monthly basis. If Rent Deposit of Rs. 5,000/- has been adjusted against Rent Income, to record the adjustment of deposits, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-20-(a) 130-(b)	Deposit Revenues – Rent To Rental Income from Municipal Properties	Dr. Cr.	5,000	5,000	Journal Book, Ledger

(a) Insert detailed Head codes of account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable.

11.15 Recording of refund of deposits. The deposits shall be refunded when an application is made for it as per the rules prescribed for the same. A Payment Order (GEN – 14) shall be prepared by the respective departments for the refund of the deposits. On refund of the balance Rent Deposit of Rs. 5,000, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-20-(a) 450-21-(a)	Deposit Revenues – Rent To Bank Account *	Dr. Cr.	5,000	5,000	Cash Book, Ledger

* *Specify name of the Bank and account number*
(a) Insert detailed Head Codes of Account as applicable

11.16 Recording of income in respect of lapsed deposit. Deposits not claimed within the period as laid down by the ULB, from the date it is due for payment, shall be considered as lapsed and shall not be repaid to the party. At the end of each accounting year, the respective departments shall prepare a list of such lapsed deposits. To recognise the income, on obtaining the approval of the Authorised Officer, the Accounts Department shall pass the following entry (assuming Rent Deposit of Rs. 1,000 has lapsed):

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-20-(a) 180-11-(a)	Deposit Revenues – Rent To Lapsed Deposit-Rent	Dr. Cr.	1,000	1,000	Journal Book, Ledger, Deposit Register

(a) Insert detailed Head Codes of Account as applicable

11.17 Similar entries as above shall be passed for recording the various transactions in receipt of other deposits for example deposits relating to License Fees and Advertisement Taxes.

ACCOUNTING FOR INCOMES TO BE ACCOUNTED ON ACCRUAL BASIS

11.18 The accounting of the various aspects relating to Incomes accounted on accrual basis have been discussed below in respect of Rent, License Fees, and Advertisement Taxes are explained below:

A. Rental income

Demand Raised

11.19 In respect of the demand raised, the Accounts Department shall do the following:

Recording of demand raised. The demand raised for Incomes shall be recognised as an income for the ULB and correspondingly as a current asset. Accordingly, based on the Summary Statement of Bills Raised (Form OTH –1) received from the respective departments, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-40-(a) 130-(b)	Receivables from Other Sources -Rent (Year…)** To Rental Income from Municipal Properties	Dr. Cr.	20,000	20,000	Journal Book, Ledger

(a) Insert detailed Head Codes of Account as applicable
(b) Insert Minor & detailed Head Codes of Account as applicable

11.20 It is a normal practice for the ULB to enter the arrears of the dues while issuing the fresh demand. Entries in respect of the arrears shall have already been recorded earlier. The above entry shall be passed only in respect of the current demand of Other Incomes. The rental incomes earned out of shopping complexes, markets, office buildings, etc shall be entered in the relevant fixed assets register for E.g. Register of Immovable properties in form GEN 30 or in Register of Movable Properties in form GEN 31. The registers shall be updated periodically as per the provisions and rules of the Act governing the ULB**s.**

Collection of accrued incomes

11.21 The following shall be the procedure for accounting of the collections made in respect of accrued Incomes:

11.22 Recording of Income collections. To record the income based on the Summary of Daily Collections (Form GEN-12) received from the various Collection Offices and Collection Centers, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 431-80-(a)	Bank Account* To Receivables Control Account – Rent	Dr. Cr.	15,000	15,000	Cash Book, Ledger

** Specify Name of the Bank and account number*

(a) Insert detailed Head Codes of Account as applicable

11.23 For Other Incomes to be accounted on accrual basis, the Summary of Daily Collection (Form GEN- 12) does not provide the break-up of the collections into arrears collected, collections received in advance and collection made in respect of the current year' s demand. Hence, the total amount collected is credited to "Consolidated Receivables of Rent" Account which shall be segregated on a monthly basis.

11.24 Recording of break-up of collections. A Summary Statement of Year-wise/ Head-wise Collection of various other incomes in Form OTH-2 shall be prepared on a monthly basis by the respective departments and sent to the Accounts Department to record the details of collection. . To record the break-up of the collections made in respect of Incomes accounted for on accrual basis, into current and arrears recovery and to record any income collected in advance, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-80-(a)	Receivables Control Account -Rent	Dr.	18,000		Journal Book, Ledger
431-40-(a)	To Receivables from Other Sources – Rent (Year…)	Cr.		15,000	
431-40-(a)	To Receivables from Other Sources – Rent (Year…)	Cr.		2,000	
350-41-(a)	To Advance Collection of Revenues – Rent *	Cr.		1,000	

** Adjustment of income collected in advance is discussed separately under section 'Adjustment of Other Incomes received in Advance'*

(a) Insert detailed Head Codes of Account as applicable

Notice Fee, Warrant Fee and Other Fees

11.25 Notices of demand and warrants shall be issued and other fees may be charged as per the relevant provisions.

11.26 Recording of demand raised. A Summary Statement of Notice Fee, Warrant Fee and Other Fees Charged in Form GEN 24 shall be prepared on a monthly basis and sent to the Accounts Department.

11.27 For recording the demand raised in respect of Notice Fee, Warrant Fee and Other Fees charged for rent not received, on the basis of the Summary Statement of Notice Fee, Warrant Fee and Other Fees Charged received from the respective departments, the Accounts Department shall pass the same entry as explained in Para 6.15 of Chapter 6 on Property & Other Taxes.

Refunds and Remissions

11.28 All refunds and remissions arising on account of certain changes or amendments of the provisions or acts governing the revenues shall be duly recorded in the Demand Registers maintained and the details of the same shall also be communicated to the Accounts Department.

11.29 Recording of refunds/remissions payable. A Summary Statement of Refunds and Remissions in Form OTH – 3 shall be prepared on a monthly basis. Refunds / Remissions pertaining to prior period shall be identified separately from the current period based on which the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
130-90-(a)	Rents Remission & Refund	Dr.	500		Journal Book,
280-60-(a)	Prior Period Expenses	Dr.	100		Ledger
	Refund of Other Revenues–Rent				
350-40-(a)	To Refund Payable –Rent*	Cr.		600	

** Refunds/Remissions arising on account of change in the applicable rules shall be either passed for 'Payment' or credited to the account 'Advance Collection of Revenues- Rent' (with account code 350-41-(a)) in accordance with the accounting principles of the ULB.*

(a) Insert detailed Head Codes of Account as applicable

11.30 Recording of payment of refunds/remissions granted: The Accounts Department shall prepare a Payment Order (Form GEN-14) in respect of the refunds and communicate the details of refunds/remissions payments to the concerned departments for updating the Register of Demand and other registers. To record refunds made, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-40-(a) 450-21-(a)	Refund Payable – Rent To Bank Account*	Dr. Cr.	500	 500	Cash Book, Ledger

** Specify name of the Bank and account number*

(a) Insert detailed Head Codes of Account as applicable

Adjustment of Incomes received in advance

11.31 The respective departments shall intimate the Accounts Department of the advance adjusted against the subsequent bills raised through the Summary Statement of Bills Raised (Form OTH – 1).

(a) Recording of subsequent demand raised in the normal course. To record the demand raised for rent, the Accounts Department shall pass same entry as in the case of original demand as explained in Para 11.19.

(b) Recording of adjustment of advance. To record the adjustment of Other Incomes received in advance, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-41-(a) 431-40-(a)	Advance Collection of Revenues – Rent To Receivables from Other Sources –Rent (Year…)	Dr. Cr.	1,000	 1,000	Journal Book, Ledger

(a) Insert detailed Head Codes of Account as applicable

Deposits

11.32 The accounting in respect of receipt, adjustment, refund of deposits and recognising income in respect of lapsed deposits for Incomes accounted on accrual basis shall be similar to that for Incomes accounted for on actual receipt basis. The entry for adjustment of deposit for income to be accounted on accrual basis has been given below.

11.33 Recording of adjustment of deposits. The ULB may adjust the deposits received against the cost of the services rendered by it to the customer. The respective departments shall send the details of deposits adjusted in the Summary Statement of Deposits Adjusted (Form GEN-19) to the Accounts Department on monthly basis.

11.34 If Rent Deposit of Rs. 5,000/- has been adjusted against recovery of dues towards Rent Income, to record the adjustment of deposits, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-20-(a) 431-40-(a)	Deposit Revenues – Rent To Receivables from Other Sources - Rent (Year…)	Dr. Cr.	5,000	5,000	Journal Book, Ledger

(a) Insert detailed Head Codes of Account as applicable

Provision for Unrealised Revenue Receivables

11.35 Recording of provision for unrealised Income. The demand outstanding beyond two (2) years shall be provided for as per provisioning norms given below:

- Outstanding for more than 2 year but not exceeding 3 years: 50%
- Outstanding for more than 3 years: 100% (additional 50%)

For example, provision for the year ended March 31, 2004 is as under:

a. 50% of outstanding Receivables of Rent for the year ended March 31, 2002

b. 100% of outstanding Receivables of Rent for the year ended March 31, 2001 and before.

11.36 Additional provision or reversal of excess provision for the current period shall be calculated similar to computations explained in Tables 6.1 & 6.2 in Chapter 6 for Property & Other Taxes.

11.37 For making the provision, the following entry shall be passed by the Accounts Department:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270-10-(a) 432-40-(a)	Provision for Doubtful Receivables- Rent To Provision for Outstanding Other Receivables – Rent	Dr. Cr.	1,500	1,500	Journal Book, Ledger

(a) Insert detailed Head Codes of Account as applicable

11.38 The effect of the above entry will be as follows:

a. Provision for Doubtful Receivables - Rent will be shown as a separate item under the Major expense head 'Provisions and Write off;

b. Provision for Outstanding Other Receivables will be shown as a deduction from Receivables from Other Sources- Rent in the Balance Sheet.

11.39 To write back the provision made earlier, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
432-40-(a)	Provision for Outstanding Other Receivables – Rent	Dr.	500		Journal Book, Ledger
180-60-(a)	To Excess Provision Written Back – Rent	Cr.		500	

(a) Insert detailed Head Codes of Account as applicable

Write-offs

11.40 Recording of Write-offs. If for any reason, it is decided by the ULB to write-off any Other Income dues, the details of the write off has to be entered in the 'Statement of Write off' by the respective departments in Form OTH – 4. This form has to be prepared on a monthly basis and forwarded to the Accounts Department and based on which , the write off shall be adjusted against the provision made and the following entry will be passed:

Code of Account*	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
432-40-(a)	Provision for Outstanding Other Receivables – Rent	Dr.	500		Journal Book, Ledger
431-40-(a)	To Receivables from Other Sources –Rent (Year…)	Cr.		500	

(a) Insert detailed Head Codes of Account as applicable

11.41 Recording of subsequent collection/ recovery of 'Receivables of Rents/License Fees/Advertisement Taxes' written off: In case of a 'Receivables of Rents/License Fees/Advertisement Taxes' written off already were recovered/collected during the year, the accounts department shall pass the following entry:

Code of Account*	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-80-(a)	Receivables Control Account - - Rent	Dr.	1,000		Journal Book, Ledger
280-30-(a)	To Prior period Income –Recovery of Revenues written off-Rent	Cr.		1,000	

(a) Insert detailed Head Codes of Account as applicable

Transfer of amount outstanding in respect of arrears from specific year-wise account to general account

11.42 The arrears of Other Income shall be carried forward year-wise, e.g., in "Receivables of Other Income (Year…)" account up to three years. On completion of the third year, the amount outstanding in the specific year-wise receivable account shall be transferred to a general arrears account, i.e., "Receivables of Other Income (Others)" Account. For example, the rent receivable in respect of the demand raised during the accounting year 2000-01 shall be carried forward in "Receivables of Rent (2001)" Account up to the year ending March 31, 2004. On March 31, 2004, the balance outstanding in this account shall be transferred to "Receivables of Rent (Others)" Account.

11.43 Recording of transfer of arrears to general account. To record this transfer, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-40-(a)	Receivables from Other Sources –Rent (Others)	Dr.	5,000		Journal Book, Ledger
431-40-(a)	To Receivables from Other Sources –Rent (Year…)	Cr.		5,000	

(a) Insert detailed Head Codes of Account as applicable

Recovery of other incomes through legal proceedings

11.44 The transactions in respect of Recovery of Property and Other Taxes have been described in Chapter 6 – Property & Other Taxes (paras. 6.34 to 6.40), reference to which is invited. The transactions relating to Recovery of Other Incomes shall be accounted in similar manner.

B. License Fees

11.45 The license fees charged for granting license to any trade, shops, markets etc. Similar to accruing of rental income, license fees shall also be accrued based on raising a demand in form OTH – 1. Accounting entries in respect of Demand and Collection are detailed below. However in respect of notice fees, refunds, adjustment of advances & deposits, provisions, write off and transfer outstanding from specific year to general account, reference is invited to entries explained above under Section A – Rental Income.

Demand Raised

11.46 Recording of demand raised. The demand raised for Income shall be recognised as an income for the ULB and correspondingly as a receivable. Accordingly, based on the Summary Statement of Bills Raised (Form OTH –1) received from the respective departments, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-30-(a)	Receivables for Fees & User Charges - License Fees (Year…)	Dr.	20,000		Journal Book, Ledger
140-11-(a)	To Licensing Fees - Trade	Cr.		20,000	

(a) Insert detailed Head Codes of Account as applicable

11.47 It is a normal practice for the ULB to enter the arrears of the dues while issuing the fresh demand. Entries in respect of the arrears shall have already been recorded earlier. The above entry shall be passed only in respect of the current demand of Other Incomes.

Collection of accrued incomes

11.48 The following shall be the procedure for accounting of the collections made in respect of accrued Incomes:

a. Recording of Income collections. To record the income based on the Summary of Daily Collections (Form GEN-12) received from the various Collection Offices and Collection Centres, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 431-30-(a)	Bank Account* To Receivables Control accounts - License Fees	Dr. Cr.	15,000	15,000	Cash Book, Ledger

** Specify name of the Bank and account number*

(a) Insert detailed Head Codes of Account as applicable

b. For Other Incomes to be accounted on accrual basis, the Summary of Daily Collection (Form GEN- 12) does not provide the break-up of the collections into arrears collected, collections received in advance and collection made in respect of the current year' s demand. Hence, the total amount collected is credited to "Consolidated Receivables of License Fees" Account which shall be segregated on a monthly basis.

c. Recording of break-up of collections. A Summary Statement of Year-wise/ Head-wise Collection of various other incomes in Form OTH-2 shall be prepared on a monthly basis by the respective departments and sent to the Accounts Department to record the details of collection. . To record the break-up of the collections made in respect of Incomes accounted for on accrual basis, into current and arrears recovery and to record any income collected in advance, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-80-(a)	Receivables Control Account –License Fees	Dr.	18,000		Journal Book, Ledger
431-30-(a)	To Receivables for Fees & User Charges - License Fees (Year…)	Cr.		15,000	
431-30-(a)	To Receivables for Fees & User Charges – License Fees (Year…)	Cr.		2,000	
350-41-(a)	To Advance Collection of Revenues – License Fees *	Cr.		1,000	

** Adjustment of income collected in advance is discussed separately under section 'Adjustment of Other Incomes received in Advance'*

(a) Insert detailed Head Codes of Account as applicable

C. Advertisement Fees

11.49 The advertisement fees charged towards advertisement rights. Similar to accruing of rental income and license fees, advertisement fees shall also be accrued based on raising a demand in form OTH – 1.

Demand Raised

11.50 Recording of demand raised. The demand raised for Advertisement fees incomes shall be recognised as an income for the ULB and correspondingly as a current asset. Accordingly, based on the Summary Statement of Bills Raised (Form OTH –1) received from the respective departments, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-30-(a)	Receivables for Fees & User Charges – Advertisement Fees (Year…)	Dr.	20,000		Journal Book, Ledger
140-40-(a)	To Other Fees – Advertisement	Cr.		20,000	

(a) Insert Detailed Head Codes of Account as applicable

11.51 It is a normal practice for the ULB to enter the arrears of the dues while issuing the fresh demand. Entries in respect of the arrears shall have already been recorded earlier. The above entry shall be passed only in respect of the current demand of Other Incomes.

Collection of accrued incomes

11.52 The following shall be the procedure for accounting of the collections made in respect of accrued Incomes:

a. Recording of Income collections. To record the income based on the Summary of Daily Collections (Form GEN-12) received from the various Collection Offices and Collection Centres, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 431-80-(a)	Bank Account* To Receivables Control accounts – advertisement Fees	Dr. Cr.	15,000	15,000	Cash Book, Ledger

** Specify name of the Bank and account number*
(a) Insert detailed Codes of Account as applicable

b. For Other Incomes to be accounted on accrual basis, the Summary of Daily Collection (Form GEN- 12) does not provide the break-up of the collections into arrears collected, collections received in advance and collection made in respect of the current year' s demand. Hence, the total amount collected is credited to "Consolidated Receivables of Advertisement Taxes" Account which shall be segregated on a monthly basis.

c. Recording of break-up of collections. A Summary Statement of Year-wise/ Head-wise Collection of various other incomes in Form OTH-2 shall be prepared on a monthly basis by the respective departments and sent to the Accounts Department to record the details of collection. To record the break-up of the collections made in respect of Incomes accounted for on accrual basis, into current and arrears recovery and to record any income collected in advance, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-80-(a)	Receivables Control Account – Advertisement Fees	Dr.	18,000		Journal Book, Ledger
431-30-(a)	To Receivables for Fees & User Charges – Advertisement Fees (Year…)	Cr.		15,000	
431-30-(a)	To Receivables for Fees & User Charges – Advertisement Fees (Year…)	Cr.		2,000	
350-41-(a)	To Advance Collection of Revenues – Advertisement Fees*	Cr.		1,000	

** Adjustment of income collected in advance is discussed separately under section 'Adjustment of Other Incomes received in Advance'*
(a) Insert detailed Codes of Account as applicable

Internal controls

11.53 The following internal controls shall be observed by the ULB in respect of transaction related to Other Incomes:

- The Head of the Accounts Department and the head of the respective departments shall reconcile the balance at the beginning of the accounting year in respect of the Sundry Income Receivables Arrears (as appearing in the Balance Sheet of the previous year) with the year-wise total of the arrears recorded in the Demand Registers.
- A quarterly reconciliation shall be carried out by the Head of the Accounts Department and the head of the respective departments in respect of the amount collected and the arrears outstanding between the balances standing in the Ledger maintained at the Accounts Department and the Demand Registers maintained at the respective departments.
- A monthly reconciliation shall be carried out by the Head of the Accounts Department and the head of the respective departments in respect of the various deposits collected, between the balances standing in the Ledger maintained at the Accounts Department and the Deposits Registers maintained at the respective departments.
- The head of the respective departments shall ensure that the Receipt / Chalan for Remittance of Money prepared, provides reference to the Consolidated Collection Register.
- The Chief Executive Officer/Head of the ULB shall specify such appropriate calendar of returns /reports for monitoring.
- Levy of stallages, rents and fees in Municipal Markets, Slaughter-houses and Stock-yards;
- Registration of Births and Deaths Fees;
- Fee for grant of licence to Surveyors, Architects, Engineers, Structural Designers, Clerk of Works, and Plumbers;
- Professional Tax;
- Advertisement Charges/Rights;
- Development Charges; etc.
- Registration of Births and Deaths Fees;
- Fee for grant of licence to Surveyors, Architects, Engineers, Structural Designers, Clerk of Works, and Plumbers;
- Professional Tax;
- Advertisement Charges/Rights;
- Development Charges; etc.
- Registration of Births and Deaths Fees;
- Fee for grant of licence to Surveyors, Architects, Engineers, Structural Designers, Clerk of Works, and Plumbers;

- Professional Tax;
- Advertisement Charges/Rights;
- Development Charges; etc.
- Levy of stallages, rents and fees in Municipal Markets, Slaughter-houses and Stock-yards; A. F. Ferguson & Co.

11.54 All Reconciliation Statements shall be certified by the Head of the Accounts Department:

Presentation in financial statements

11.55 The various heads of account used for the accounting of Other Incomes related transactions should be reflected in the Financial Statements or in the Schedules attached to the Financial Statements of the ULB. All such Financial Statements and schedules should be affixed with signature and seal of designated authorities.

11.56 The provision against the Outstanding Rental and Other Incomes receivable is to be disclosed under the major head Accumulated Provisions as a separate line item in the Balance Sheet below the 'Sundry Debtors'.

11.57 The Schedule of Income and Expenditure Statement in respect of Other Incomes are presented below.

Schedule I-3: Rental income from Municipal Properties

Minor Head Code	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
130-10-(a) 130-20-(a) 130-30-(a) 130-40-(a) 130-80-(a)	Rent from Civic Amenities Rent from Office Buildings Rent from Guest Houses Rent from lease of lands Other rents		
	Sub-Total		
130-90-(a)	Less: Rent Remission and Refunds		
	Sub-total		
Total Rental Income from Municipal Properties			

(a) Insert detailed Codes of Account as applicable

Schedule I-4: Schedule of Income from Fees & User Charges

Detailed Head Code	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
140-11-(a) 140-20-(a) 140-40-(a) 140-50-(a) 140-60-(a)	Licensing Fees Penalties and Fines Other Fees – Advertisement Fees User Charges Entry Fees		

Detailed Head Code	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
140-80-(a)	Other Charges		
	Sub-Total		
140-90-(a)	Less: Rent Remission and Refunds Sub-total		
Total Income of Other income to be shown as part of Fees & User Charges – Income head-wise Schedule			

(a) Insert detailed Codes of Account as applicable

Schedule I-5: Income from Sale & Hire Charges

Detailed Head Code	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
150-11-(a) 150-12-(a) 150-30-(a) 150-40-(a) 150-41-(a)	Sale of Forms & Publications Sale of stores & scrap Sale of Others Hire Charges for Vehicles Hire Charges for Equipment		
Total Other income to be shown as part of Sale & Hire Charges – Income head-wise Schedule			

(a) Insert detailed Codes of Account as applicable

Schedule I-9: Schedule of Other Income

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
180-10-(a) 180-11-(a) 180-20-(a) 180-60-(a) 180-80-(a)	Deposits Forfeited Lapsed Deposits – Rent Insurance Claim Recovery Excess Provisions written back – Rental Income Miscellaneous Income		
Total Rental, Fees and Other Income to be shown as part of Other Income Schedule			

(a) Insert detailed Codes of Account as applicable

Schedule I-16: Schedule of Provisions & Write off

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
270-10-(a) 270-30-(a)	Provisions for Doubtful receivables – Rent Revenues written off – Rent		
	Total expense of Rental, Fees & Other Incomes to shown as part of Provision and Write off Schedule		

(a) Insert detailed Codes of Account as applicable

Schedule I-18: Schedule of Prior Period Items

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
280-20-(a) 280-30-(a) 280-40-(a)	Income Other – Revenues Recovery of revenues written off – Rent Other income		
	Sub – Total Income (A)		

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
280-60-(a) 280-80-(a)	Expenses Refund of Other – Revenues- Rent Other Expenses		
	Sub – Total Income (B)		
Total expense of Rental, Fees & Other Income to be shown as part of Prior Period (net) Schedule (A-B) -			

(a) Insert detailed Codes of Account as applicable

11.58 The Balance Sheet Abstract in respect of the other Incomes are presented below.

Schedule B-7: Schedule of Deposits Received

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
340-20-(a)	Deposit Revenues – Rent		
	Total		

(a) Insert detailed Codes of Account as applicable

Schedule B-9: Schedule of Other Liabilities (Sundry Creditors)

Code of Account	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
350-40-(a) 350-41-(a)	Refunds Payable Advance Collection of Revenues		
	Total		

(a) Insert detailed Codes of Account as applicable

Schedule B-15: Schedule of Sundry Debtors (Receivables)

Code No.	Particulars	Current Year Amount (Rs.)			Previous Year Amount (Rs.)
		Gross Amount	Provision for Outstanding Revenues	Net Amount	
1	2	3	4	5 = 3 – 4	6
431-30-(a)	Receivables for Fees and User Charges Less than 3 years* More than 3 years*				
	Sub – total				
431-40-(a)	Receivables from Other Sources- Rent				
	Total of Receivables of Rentals, Fees & Other Incomes				

**Break up for provision for outstanding revenues are given in Column 4*

(a) Insert detailed Codes of Account as applicable

Schedule B-17: Schedule of Cash and Bank Balances

Code of Account	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
450-10-(a) 450-21-(a)	Cash Bank Account		
	Total		

(a) Insert detailed Codes of Account as applicable

Form OTH-1

_____ ***Name of the ULB***

SUMMARY STATEMENT OF DEMAND RAISED ON ASSESSMENT
FOR THE PERIOD _____
in respect of Other Incomes

Sr. No. _____

Particulars	Year (Others)	Year (-2)	Year (-1)	Current Year
1	**2**	**3**	**4**	**5**
Property Rental				
Trade License Fees Advertisement Taxes Others, Specify _____				
Total				
Amount in Words : Rupees _____				
Advance Adjusted: Against demand raised on Assessment *				
Prepared By*: _____ **Checked By* :** _____ **Dated:**		**Examined and entered** **Accountant/Authorised Officer** **Dated:**		

* *Record the name, designation and signature of the person.*

Form OTH-2

_____Name of the ULB

SUMMARY STATEMENT OF YEAR-WISE HEAD-WISE COLLECTION OF OTHER INCOMES FOR THE PERIOD _____

Sr. No. _____

_____ Collection Centre ***Deposited with _____***

Particulars	Arrears Recovery	Year (-2) (Rs.)	Year (-1) (Rs.)	Current Year (Rs.)	Advance received (Rs)	Total (Rs.)
1	2	3	4	5	6	7
Collection in respect of incomes accounted on accrual basis Property Rental Trade License fees Advertisement Taxes Others, Specify _____						
Sub-Total						
Collection in respect of incomes accounted on actual receipt basis Sale of Fixed assets/scrap Water Tanker Charges Penalties Fines Others, Specify _____						
Sub-Total						
Receipt of Cost of Recovery, if any Others, Specify _____						
Total Collection						
Amount in Words : Rupees _____						
Prepared By* : _____ **Checked By* : _____** **Dated:**			**Examined and entered** **Accountant/Authorised Officer** **Dated:**			

* *Record the name, designation and signature of the person.*

Note: This statement should be prepared separately for each Collection Office/Collection Centre and then consolidated.

Form OTH -3

_____Name of the ULB

SUMMARY STATEMENT OF REFUNDS
FOR THE PERIOD _____
In respect of Other Incomes

Sr. No. _____

Particulars	Year (Others)	Year (-2)	Year (-1)	Current Year (Rs.)	Total (Rs.)
1	**2**	**3**	**4**	**5**	**6**
Property Rental Trade License fees Advertisement Taxes Sale of Fixed assets/scrap Water Tanker Charges Advance received in respect of Other incomes Others, Specify _____					
Total					
Amount in Words : Rupees _____					
Prepared By* : _____ **Checked By* : _____** **Dated:**			**Examined and entered** **Accountant/Authorised Officer** **Dated:**		

* *Record the name, designation, and signature of the person.*

Form OTH –4

_____Name of the ULB

SUMMARY STATEMENT OF WRITE OFFS
FOR THE PERIOD _____
in respect of Other Incomes

Sr. No. _____

Particulars	Year (Others)	Year (-2)	Year (-1)	Current Year (Rs.)	Total (Rs.)
1	2	3	4		5
Property Rental Trade License fees Advertisement Taxes Others, Specify _____					
Total					
Amount in Words : Rupees _____					
Prepared By* : _____ **Checked By* : _____** **Dated:**			**Examined and entered** **Accountant/Authorised Officer** **Dated:**		

* *Record the name, designation and signature of the person.*

CHAPTER 12

PUBLIC WORKS

12.1 This chapter contains the recommended accounting system for Public Works transactions undertaken by the Urban Local Body (ULB). These would generally include construction/expansion/major modification of buildings, development of land, construction of roads, construction of water works, construction of drainage systems or other public utilities. Repairs and maintenance of these would also constitute Public Works. Apart from these, any non-civil contracts (e.g., for furniture) undertaken by the ULB through the Public Works Department would also be covered here. This chapter also covers the accounting treatment for 'Deposit works' executed by the ULB on behalf of the Government or Government Departments and recognition on revenue from these Deposit works.

12.2 'Original Works' includes all new constructions or additions and alterations to existing works. Repairs to newly purchased or previously abandoned buildings, which are required for bringing them into use, should be classified as Original Works. Where a portion of an existing structure is dismantled and replaced and if the cost of such replacement represents a genuine increase in the permanent value of the property as an asset, the work should be classified as 'Original Works'.

12.3 'Repairs and Maintenance' includes works, other than those specified under Original Works, required to maintain buildings, roads, water work assets, drainage system and other works in proper condition for ordinary use.

12.4 'Fees & User Charges': Where the Public Works Department issues any permission for road digging or any other activity for private purpose, it recovers the charges incurred for repair of the damaged road or any other structure from the person seeking permission.

12.5 The Public Works may be carried out in a municipal area either from Municipal Funds or from Grants or Special Funds. The accounting procedure for dealing with the various transactions of Public Works would be similar irrespective of the source of funds. The accounting entries in respect of works executed from Grants have been described in Chapter 17 on Grants. Similarly, accounting entries in respect of works executed from Special Funds have been described in Chapter 19 on Special Funds. This chapter describes the accounting entries for works executed out of Municipal Funds of the ULB.

12.6 'Deposit works:' The Governmental departments or the State Governments may use the services of ULB, for execution of certain works/schemes/approved infrastructure schemes. Money received from the Governments for the above shall be treated as 'Deposit works' and are accounted as a liability of an ULB. ULBs are provided certain percentage of the value of the works/scheme/project/plans completed as their service charges.

ACCOUNTING PRINCIPLES

12.7 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to public works:

a. The cost of fixed assets shall include cost incurred/money spent in acquiring or installing or constructing fixed assets, interest on borrowings attributable to acquisition or construction of qualifying fixed assets up to the date of commissioning of the assets and other incidental expenses incurred up to that date.

b. Any addition to or improvement to the fixed asset that results in increasing the utility or capacity or useful life of the asset shall be capitalised and included in the cost of asset. Revenue expenditure in the nature of repairs and maintenance incurred to maintain the asset and sustain its functioning or the benefit of which is less than for a year, shall be charged off

c. Assets under erection/installation on existing projects and capital expenditures on new projects (including advances for capital works and project stores) shall be shown as "Capital Work-in-Progress".

d. The Earnest Money Deposit and Security Deposit received if forfeited shall be recognised as income when the right for claiming refund of deposit has expired.

e. Deposit received under Deposit works shall be treated as a liability till such time the projects for which money is received is completed. Upon completion of the projects, the cost incurred against it shall be reduced from the liability.

f. Revenues (percentage charges) in respect of Deposit works shall be accrued along with expenditure of Deposit works.

ACCOUNTING RECORDS AND PROCEDURES

12.8 This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Public Works. For the purposes of accounting of Public Works there are certain forms, registers, etc., which are specific to Public Works, e.g., Statement of status of Capital Work-in-Progress PW – 1, etc. These Forms (Forms PW - 1 and PW - 2) are annexed to this chapter and are prefixed "PW".

12.9 The procedure for accounting of works expenditure is briefly described below:

a. Earnest Money Deposit (EMD) may be received from the bidders bidding for the tender as per the principle and the procedures prescribed by the ULB. On tender being awarded, EMD shall be refunded to the unsuccessful bidders.

b. An agreement may be entered into with the successful bidder as per the terms of the Tender and agreement, Security Deposit may be taken in advance.

c. Advance may be provided to the contractor as per the terms and procedures of the ULB and agreement entered into with the contractor.

d. Payment shall be made against bill raised after deducting Security Deposit, income tax, works contract tax and other deductions/ recovery including advance provided, if any.

e. Security Deposit shall be refunded after successful completion of the work as per terms of agreement

f. In case of Original Works, the expenditure incurred shall be capitalised and disclosed as an asset in the Balance Sheet.

ACCOUNTING FOR RECEIPT OF EARNEST MONEY DEPOSIT

12.10 The following procedure shall be followed for accounting of receipt of EMD received in respect of works executed.

a. The procedure to be followed for collection of EMD and its remittance and/or deposit to the Accounts Department or in the Bank shall be the same as provided in the Chapter 5 on General Accounting Procedures. The following entry for the amount received is passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 340-10-(a)	Bank Account * To From Contractors/ Suppliers– EMD	Dr. Cr.	10,000	 10,000	Cash Book, Ledger

* *Specify name of Bank and account number*

(a) Insert detailed Head Codes of Account as applicable

Note: The postings in the Ledger Account of "Earnest Money Deposit - Public Works Department" Account shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book.

ACCOUNTING FOR REFUND OF EARNEST MONEY DEPOSIT

12.11 The procedure followed for accounting of refund shall be the same as any payment provided in Chapter 5 on General Accounting Procedures.

12.12 Recording of refund of Earnest Money Deposit. After the receipt of approval for payment and upon payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a)	From Contractors/Suppliers–EMD	Dr.	9,000		Cash Book, Ledger
450-21--(a)	To Bank Account*	Cr.		9,000	

**Specify name of Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

Accounting for conversion of Earnest Money Deposit into Security Deposit

12.13 Recording of conversion of Earnest Money Deposit into Security Deposit. On receipt of intimation for conversion of EMD of the successful bidder into Security Deposit payable the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a)	From Contractors/Suppliers–EMD	Dr.	1,000		Journal Book, Ledger
340-10-(a)	To From Contractors/ Suppliers-Security Deposits	Cr.		1,000	

(a) Insert Detailed Head Codes of Account as applicable

RECEIPT OF SECURITY DEPOSIT

12.14 Recording of Security Deposit received: The procedure followed for accounting of Security Deposit is similar to that of Earnest Money Deposit. The Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 340-10-(a)	Bank Account* To From Contractors/ Suppliers– Security Deposits	Dr. Cr.	10,000	 10,000	Cash Book, Ledger

** Specify name of Bank and account number*
(a) Insert detailed Head Codes of Account as applicable

12.15 As per the terms of agreement entered into with the contractor, Security Deposit may be deducted from the contractor's bill. For accounting treatment for Security Deposit deducted from the contractor's bill, refer section "Expenditure" in this chapter.

Advances

12.16 Recording of payment of advance for work carried out from Municipal Fund, Grant and Special Fund. As per the terms of agreement, advance may be paid to the contractor. Advance may be provided either in cash or in kind, i.e., by way of supply of materials. On receipt of approval for payment, and on payment, entries will be made for money advanced in Cheque Issue Register in Form GEN –15 and in Register of Advance in Form GEN – 16 for the cheques issued to the contractor. The accounting entries to be passed are :

a. For recording advance sanctioned for payment

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-40-(a) 350-10-(a) 350-20-(a)	Advance to Suppliers &Contractors To Creditors – Contractors Advance Control Account To Recoveries Payable – TDS from Contractors	Dr. Cr. Cr.	1,000	 950 50	Journal Book, Ledger

(a) Insert detailed Head Codes of Account as applicable

b. For recording disbursement of advance,

i. In cash/cheque:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a) 450-21-(a)	Creditors –Contractors Advance Control Account To Bank Account *	Dr. Cr.	950	 950	Cash Book, Ledger

**Specify name of Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

ii. Materials supplied to the Contractor:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-40-(a)	Advances to Contractors- Material Issued to contractors	Dr.	950		Cash Book, Ledger
430-(b)	To Stock in Hand – Purchase of Materials	Cr.		950	

(a) Insert Detailed Head Codes of Account as applicable.
(b) Insert Minor & Detailed Head Codes of Account as applicable.
Note: This entry will be passed along with other items of consumption based on valuation statement as explained in Paras 13.24 to 13.27 of Chapter 13 on Stores Accounting.

EXPENDITURE

12.17 Preparation of Bill for payment. On the basis of work completed as per governing rules, a bill shall be prepared and sent for payment. The amount of security deposit, income tax deducted at source, works contract tax and any other recovery or deduction, including recovery for supply of material by the Stores and money advanced to the contractor, should be specified in the Bill. Running bills are submitted during the progress of work and final bill is normally submitted on completion of work. The Contract Completion Certificate shall be annexed to the final bill.

12.18 Recording of Contractor's bill in respect of Original Work, On receipt of the processed bill, the particulars be entered in a Register of Bills for Payment in Form GEN – 13. To record the liability in respect of contractor's bill for Original Works undertaken, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
412-(a)	Capital Work-in-Progress	Dr.	50,000		Journal Book, Ledger
350-10-(b)	To Creditors – Contractors Account	Cr.		44,000	
340-10-(b)	To From Contractors / Suppliers– Security Deposits	Cr.		2,500	
460-40-(b)	To Advance to Suppliers & Contractors	Cr.		500	
350-20-(b)	To Recoveries Payable from TDS Contractors	Cr.		1,000	
350-20-(b)	To Recoveries Payable – Works Contract Tax	Cr.		1,500	
460-40-(b)	To Advance to Contractors - Material Issued to Contractors *	Cr.		500	

** At agreement rates for material issue with the Contractor*
(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

12.19 The Capital Work-in-Progress Account shall be a control account wherein details of expenditure incurred on capital projects shall be recorded. Separate Capital Work-in-Progress Control Accounts shall be opened for Civil, Electrical, Water Works and Other projects.

12.20 At period-end, the departments incurring expenditure on capital projects shall submit a Summary Statement of Status on Capital Work-in-Progress in Form PW – 1 detailing total expenditure incurred till date on each of the capital projects. The details of total expenditure incurred on each of the capital projects can be collated from the Work Sheet (Form PW – 2).

12.21 The Contractors Control Account shall be a control account in which the liability for amount payable to various contractors for work executed shall be credited and the amount paid to the various contractors shall be debited.

12.22 Recording of payment made to Contractors. The procedure to be followed for approval of a contractor's bill for payment and making payment shall be the same as provided in Chapter 5 on General Accounting Procedures to which reference is invited. The Accounts Department shall, on receipt of Payment Order in Form GEN – 14 together with the Work Sheet and Contract Completion Certificate, where applicable, after making the payment, enter the details of the payment in the Work Sheet (Form PW – 2) and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a)	Creditors – Contractors Account	Dr.	44,000		Cash Book, Ledger
450-21-(a)	To Bank Account *	Cr.		44,000	

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

12.23 Recording of payment of TDS Payable and Works Contract Tax Payable. The income tax and works contract tax deducted from the bills of the contractors shall be paid by the Accounts Department to the concerned authorities as and when due as per the relevant laws in force. On payment of Income Tax and Works Contract Tax deducted, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-20-(a)	Recoveries Payable -TDS from Contractors	Dr.	1,050		Cash Book, Ledger
350-20-(a)	Recoveries Payable -Works Contract Tax	Dr.	1,500		
450-21-(a)	To Bank Account*	Cr.		2,550	

**Specify name of the Bank and Account number*

(a) Insert Detailed Head Codes of Account as applicable

12.24 Recording of difference between the Stores Issue Rate and the Recovery Rate for material issued to Contractors. The Accounts Department shall determine the difference between the Stores Issue Rate and the Recovery Rate for material issued to Contractors. To record the difference, the Accounts Department shall pass either entry (a) or entry (b) given below:

a. In case of favorable Rate Variance, where Stores Issue Rate is less than Recovery Rate with the Contractor for materials issue:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-40-(a)	Advance to Contractors - Material issued to Contractors	Dr.	50		Journal Book, Ledger
412-(a)	To Capital Work-in-Progress	Cr.		50	

(a) Insert Minor & Detailed Head Codes of Account as applicable

b. In case of Adverse Rate Variance, where Stores Issue Rate is greater than Recovery rate from the Contractor for materials issue:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
412-(a)	Capital Work-in-Progress	Dr.	20		Journal Book, Ledger
460-40-(a)	To Advance to Contractors Material issued to Contractors	Cr.		20	

(a) Insert Minor & Detailed Head Codes of Account as applicable

Works executed by Public Works Department

12.25 The accounting procedure and the accounting entries to be recorded for materials purchased for works shall be the same as provided in Chapter 13 on Stores.

12.26 Recording of materials consumed in Original Works. Based on the bill received from the Public Works Department for works executed, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
412-(a) 430-(a)	Capital Work-in-Progress To Stock in Hand – Purchase of Materials	Dr. Cr.	5,000	5,000	Journal Book, Ledger

(a) Insert Minor & Detailed Head Codes of Account as applicable.
Note: This entry will be passed along with other items of consumption based on valuation statement as explained in Paras 13.24 to 13.27 of Chapter 13 on Stores Accounting

CAPITALISATION OF CAPITAL WORK-IN PROGRESS

12.27 On completion of construction of the asset, the asset becomes ready for use. Thus, it becomes necessary to transfer the cost incurred for construction (which is temporarily accounted in capital work-in-progress account) to the relevant asset account. This process is called capitalisation.

12.28 Recording of capitalisation of Capital Work-in-progress. On receipt of Contract Completion Certificate, the Accounts Department shall capitalise the amount lying in the Capital Work-in-Progress Account and convert the amount pertaining to the Capital Work-in-Progress and lying in the Capital Work-in-Progress Account into a Fixed Asset. The Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410-(a) 412-(a)	Fixed Asset (Name of the Fixed Asset) (1) To Capital Work-in-Progress (please specify)	Dr. Cr.	1,00,000	1,00,000	Journal Book, Ledger Register of Movable/ Immovable Assets

(a) Insert Minor & Detailed Head Codes of Account as applicable

(1) Fixed Assets of a particular class shall be accounted for under one broad fixed asset account head. For instance, ULB may have more than one hospital building, then all the hospital buildings shall be recorded under one broad head of Buildings (Code of Account 410-20-(a)). Any new hospital building constructed, though shall be recorded separately in the Register of Buildings, shall be recorded under the account head 'Hospital Buildings'.

12.29 Recording of deductions from contractor's bill. For deductions made from contractor's bills, which is in the nature of penalty or liquidated damages levied on the contractor for delay in completion of construction or sub-standard construction or for any other reason, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a) 180-80-(a)	Creditors –Contractors Account To Other Income – Miscellaneous Income	Dr. Cr.	5,000	5,000	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

12.30 Where any loan has been borrowed for the construction of any qualifying fixed asset, i.e., Original Works, the cost of construction of qualifying fixed asset shall also include the interest paid on that loan till the date of capitalisation of the asset. The accounting procedure to be followed and accounting entries to be recorded for receipt of loan, payment of interest on funds borrowed and repayment of loan has been provided in Chapter 18 on Borrowings.

12.31 The amount of interest to be charged to the Original Works under consideration shall bear the same proportion to the total interest payable on loan as the project cost of the concerned work bears to the total project cost for which funds have been borrowed. However, in case where the loan has been specifically borrowed for the execution of a particular work, the entire amount of interest payable on that loan shall be capitalised. The accounting entry for capitalisation of interest shall be passed for the interest accrued, whether paid or not, till the date of capitalisation of the work.

12.32 Recording of capitalisation of interest paid on loans borrowed for original works. At the period-end, for capitalising interest accrued, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
412-(a) 240-(a)	Capital Work-in-Progress To Interest & Finance Charges	Dr. Cr.	10,000	10,000	Journal Book, Ledger

(a) Insert Minor and Detailed Head Codes of Account as applicable

12.33 The amount to be capitalised at the completion of the construction of the original work shall be inclusive of the amount of interest charged to the work.

12.34 The Register of Immovable Property maintained in Form GEN – 30 shall be updated at the time of capitalisation of the Original Work.

REFUND OF SECURITY DEPOSIT

12.35 Security Deposit shall be refunded after the expiry of the liability period, including defects liability period, as specified in the agreement entered into with the contractor.

a. Recording of refund of Security Deposit after adjusting for recoveries. In case where any dues are recoverable from the contractor, after the receipt of approval, draw the cheque for net amount after deducting the recoveries to be made from the contractor. The accounting entry to be passed is as follows:

i. For recording adjustment of recoveries against Security Deposit

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a)	From Contractors / Suppliers– Security Deposits	Dr.	5,000		Journal Book, Ledger
180-80-(a)	To Other Income – Miscellaneous Income	Cr.		5,000	

(a) Insert Detailed Head Codes of Account as applicable

ii. For recording payment of net Security Deposit

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a)	From Contractors /Suppliers– Security Deposits	Dr.	20,000		Cash Book, Ledger
450-21-(a)	To Bank Account*	Cr.		20,000	

** Specify Name of Bank and Account number*

(a) Insert Detailed Head Codes of Account as applicable

ACCOUNTING FOR LAPSED DEPOSITS

12.36 The Earnest Money Deposit and Security Deposit received, if forfeited, shall be recognised as income in the year in which the right for claiming refund of these deposits has expired. The following entries shall be passed:

a. For Earnest Money Deposit lapsed. To record Earnest Money Deposit lapsed.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a)	From Contractors / Suppliers– EMD	Dr.	2,000		Journal Book, Ledger
180-11-(a)	To Other Income Lapsed Deposit –Contractors/ Suppliers	Cr.		2,000	

(a) Insert Detailed Head Codes of Account as applicable

b. For Security Deposit lapsed. To record Security Deposit lapsed.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a)	From Contractors / Suppliers– Security Deposit	Dr.	5,000		Journal Book, Ledger
180-11-(a)	To Other Income Lapsed Deposit – Contractors/ Suppliers	Cr.		5,000	

(a) Insert Detailed Head Codes of Account as applicable

ACCOUNTING FOR REPAIRS AND MAINTENANCE WORKS

12.37 As per the principles framed by the ULB, tenders may be floated for award of repairs and maintenance work. . The accounting procedure to be followed, the accounting entries to be recorded and accounting records to be updated in respect of receipt of Earnest Money Deposit, refund of Earnest Money Deposit to the unsuccessful bidders and conversion of Earnest Money Deposit of successful bidders into Security Deposit shall be the same as provided in the section on "Accounting for Original Works" earlier in this chapter.

12.38 Where the terms of agreement entered into with the contractor provide for collection of a certain percentage of Security Deposit in advance, a receipt (Form GEN – 8) shall be issued for the amount collected to the successful bidder. The accounting procedure to be followed, accounting entries to be recorded and the accounting records to be updated in respect of receipt of Security Deposit and deduction of Security Deposit from the contractor's bills shall be the same as provided in the section on "Accounting for Original Works" earlier in this chapter.

12.39 As per the terms of agreement, advance may be paid to the contractor. The accounting procedure to be followed, accounting entries to be recorded and the accounting records to be updated shall be the same as provided in the section on "Accounting for Original Works" earlier in this chapter.

12.40 The accounting procedure to be followed and the accounting records to be updated on receipt of bill shall be the same as provided in the section on "Accounting for Original Works" earlier in this chapter.

12.41 Recording of Contractor's bill in respect of Repairs and Maintenance Work. On receipt of processed bill, for recording the liability in respect of the repairs and maintenance work, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
230-(a)	Repairs & Maintenance- #	Dr.	10,000		Journal Book, Ledger
350-10-(b)	To Creditors – Contractors Control Account	Cr.		7,900	
340-10-(b)	To Deposits Received from Contractors /Suppliers– Security Deposits	Cr.		500	
460-40-(b)	To Advance to Suppliers & Contractors	Cr.		100	
350-20-(b)	To Recoveries Payable from TDS Contractors	Cr.		200	
350-20-(b)	To Recoveries Payable – Works Contract Tax	Cr.		300	
460-40-(a)	To Advance to Contractors – Material Issued to Contractors *	Cr.		1,000	

 # Specify the nature of asset for which the repairs are made.
** At agreement rates for material issue with the Contractor*
(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

12.42 Repairs and Maintenance Ledger Accounts shall be opened in respect of repairs & maintenance expenditure incurred for each class of assets. All the repairs and maintenance expenditure pertaining to a class of asset shall be debited to the Repairs and Maintenance Ledger Account maintained for that class of asset.

12.43 The Accounts Department shall maintain a Function-wise Expense Subsidiary Ledger in Form GEN – 34 for each function, in which, asset-wise, total operations and maintenance expenditure incurred by the department shall be recorded. On recording of repairs and maintenance expenditure, the Accounts Department shall simultaneously update the Subsidiary Ledger mentioned above. The procedure for updating Subsidiary Ledger has been provided in Chapter 5 – General Accounting Procedures, reference to which is invited.

12.44 Recording of payment to Contractor. On making of payment to the contractor, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a) 450-21-(a)	Creditors - Contractors Control Account To Bank Account*	Dr. Cr.	7,900	 7,900	Cash Book, Ledger

* Specify name of the Bank and Account number
(a) Insert Detailed Head Codes of Account as applicable

12.45 Recording of difference between the Stores Issue Rate and the Recovery Rate for material issued to Contractors. The Accounts Department shall determine the difference between the Stores Issue Rate and the Recovery Rate for material issued to Contractors. To record the difference, the Accounts Department shall pass either entry (a) or entry (b) given below:

a. In case of Favorable Rate Variance, where Stores Issue Rate is less than Recovery Rate with the Contractor for materials issue:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-40-(a) 230-(b)	Advance to Contractors - Material issued to Contractors To Repairs & Maintenance *	Dr. Cr.	50	 50	Journal Book, Ledger

** Specify the type of asset for which repairs are made*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

b. In case of Adverse Rate Variance, where Stores Issue Rate is greater than Recovery Rate with the Contractor for materials issue:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
230-(a) 460-40-(b)	Repairs & Maintenance * To Advance to Contractors -Material issued to Contractors	Dr. Cr.	20	 20	Journal Book, Ledger

** Specify the type of asset for which repairs are made*
(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

12.46 Recording of materials consumed in Repairs and Maintenance Works. At times, the Public Works Department may execute repairs and maintenance work from its own resources without awarding the contract through tender or otherwise. In such case, on the basis of bill received from the Public Works Department in respect of materials consumed, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
230-30-(a) 430-10-(a)	Consumption of Stores To Stock in Hand – Purchase of Materials	Dr. Cr.	2,000	2,000	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

12.47 The Function wise Expense Subsidiary Ledger (Form GEN – 34) shall be updated in respect of stores released for repairs and maintenance work.

12.48 The income tax and the works contract tax deducted from the contractor's bill shall be paid by the Accounts Department to the concerned authorities as and when due as per the relevant law in force. The accounting entries to be recorded and the accounting records to be updated in respect of payment of TDS Payable and Works Contract Tax Payable shall be the same as provided in the section on "Accounting for Original Works" earlier in this chapter

DEPOSIT WORKS

12.49 The procedure involved in such works is briefly described below:

- Receipt of money from Governmental Departments as Deposits towards their works.
- Execution of works as in case of any other Public works
- Settlement of Accounts on completion of works

12.50 ULBs are normally paid at some percentage of works as service charges. These service charges are accrued along with the bills for expenditure. The accounting procedures for these transactions are detailed in the subsequent paras.

12.51 The Accounts Department shall maintain a Deposit Works Register in Form PW-3 with separate registers for each kind of the Deposit works. (For example, Civil, Electrical, etc). Separate pages for each 'deposit work' for recording details of receipt of grant and expenditures incurred from it.

Receipt of Money

12.52 Receipt of money from Governments/Departments for 'Deposit works: The procedure to be followed for collection of 'Deposit works money' and its remittance and/or deposit to the Acc1ounts Department or in the Bank shall be the same as provided in the Chapter 5 on General Accounting Procedures. The details of the Deposit works contract (including names of the departments who have entrusted the deposit works) shall be recorded in the Deposit Works Register (in form PW – 3). The Accounts department shall pass the following entry for receipt of money:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Bank Account *	Dr.	10,00,000		Cash Book, Ledger
341-10-(a)	To Deposit Works-Civil Works	Cr.		5,00,000	
341-20-(a)	To Deposit Works – Electrical	Cr.		4,00,000	
341-30-(a)	To Deposit Works – Others	Cr.		1,00,000	

**Specify name of Bank and account number*

(a) Insert Detailed Head Codes of Account as applicable

12.53 Receipt and refund of earnest money deposits: Accounting entries for receipt and refund of earnest money deposits shall be same as explained in Para 12.10 & 12.11.

12.54 Receipt and conversion / receipt of Security deposits: Accounting entries for conversion of earnest money deposits into Security Deposits and receipt of Security Deposit shall be same as explained in Paras 12.13 &12.14.

Advances

12.55 Advance to the Contractors: Accounting for advances made to the Contractors allotted for Deposit works shall be same as explained in Para 12.16.

Payment

12.56 Preparation of Bill for payment. On the basis of work completed as per governing rules, a bill shall be prepared and sent for payment. The amount of security deposit, income tax deducted at source, works contract tax and any other recovery or deduction, including recovery for supply of material by the Stores and money advanced to the contractor, should be specified in the Bill. Running bills are submitted during the progress of work and final bill is normally submitted on completion of work. The Contract Completion Certificate shall be annexed to the final bill.

12.57 Recording of Contractor's bill in respect of Deposit Works: On receipt of the processed bill, the particulars be entered in a Register of Bills for Payment in Form GEN – 13. To record the liability in respect of contractor's bill for Deposit Works undertaken and also a percentage (as agreed with the Government/Department) of works completed as an income for the ULB, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
470-10-(a)	Deposit Works – Expenditure	Dr.	510,000		Journal
350-10-(a)	To Creditors – Contractors Account	Cr.		440,000	Book, Ledger
340-10-(a)	To from Contractors / Suppliers– Security Deposits	Cr.		25,000	
460-40-(a)	To Advance to Suppliers & Contractors	Cr.		5,000	
350-20-(a)	To Recoveries Payable From TDS Contractors	Cr.		10,000	
350-20-(a)	To Recoveries Payable – Works Contract Tax	Cr.		15,000	
460-40-(a)	To Advance to contractors – Material Issued to Contractors *	Cr.		5,000	
140-70-(a)	To Service/Administrative Charges – Percentage on Deposit Works	Cr.		10,000	

** At agreement rates for material issue with the Contractor*

(a) Insert Detailed Head Codes of Account as applicable

Notes:

(i) The Deposit Works -Expenditure Account shall be a control account wherein details of expenditure incurred on Deposit Works shall be recorded. Separate Deposit Works Control Accounts shall be opened for Civil, Electrical, and other work projects.

(ii) The Contractors Control Account shall be a control account in which the liability for amount payable to various contractors for Deposit works executed shall be credited and the amount paid to the various contractors shall be debited.

12.58 Recording of payment to Contractors: Accounting for payment made to the Contractors allotted for Deposit works shall be same as explained in Para 12.22.

12.59 Recording of payment of TDS Payable and Works Contract Tax Payable. Accounting entries for payment of TDS and Works contract Tax shall be same as explained in Para.12.23.

Materials Consumed

12.60 Recording of difference between the Stores Issue Rate and the Recovery Rate for material issued to Contractors. The Accounts Department shall determine the difference between the Stores Issue Rate and the Recovery Rate for material issued to Contractors. To record the difference, the Accounts Department shall pass either entry (a) or entry (b) given below:

a. In case of favorable Rate Variance, where Stores Issue Rate is less than Recovery Rate with the Contractor for materials issue:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-40-(a) 470-10-(a)	Advance to contractors - Material issued to Contractors To Deposit Works – Expenditure	Dr. Cr.	50	 50	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

b. In case of adverse Rate Variance, where Stores Issue Rate is greater than Recovery Rate with the Contractor for materials issue:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
470-10-(a) 460-40-(a)	Deposit Works-Expenditure To Advance to contractors - Material issued to Contractors	Dr. Cr.	20	 20	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

Final Payment to Contractors & Refund of security deposit

12.61 Recording of deductions from contractor's bill. For deductions made from contractor' s bills, which is in the nature of penalty or liquidated damages levied on the contractor for delay in completion of construction or sub-standard construction or for any other reason, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a) 341-(b)	Creditors-Contractors Account To Deposit Works	Dr. Cr.	3,000	 3,000	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

12.62 Recording of refund of Security Deposit after adjusting for recoveries. Security Deposit shall be refunded after the expiry of the liability period, including defects liability period, as specified in the agreement entered into with the contractor. In case where any dues are recoverable from the contractor, after the receipt of approval, draw the cheque for net amount after deducting the recoveries to be made from the contractor. The accounting entry to be passed is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a)	From Contractors / Suppliers – Security Deposits	Dr.	2,000		Journal Book, Ledger
341-(b)	To Deposit works	Cr.		2,000	

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

12.63 For recording payment of net Security Deposit

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a)	From Contractors /Suppliers– Security Deposits	Dr.	20,000		Cash Book, Ledger
450-21-(a)	To Bank Account*	Cr.		20,000	

** Specify Name of Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

Accounting for lapsed deposits of Deposit works

12.64 Accounting for lapsed deposits in respect of deposit works shall be same as explained in Para 12.36.

Closure of deposit works-expenditure account

12.65 On completion of Deposit works, the assets under Deposit works becomes ready for use and will be handed over to the concerned government department and the balance if any shall be refunded. Thus, it becomes necessary to adjust the cost incurred for Deposit works against the money received. The Account Department shall pass the following for transfer of Deposit expenses to Deposit Works account:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
341-10-(a)	Deposit works – Civil Works	Dr.	4,50,000		Journal Book, Ledger
341-20-(a)	Deposit works – Electrical works	Dr.	3,85,000		
341-30-(a)	Deposit works – Others	Dr.	65,000		
470-10-(a)	To Deposit Works – Expenditure	Cr.		900,000	

(a) Insert Detailed Head Codes of Account as applicable

Refund of balance 'Deposit Works Money'

12.66 The balance amount after utilisation of the amounts for the Deposit works shall be refunded to the Governments/Government Departments by transferring the balance in 'Deposit Works' account to a liability account. The Accounts Department shall pass the following entry for creation of liability account:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
341-10-(a)	Deposit Works –Civil	Dr.	55,000		Journal Book, Ledger
341-20-(a)	Deposit Works – Electrical	Dr.	15,000		
341-30-(a)	Deposit Works – Others	Dr.	35,000		
350-40-(a)	To Refund Payable – Deposit Works	Cr.		1,05,000	

(a) Insert Detailed Head Codes of Account as applicable

12.67 Accounting entry for recording of payment of 'Deposit Works Refund payable after the above entry is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-40-(a)	Refund Payable - Deposit Works	Dr.	105,000		Journal Book, Ledger
450-21-(a)	To Bank Account*	Cr.		105,000	

** Specify Name of Bank and Account number*

(a) Insert Detailed Head Codes of Account as applicable

PERIOD END PROCEDURE

12.68 At the period-end, the Public Works Department shall ensure that all the bills received in respect of work executed before the last date of the accounting period, are processed and forwarded to the Accounts Department for accounting and payment within one month where the accounting period is a financial year and in other cases in 15 days from the end of the accounting period. The accounting entry to be recorded shall be the same as provided in para. 12.18 above in case of Original Works and para. 12.41 for Repairs and Maintenance Works.

12.69 At period-end, the departments incurring expenditure on Deposit Works shall submit a Summary Statement of Status on Deposit Works Expenditure maintained category wise as Civil, Electrical and Others in Form PW – 1 (similar to Capital work in progress) detailing total amount of works incurred till date on each of the Deposit Works. The details of total expenditure incurred on each of the Deposit Works can be collated from the Work Sheet (similar to Capital work in progress) in Form PW – 2.

INCOME

12.70 Tender Form Fees. For tender forms sold to the intended bidders, a receipt shall be issued for the amount received in Form GEN – 8.

12.71 The Public Works Department shall recover in advance, the charges estimated for repairing of roads or any other structure damaged, from the person to whom permission is issued for laying of telephone or electrical cables or for any other purpose, which results in damage of road, or any other public structure.

12.72 The procedure to be followed with reference to these incomes for remittance and/or deposit of collections made to the Accounts Department or in the Bank shall be the same as provided in the Chapter 5 on General Accounting Procedures, reference to which is invited.

12.73 Recording of Tender Form Fees. On the basis of the Summary of Daily Collection (Form GEN – 12) received from the Public Works Department, for accounting collections received, the Accounts Department shall pass the following accounting entries:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Bank Account *	Dr.	1,000		Cash Book,
150-11-(a)	To Tender Form Fees**	Cr.		1,000	Ledger

* *Specify Name of Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

12.74 Similar accounting entries shall be passed in respect of other incomes earned by the Public Works Department.

INTERNAL CONTROLS

12.75 The following internal controls shall be observed by the ULB:

12.76 The Public Works Department and the Chief of Accounts or any other responsible officer as defined by the applicable Acts, shall ensure the availability of adequate budget allocation after considering all commitments made against that budget allocation before undertaking any new work, whether being an Original Work or Repairs and Maintenance Work.

12.77 The Head of the Accounts Department shall exercise the following internal controls:

a. A distinction should be maintained between the works of capital nature and revenue nature.

b. A quarterly reconciliation of the balance as per the Deposit Register maintained at the Public Works Department shall be carried out with the Deposit Ledger accounts.

12.78 On the completion of an Original Work, reconciliation should be carried out in respect of the amount expended as shown in the records maintained by the Public Works Department and the capital work-in-progress control ledger account maintained by the Accounts Department.

12.79 On receipt of Summary Statement of Status on Capital Work-in-Progress (Form PW – 1), the Accounts Department shall ensure that total expenditure incurred as stated in the Statement tallies with the cumulative total of several Capital Work-in-Progress Ledger Accounts.

12.80 The Accounts Department shall ensure that the tax deducted at source and works contract tax deducted from the contractor's bill, etc., is deposited with the Government in accordance with the provisions of the relevant Acts.

12.81 At the end of each month, the Accounts Department shall reconcile the total expenditure as per the Functional Expense (Repairs and Maintenance) Subsidiary Ledger (in form GEN –34) with the total expenditure recorded in the several Repairs and Maintenance Ledger Accounts.

12.82 The Public Works Department, Accounts Department and the Audit Department shall exercise the following internal controls:

a. Ensure budget availability at the time of approval of the bill.

b. Ensure that all the dues, including liquidated damages/penalties, are recovered from the contractor before making the final payment in respect of any contract.

c. Ensure that no amount is due from suppliers/contractors, which may be otherwise adjusted before payment.

d. Ensure that all the bills/invoices of contractors were journalised before release of the payments.

12.83 At period-end, the Head of the Accounts shall review the Work Sheets maintained for ascertaining whether any of the capital work in progress qualifies for capitalisation.

12.84 The Chief Executive Officer/Head of the ULB shall specify such appropriate calendar of returns /reports for monitoring.

12.85 All Reconciliation Statements shall be certified by the Head of the Accounts Department.

PRESENTATION IN THE FINANCIAL STATEMENTS

12.86 The various heads of accounts used for the accounting of Public Works shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the ULB. All such Financial Statements and schedules should be affixed with signature and seal of designated authorities.

12.87 The Schedules of the Income and Expenditure Statement in respect of Public Works are presented below.

Schedule I-4: Schedule of Fees & User Charges

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
140-70-(a)	Service/Administrative Charges - Percentage Charges on Deposit Works		
Total Income from Public Works shown as part of Fees & User Charges Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-5: Schedule of Income from Sale & Hire Charges

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
150-11-(a) 150-30-(a)	Sale of Forms & Publications- Tender Fees Sale of Others		
Total income from public works shown as part of Sale and Hire Charges Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-9: Schedule of Other Income

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
180-11-(a) 180-80-(a)	Lapsed deposit income Miscelleneous Income		
Total income form Public Works shown as part of Other Income Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-12: Schedule of Operations and Maintenance

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
230-30-(a) 230-50-(a) 230-51-(a) 230-52-(a) 230-53-(a) 230-59-(a) 230-80-(a)	Consumption of Stores Repairs & maintenance -Infrastructure Assets Repairs & maintenance - Civic Amenities Repairs & maintenance – Buildings Repairs & maintenance – Vehicles Repairs & maintenance – Others Other operating & maintenance expenses		
Total Expense of Public Works to be shown as part of Operations & Maintenance – Expense head wise Schedule			

(a) Insert Detailed Head Codes of Account as applicable

12.88 The cost incurred on the Original Works should be categorised as Capital Work-in-Progress and disclosed on the Asset side of the Balance Sheet of the ULBs. After completion of the construction, the Capital Work-in-progress should be capitalised and recorded as Fixed Asset in the Balance Sheet.

12.89 The Balance Sheet Abstracts in respect of Public Works are presented below.

Schedule B-7: Schedule of Deposits Received

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
340-10-(a) 340-10-(a) 340-80-(a)	From Contractors and Suppliers – EMD From Contractors and Suppliers – Security Deposits From Others		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B -8: Schedule of Deposits Works

Code No.	Nature of Deposit	Opening balance at the beginning of the year Amount (R.s)	Additions during the current year Amount (Rs.)	Utilisation / expenditure Amount (Rs.)	Balance outstanding at the end of the current year Amount (Rs.)
1	2	3	4	5	6
341-10-(a) 341-20-(a) 341-30-(a)	Civil Works Electrical works Others				
	Total				

(a) Insert Detailed Head Codes of Account as applicable

Note:

1. The amount received from the department on whose behalf the deposit works have been undertaken would appear in col. 4
2. Expenditure incurred including percentage (departments) charges would appear in Col 5
3. Balance as in Col. 6 would appear in the balance sheet as a liability

Schedule B– 9: Schedule of Other Liabilities (Creditors)

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
350-10-(a) 350-40-(a) 350-20-(a) 350-20-(a)	Creditors – Contractors Account Refunds Payable – Deposit Works Recoveries Payable –TDS from Contractors Recoveries Payable - Works Contract Tax		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-17: Schedule of Cash and Bank Balances

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
450-10-(a) 450-21-(a)	Cash Main Bank Account		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedules B-18: Schedule of Loans, Advances & Deposits

Code No.	Particulars	Opening Balance at the beginning of the year (Rs.)	Paid during the current year (Rs.)	Recovered during the year (Rs.)	Balance outstanding at the end of the year (Rs.)
1	**2**	**3**	**4**	**5**	**6**
460-40-(a)	Advance to Suppliers & Contractors – Public Works				
460-40-(a)	Advance to Suppliers & Contractors – Public Works				
	Total				

(a) Insert Detailed Head Codes of Account as applicable

Form PW – 1

_____ *Name of the ULB*

SUMMARY STATEMENT OF STATUS OF CAPITAL WORK-IN-PROGRESS/DEPOSIT WORKS

Name of the Department: _____ **For the Quarter : _____**

Work Order No.	Name of Project	Value of Work / Contract Amount	Expenditure incurred at the beginning of the quarter	Expenditure incurred (bills admitted) during the quarter	Total expenditure incurred at the end of the quarter	Amount of Contract remaining unexecuted	Whether project completed (Yes/No)
		Rs.	Rs.	Rs.	Rs.	Rs.	
1	2	3	4	5	6 = (4+5)	7 = (3-6)	8

Prepared by* : _____ **Checked by* : _____**

* *Record the Name, Designation and Signature of the person making the entry in the Summary Statement and the person checking the entry*

Form PW - 2

_____ ***Name of the ULB***

WORK SHEET

Serial No. of estimate
Work Order No.
Name of Work
Nature of Work
Contract Amount (Rs.)
Number and date of order sanctioning the estimate (Administrative Approval)
Order sanctioning the contract (No. and Date of Resolution)
Name of the Contractor

Details of Advance Provided

Voucher No.	Date	Amount (Rs.)	Initials of Authorised Officer
1	2	3	4

Bill No.	Date of Bill	Amount claimed payable as per the contractor' s bill (Rs.)	Amount approved by the Authorised Officer (Rs.)	Cumu-lative appro-ved bill amount (Rs.)	Contract amount unutili-sed (Rs.)	Initials of the Author ised Officer - PWD	Security Deposit deduct-ed (Rs.)	TDS (Rs.)	Works Contract Tax (Rs.)	Recovery for material issued (Rs.)	Recovery for advance provided (Rs.)	Other Deductions (Rs.)	Net Amount paid (Rs.)	Initials of the Authorised Officer – Accounts Department	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
													{6-(7+8+9+ 10+11+12+ 13)}		

Note:

1. For each entry made; record the Name, Designation and Signature of the person making the entry in the work sheet and the person checking the entry
2. A separate Work sheet shall be prepared for each of the multiple transaction contract which shall be sent alongwith each contractor' s bill
3. At the completion of contract and at the time of final payment being made to the Contractor, it shall be ensured that the sum total of Column 3 of ' Details of Advance Provided' equals to sum total of Column 12

Form PW-3

Name of the ULB

DEPOSIT WORKS REGISTER*

Sr. No.	Name of the Deposit Works	Order/Designation of the Authority sanctioning the Deposit Works	Nature of the Deposit Works*	Period for execution of Works	Total Amount (Rs.)	Money Received #	
						Date	Amount (Rs.)
1	2	3	4	5	6	7	8

Expenditure Incurred on Deposit Works					Deposit Works Money unutilised on completion of the works (Rs.)	Refund of unutilised Deposit Works Money	
Date	Voucher Number	Nature of Payments***	Amount (Rs.)	Date of Payment		Date	Amount (Rs.)
9	10	11	12	13	14	15	16

** Maintain separate registers for each kind of Deposit works.*

*** State whether Deposit works received from Central Govt Department, State Govt. or Other Govt. departments*

**** Nature of payments shall also include the % of Charges recognised as revenue of the ULB for the execution of the Works.*

 # Money received shall also include any other sum received in respect of the Deposit works in the form of penalties/charges for delay or defect from Sub-contractors

Note:

1. Open Separate folios for each of the Deposit works within the register
2. For each entry made; record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry.

CHAPTER 13

STORES

INTRODUCTION

13.1 This chapter contains the recommended accounting system for stores related transactions.

13.2 The functions of the Stores, involving procurement, storage, issue, disposal and accounting of materials, may be performed either centrally by Central Stores (referred to as Municipal Stores) or by the Department Stores empowered by the ULB to perform the aforesaid functions for specific departments of the ULB. Generally, the ULB empowers the Public Works, Health - Sanitation, Health - Medical, Water Works, Workshop for Vehicles and Machinery repairs and Public Lighting Departments to maintain their own stores.

13.3 The financial transactions carried out by Stores will arise on account of:

a. Receipt of Earnest Money Deposit (EMD) from the bidders to a contract

b. Refund of EMD to the unsuccessful bidders

c. Payment of advance to the contractor

d. Delivery of material and its documentation

e. Consumption of materials

f. Payments to Suppliers

g. Adjustments of Security Deposits

h. Write-off / disposal of obsolete, scrap and unusable materials.

ACCOUNTING PRINCIPLES

13.4 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to stores:

a. Expenditure in respect of material, equipment, etc., procured shall be recognised on accrual basis, i.e., on admission of bill by the Local Body in relation to materials, equipment, etc., delivered.

b. Accounting of 'goods received & accepted but no bills received' as at the cut off date shall be accounted based on purchase orders.

c. The stock lying at the period-end shall be valued at cost in accordance with the First in – First out method.

d. Revenue in respect of disposal of material shall be recognised on actual receipt.

e. Finished goods and work-in-progress (WIP) related to goods produced for sale will be valued at cost or market value whichever is lower. Cost of finished and work-in-progress includes all direct costs and applicable production overheads to bring the goods to the present location and condition.

ACCOUNTING RECORDS AND PROCEDURES

13.5 *This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Stores. For the purposes of accounting of Stores there are certain forms, registers, etc., which are specific to Stores, e.g., Stores Ledger – Form ST-3. These Forms (Form ST - 1 to ST- 3) are annexed to this chapter and are prefixed "ST".*

13.6 In case tenders are floated for procuring materials, Earnest Money Deposit (EMD) may be collected from the bidders on such basis as prescribed by the ULB at the time of submitting their tenders. A receipt shall be issued for the amount collected in Form GEN – 8.

13.7 The following procedure shall be followed for accounting of receipt of EMD:

a. The procedure to be followed for remittance and/or deposit of EMD to the Accounts Department or in the Bank shall be the same as provided for in the Chapter 5 on General Accounting Procedures.

b. The Stores shall prepare a Summary of Daily Collection in Form GEN – 12, which shall be forwarded to the Accounts Department.

c. Recording of Earnest Money Deposit received. On receipt of Summary of Daily collections, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 340-10-(a)	Bank Account * To From Contractors/ Suppliers – EMD Stores	Dr. Cr.	500	500	Cash Book, Ledger

**Specify name of the Bank and account number*
(a) Insert detailed Head Codes of Account as applicable

Note: The postings in the Ledger Account of "Earnest Money Deposit" Account shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book.

13.8 The EMD shall be refunded as per the terms of tender issued to the unsuccessful bidders. The procedure followed for accounting of refund of EMD shall be as under:

a. The Stores shall prepare a Payment Order (PO) in Form GEN – 14 for refund of deposits, make an entry in the Deposit Register (Form GEN – 18) against the relevant entries made therein and then forward the PO to the Accounts Department for payment.

b. Recording of refund of Earnest Money Deposit. After the receipt of approval for payment and upon payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a) 450-21-(a)	From Contractors/Suppliers – EMD Stores To Bank Account *	Dr. Cr.	400	 400	Cash Book, Ledger

* *Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

13.9 Recording of conversion of Earnest Money Deposit into Security Deposit. On receipt of intimation from the Stores for conversion of Earnest Money Deposit of successful bidder into Security Deposit payable by him, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a) 340-10-(a)	From Contractors/Suppliers – Earnest Money Deposit To From Contractors/ Suppliers -Security Deposit Stores	Dr. Cr.	100	 100	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

13.10 Recording of additional Security Deposit received. Where the terms of agreement entered into provide for collection of a certain percentage of Security Deposit in advance, a receipt (Form GEN – 8) shall be issued to the successful bidder for the amount collected. The procedure followed for accounting of Security Deposit is the same as described for Earnest Money Deposit. On receipt of additional Security Deposit, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 340-10-(a)	Bank Account * To From Contractors/ Suppliers – Security Deposit Stores	Dr. Cr.	1,000	 1,000	Cash Book, Ledger

** Specify name of the Bank and account number*

(a) Insert Detailed Head Codes of Account as applicable

13.11 Recording of advance paid to suppliers. As per the terms of agreement, advance may be provided to the supplier. On receipt of an application for grant of advance, the Stores shall prepare a Payment Order and forward it to the Accounts Department. The procedure to be followed for payment of advance shall be the same as provided in the Chapter 5 on General Accounting Procedures. On payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-40-(a) 450-21-(a)	Advance to Suppliers & Contractors – Stores To Bank Account*	Dr. Cr.	2,000	 2,000	Cash Book, Ledger

** Specify name of the Bank and account number*

(a) Insert Detailed Head Codes of Account as applicable

RECEIPT OF MATERIALS

13.12 As per the terms of the agreement with the Supplier, the materials shall be delivered to the ULB. The Stores shall prepare a Material Receipt Note in Form ST-1.

13.13 From the Material Receipt Note, the Stores shall record the receipt of materials in the Stores Ledger maintained in Form ST-2.

13.14 On receipt of bill from the supplier, the Stores shall verify the bill received with the Material Receipt Note and record it in the Register of Bills for Payment maintained in Form GEN – 13.

13.15 Recording of liability due in respect of materials purchased. On acceptance and approval of the material supplied and on receipt of the processed bill from the Stores Department, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
430-10-(a)	Stock in Hand -Purchase of Materials Stores	Dr.	4,000		Journal Book, Ledger
350-10-(a)	To Creditors – Suppliers/ Contractors Stores	Cr.		3,800	
460-40-(a)	To Advance to Suppliers & Contractors Stores	Cr.		200	

(a) Insert Detailed Head Codes of Account as applicable.

13.16 Recording of payment made to supplier. The procedure to be followed for approval of a supplier's bill for payment and making payment shall be the same as provided in the Chapter 5 on General Accounting Procedures. On receipt of Payment Order (Form GEN – 14) together with the supporting documents and on making payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a)	Creditors – Suppliers/ Contractors Stores	Dr.	3,800		Cash Book, Ledger
450-21-(a)	To Bank Account*	Cr.		3,800	

* *Specify name of the Bank and account number*

(a) Insert Detailed Head Codes of Account as applicable

13.17 The Accounts Department shall intimate the Stores of the payment made.

RETURN OF MATERIALS

13.18 If the materials supplied are found to be defective or not in accordance with the terms specified in the agreement, the Stores shall return it back to the supplier concerned and make an entry for return of material in the Issue Column of the relevant folio in the Stores Ledger (Form ST – 2). The details of the materials returned shall be communicated to the Accounts Department.

13.19 Recording of adjustment for material returned to Supplier, if payment is not made. In case the payment for materials received has not been made to the supplier, for reducing the amount of liability in respect of material returned, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a)	Creditors –Suppliers/ Contractors Stores	Dr.	1,000		Journal Book, Ledger
430- 10-(a)	To Stock in Hand – Purchase of Materials Stores	Cr.		1,000	

(a) Insert Detailed Head Codes of Account as applicable.

13.20 Recording of transactions for materials returned to Supplier, if payment has been already made. On receipt of communication from the Stores relating to return of materials, the Accounts Department shall pass the following entries:

a. On raising of the claim

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a)	Creditors –Suppliers /Contractors Stores	Dr.	1,000		Journal Book, Ledger
430-10-(a)	To Stock in Hand–Purchase of Materials Stores	Cr.		1,000	

(a) Insert Detailed Head Codes of Account as applicable.

b. On receipt of money from the Supplier for materials returned

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Bank Account*	Dr.	1,000		Cash Book, Ledger
350-10-(a)	To Creditors –Suppliers/ Contractors Stores	Cr.		1,000	

** Specify name of the Bank and account number*

(a) Insert Detailed Head Codes of Account as applicable

VALUATION OF CLOSING STOCK AT PERIOD-END

13.21 At the end of every accounting period, the Stores shall send a Statement of Closing Stock in Form ST – 3. Such a statement shall consist of two parts; Part A shall show the items in respect of which the invoices/bills received from the suppliers have already been sent by the Stores to the Accounts Department after processing by the Stores. Part B shall consist of the items for which the materials have been received and accepted by the Stores but for which the invoices/bills have not been processed as yet by the Stores. This Statement shall be drawn from the entries made in the Stores Ledger.

13.22 At the end of the financial year, a reconciliation shall be carried out by the Stores-in-charge to match the physical stock with the book stock and discrepancies identified shall be incorporated in the Statement of Closing Stock.

13.23 The balances in various accounts of the item-wise Stores Ledger shall be extracted and valued as per First In First Out (FIFO) Method. The FIFO Method is explained as follows:

a. Under this method, the consignment of material, which shall be received first, shall be issued first.

b. The example below illustrates the FIFO method:

   Opening Stock of TCL Powder as on 1st March was 200 nos. acquired at the rate of Rs.2 per unit. Subsequent purchase and issue transactions during the month of March were as follows:

Date	Transaction	Units	Rate
Mar 2	Purchase from ABC	200 nos.	Rs.3/- per unit
Mar 4	Purchase from B	600 nos.	Rs.4/- per unit
Mar 6	Issued to Dept. X	500 nos.	
Mar 10	Purchase from B	700 nos.	Rs.4/- per unit
Mar 18	Issued to Dept. Y	800 nos.	
Mar 20	Purchase from C	300 nos.	Rs.5/- per unit
Mar 23	Issued to Dept. Z	100 nos.	
Mar 31	Issued to Dept. Q	500 nos.	
Mar 31	Purchase from ASD	200 nos.	Rs.6/- per unit

13.24 Entries in Stores Ledger for the aforesaid transactions shall be made as depicted in Table 13.1 below.

Table 13.1
Entries in Stores Ledger for the financial year 20XX - 20XX

Item Description: TCL Powder Item Code: XXXXXXXX

Date	Receipts				Issues				Balance			Remarks
	MRN No.	Qty.	Rate (Rs.)	Value (Rs.)	MRIN No.	Qty.	Rate (Rs.)	Value (Rs.)	Qty.	Rate (Rs.)	Value (Rs.)	
Mar 1	Opening Stock	200	2	400								
Mar 2		200	3	600					200 200 400	2 3	400 600 1000	
Mar 4		600	4	2400					200 200 600 1000	2 3 4	400 600 2400 3400	
Mar 6						200 200 100 500	2 3 4	400 600 400 1400	500	4	2000	
Mar 10		700	4	2800					500 700 1200	4 4	2000 2800 4800	
Mar 18						500 300 800	4 4	2000 1200 3200	400	4	1600	
Mar 20		300	5	1500					400 300 700	4 5	1600 1500 3100	
Mar 23						100	4	400	300 300 600	4 5	1200 1500 2700	
Mar 31						300 200 500	4 5	1200 1000 2200	100	5	500	
Mar 31		200	6	1200					100 200 300	5 6	500 1200 1700	

MRN - Material Receipt Note
MRIN - Material Requisition-cum-Issue Note

Note: Details & break up of materials issued

Materials issued on 6th March is towards consumption for usage in production process
Materials issued on 18th March is towards repair works of the ULB
Materials issued on 23rd March is to the Contractors for the works undertaken by them
Materials issued on 31st March is to the capital works of the ULB

13.25 Accordingly, the closing stock of 300 units of TCL Powder shall be valued at Rs. 5 for 100 units and at Rs. 6 for the remaining 200 units. This is because the TCL Powder received earlier is still there in Stock on the valuation date, which has to be valued at the rates applicable for that consignment.

13.26 On the basis of Statement of Closing Stock, the Accounts Department shall compute the Stores consumed in the following manner:

- Compute the total purchases made by the Stores during the accounting period. The value of the purchases made in the above illustration is Rs. 8500;
- Add the Opening Stock at the Stores valued at Rs. 400 to the total purchases made to determine the total stores available for consumption. Thus total stores available for consumption as per above illustration, is Rs. 8900 computed as Rs. 8500 (purchases) + Rs. 400 (opening stock) ;
- Deduct the Closing Stock valued at Rs. 1700, on the basis of Statement of Closing Stock, from the total stores available for consumption;
- The balance value represents the stores that have been consumed during the accounting period i.e. Rs. 8900 (total stores available for consumption) – Rs. 1700 (closing stock) = Rs. 7200 (consumption).

13.27 Recording of Closing Stock. On the basis of Statement of Closing Stock (Form ST – 3) received from Stores, for recording closing stock, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
230-30-(a)	Consumption of Stores(1)	Dr.	1,400		Journal Book, Ledger
230-(b)	Repairs and Maintenance (2)	Dr.	3,200		
412-(b)	Capital work in progress(3)	Dr.	2,200		
460-40-(a)	Advance to Contractors- Material Issued to Contractors/Stores (4)	Dr.	400		
430-10-(a)	Stock in Hand –Stores Closing Stock	Dr.	1,700		
430-10-(a)	To Stock in Hand –Purchase of Materials Stores	Cr.		8,500	
430-10-(a)	To Stock in Hand - Stores Opening Stock	Cr.		400	

(a) Insert Detailed Head Codes of Account as applicable.
(b) Insert Minor & Detailed Head Codes of Account as applicable
(1) Consumption of Stores is debited for value of materials consumed in relation to production of any goods for sale.
(2) Repairs and Maintenance account is debited for value of materials used for any of the repairs and maintenance of ULBs assets.
(3) Capital work in progress account is debited for value of materials issued to the Capital works of the ULBs.
(4) Material Issued to Contractors account is debited for value of materials issued to the contractors.

13.28 Similar entries shall also be passed in respect of consumption/CWIP and closing stock at each of the other stores.

13.29 The closing stock at the end of an accounting period shall be the opening stock of the subsequent accounting period for which the Accounts Department shall pass the following entry on the first day of the subsequent accounting period:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
430-10-(a)	Stock in Hand - Stores Opening Stock	Dr.	1,700		Journal Book, Ledger
430-10-(a)	To Stock in Hand -Stores Closing Stock	Cr.		1,700	

(a) Insert Detailed Head Codes of Account as applicable.

13.30 Similar entries shall be passed for recognising closing stock of each of the other stores as opening stock of the subsequent accounting period.

FINISHED GOODS & WIP RELATED TO GOODS PRODUCED FOR SALE

13.31 At the end of every accounting period, the finished goods and work-in-progress related to goods produced for sale shall be valued at cost.

13.32 The cost of finished goods and WIP shall include all direct costs and applicable production overheads to bring the goods to the present location and condition. It shall include the following:

a. Costs of purchase including duties and taxes, freight inwards and other expenditure directly attributable to the purchase. Trade discounts, rebates, duty drawbacks and other similar items should be deducted from the costs of purchase;

b. Costs of direct labour for converting the materials into finished goods;

c. Variable production overheads i.e. those direct costs of production that vary directly with the volume of production, such as, Power and other consumables. The variable production overheads are allocated to per unit of production;

d. Fixed production overheads i.e. those indirect costs of production that remain constant irrespective of the volume of production, such as depreciation and maintenance costs of production facilities. The fixed production overheads are period costs, which are apportioned over the total units of production over that period.

13.33 The cost of finished goods and WIP shall, however, not include the following:

a. Abnormal amount of wasted material, labour or other production costs;

b. Storage costs, unless these are necessary in the production process prior to a further production stage;

c. Administrative overheads that do not contribute to bringing the goods to their present location and condition;

d. Selling and distribution costs;

e. Interest and other borrowing costs.

13.34 Based on these guidelines each local body can develop detailed guideline for each of the manufactured product meant for sale. The Cost sheet would serve as a base for arriving at the value.

MATERIALS PURCHASED FROM ANY GRANT OR SPECIAL FUNDS

13.35 The accounting procedure to be followed for purchase of material, the cost of which is met from any Grant or from funds set aside under any Special Fund, and its issue shall be the same as provided earlier in this chapter. However, the accounting entries in respect of these have been described in Chapter 17 on Grants and Chapter 19 on Special Funds respectively.

13.36 The materials purchased in terms of any grant or special fund shall be recorded in separate folios in the Stores Ledger or in the Stock Account of Books and Forms and the procedure to be followed for valuation of closing stock shall be the same as provided earlier in this chapter.

PERIOD END PROCEDURE

13.37 At the period-end, the Stores Department shall ensure that all the bills in respect of stores received and accepted before the last date of the accounting period, are processed and forwarded to the Accounts Department for accounting and payment within one month where the accounting period is a financial year and in other cases in 15 days from the end of the accounting period. The accounting entry to be recorded shall be the same as provided above in para 13.15 in the section on "Receipt of Materials". In addition, in respect of 'goods received & accepted but no bills received' as at the cut off date shall be accounted based on purchase orders.

DISPOSAL OF MATERIAL

13.38 The unutilised/unusable material in the Stores of the ULB may be disposed of as per the principles framed by the ULB.

13.39 For such disposal of material by Stores, the accounting procedure to be followed and accounting entries to be passed for receipt and refund of EMD and conversion of EMD into Security Deposit shall be the same as provided earlier in this chapter. The accounting procedures to be followed on realisation of sale value shall be the same as provided in Chapter 5 on General Accounting Procedures.

13.40 Recording of disposal of material. An entry for the material disposed shall be made in the records maintained at the Stores. The accounting entries passed in respect of disposal of stores are as follows:

a. Recording of receipt of sale proceeds: The Stores shall prepare a Summary of Daily Collection (Form GEN –12) for sale proceeds and forward it along with the collection to the Accounts Department. (For example an amount of Rs 600 realised against the sale of stores with a recorded value of Rs 500). On receipt of Summary of Daily Collections, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 350-90-(a)	Bank Account * To Sale Proceeds from Stores	Dr. Cr.	600	600	Cash Book, Ledger

** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable.

b. Recording of profit or loss on disposal: In the example explained above, there is a profit amounting to Rs 100 the Accounts Department shall pass the following entry in respect of the same:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-90-(a)	Sale Proceeds from Stores	Dr.	600		Journal Book, Ledger
430-10-(a)	To Stock in Hand-Purchase of Materials Stores	Cr.		500	
150-12-(a)	To Sale & Hire Charges – Sale of Stores	Cr.		100	

Note: If the amount realised for sale is Rs 400, the difference of Rs 100 shall be debited to 'Loss to disposal of Stores'.
(a) Insert Detailed Head Codes of Account as applicable.

WRITE-OFF OF MATERIAL

13.41 The pilfered/damaged material in the Stores of the ULB may be written-off as per the principle framed by the ULB.

13.42 Recording of write-off of material. An entry for the material written-off shall be made in the records maintained at the Stores. On the basis of intimation received from the Stores, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270-40-(a) 430-10-(a)	Assets Written off -Stores To Stock in Hand –Stores Opening Stock	Dr. Cr.	50	50	Journal Book, Ledger & Stores Register

(a) Insert Detailed Head Codes of Account as applicable.

INTERNAL CONTROLS

13.43 The following internal controls shall be observed by the ULB in respect of Stores related transactions:

a. The Head of the Accounts Department shall ensure budget availability with respect to the expenditure incurred at the time of accruing of the expenditure i.e Budget monitoring shall be on accrual basis rather than payment basis.

b. The Head of the Accounts Department shall ensure that all the purchase bills/invoices were journalised before release of the payments.

c. At the end of the financial year, the Stores-in-charge, the Head of the Accounts Department and the Municipal Chief Auditor shall physically verify the stock lying in stores and compare it with the stock as per the book records and in case of any difference, appropriate remedial steps as prescribed by the ULB shall be taken.

d. The Stores-in-charge shall ensure availability of adequate budget allocation before procuring any material, after considering all commitments made against the budget allocation.

f. At the time of issue of any material to the Departments, the Stores-in-charge shall ensure that there is an adequate budget provision in respect of that department.

g. The Head of the Accounts Department shall ensure that all the dues recoverable including advance provided to supplier has been recovered before making the final payment to the supplier. Further, it should be ensured that only net amount has been paid to the supplier, as may be applicable to the materials actually received or accepted.

h. Before releasing payment to the supplier, the Head of the Accounts Department shall ensure that the material received is recorded in the Stores Ledger. Further, it

shall be ensured that the Payment Order provides reference to the Stores Ledger where the entry for receipt of material is recorded. In addition, at the time of payment to Suppliers/contractors and any other creditors it shall be ensured that no amount is due from them, which may be adjusted before payment.

i. The Stores-in-charge shall ensure that materials in respect of which bills have been received but have not been forwarded to the Accounts Department are stated separately in the Statement of Closing Stock (Form ST – 3).

j. The Head of the Accounts Department shall ensure that the 'Purchase of Materials' account has been reconciled at the period and the balance has become nil on accounting of stock entries for the closing stock(on the basis of Statement of Closing Stock in Form ST –3) and consumption of stores.

k. Also the Head of Accounts Department shall ensure that the balance in the 'Opening Stock' account has become nil at the period end on accounting of stock entries and consumption based on the closing stocks.

l. The Chief Executive Officer/Head of the ULB shall specify such appropriate calendar of returns /reports for monitoring.

13.44 All Reconciliation Statements shall be certified by the Head of the Accounts Department and verified by the Municipal Chief Auditor.

PRESENTATION IN THE FINANCIAL STATEMENTS

13.45 The various heads of accounts used for the accounting of Stores shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the ULB. All such Financial Statements and schedules should be affixed with signature and seal of designated authorities.

13.46 The Schedules of the Income and Expenditure Statement in respect of Stores are presented below.

Schedule I-5: Income from Sale & Hire Charges

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
150-12-(a) 150-30-(a)	Sale of stores & scrap Sale of Others		
Total Income from Stores to be shown as part of Sale & Hire charges Schedule			

(a) Insert Detailed Head Codes of Account as applicable.

Schedule I-12: Schedule of Operations and Maintenance

Code No.	Expenditure	Amount (Rs.)	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4	5
230-30-(4a) 230-51-(a) 230-52-(a) 230-53-(a) 230-54-(a) 230-59-(a)	Consumption of Stores Repairs & Maintenance – Infrastructure Assets Repairs & Maintenance – Civic amenities Repairs & Maintenance – Buildings Repairs & Maintenance – Vehicles Repairs & Maintenance – Others			
Total of Expense of Stores to be shown as part of Operations & Maintenance Expense Schedule				

(a) Insert Detailed Head Codes of Account as applicable.

13.47 The Balance Sheet abstracts in respect of Stores are presented below.

Schedule B-7: Deposits Received

Amount in Rs.

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
340-10-(a)	From Contractors/Suppliers – EMD		
340-10-(a) 340-80-(a)	From Contractors/Suppliers – Security Deposits From Others		
	Total		

(a) Insert Detailed Head Codes of Account as applicable.

Schedule B-9: Schedule of Other Liabilities (Sundry Creditors)

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
350-10-(a)	Creditors - Suppliers /Contractors Payable Stores Account		
	Total		

(a) Insert Detailed Head Codes of Account as applicable.

Schedule B-14: Stock in Hand (Inventories)

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
430-10-(a) 430-20-(a) 430-30-(a)	Stores Loose Tools Others		
	Total Stock in hand		

(a) Insert Detailed Head Codes of Account as applicable.

Schedule B-17: Schedule of Cash and Bank

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
450-10-(a) 450-21-(a)	Cash Account Bank Account		
	Total		

(a) Insert Detailed Head Codes of Account as applicable.

Schedules B-18: Schedule of Loans, Advances & Deposits

Code No.	Particulars	Opening Balance at the beginning of the year (Rs.)	Paid during the current year (Rs.)	Recovered during the year (Rs.)	Balance outstanding at the end of the year (Rs.)
1	2	3	4	5	6
460-40-(a) 460-40-(a)	Advance to Suppliers & Contractors – Stores Advance to Suppliers & Contractors – Material Issued to Contractors /Stores				
	Total				

(a) Insert Detailed Head Codes of Account as applicable.

ST-1

_____ ***Name of the ULB***

MATERIAL RECEIPT NOTE

_____Stores

Book No._____ Receipt No._____
Date _____

Received following material from _____ (name of the supplier) vide their delivery challan number _____ bill number _____ dated _____ against Purchase Order No. _____

Sr. No.	Particulars (Product details and specifications)	Quantity Accepted	Inspected by	Remarks
1	2	3	4	5

Material received by _____ Stores Clerk	Entered in Store Records Entry No.: _____ _____ Stores-in-charge

ST-2

_____ *Name of the ULB*

STORES LEDGER

*Item Description*_____

Receipt								
Date of Receipt	**Material Receipt No.**	**Reference of Cash Book / Journal Book / Ledger where entry is recorded**	**Department for which purchase made**	**Quantity**		**Rate per unit (Rs.)**	**Value (Rs.)**	**Initials of Authorised Officer**
				Number	**Weight**			
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**

Issues								Balance			
Date of Issue	**Material Requisition cum Issue Note No.**	**Department to which issued**	**Quantity**		**Rate per unit (Rs.)**	**Value (Rs.)**	**Initials of Authorised Officer**	**Quantity**		**Rate per unit (Rs.)**	**Value (Rs.)**
			Number	**Weight**				**Number**	**Weight**		
10	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**	**21**
								(5-13)	**(6-14)**		

Note: For each entry made; record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry

ST-3

_____ *Name of the ULB*

STATEMENT OF CLOSING STOCK AS ON ___

_____ *Stores* *Sr. No.* _____

Reference No. of Stores Ledger	Item Description	Quantity	Unit rate for valuation (Rs.)	Amount (Rs.)	Remarks *
1	**2**	**3**	**4**	**5**	**6**
Total					
Details of Material issues					
Purpose	**Reference No. of Stores Ledger**	**Item Description**	**Quantity**	**Unit rate for valuation (Rs.)**	**Amount (Rs.)**
1	**2**	**3**	**4**	**5**	**6**
For Consumption					
For Repairs & Maintenance For Capital Work In Progress For Sale Written off Contractors**					
Total					
Verified by (Audit Department)		Stores-in-charge / Authorised Officer			

** In case of obsolete, unservicable, defective inventory, please indicate so in the Remarks column*

*** Contractor wise details of the Materials issued shall be given as per annexure attached with this form.*

Annexure to Form ST 3

Details of Material issued to Contractors					
Reference number of Stores Ledger	**Name of the Contractor to whom the materials issued**	**Item Description**	**Quantity**	**Unit Rate for Valuation (Rs)**	**Value of the Materials (Rs)**
1	**2**	**3**	**4**	**5**	**6**
Total *					
Verified by (Audit Department)				Stores-in-charge / Authorised Officer	

** The total of this table shall agree to the value of 'materials issued to Contractors'.*

CHAPTER 14

EMPLOYEE RELATED TRANSACTIONS

INTRODUCTION

14.1 This chapter contains the recommended accounting system on matters (i.e., salaries, allowances, deductions, Provident Fund, Pension Fund, loans, advances, etc.) pertaining to the employees of the Urban Local Body (ULB). The Accounting principles and procedures explained below for maintaining the employee related transactions on the following assumptions

- The employee related funds (for e.g. PF fund account) are maintained within the ULB.
- Processing of payroll and related approvals are decentralised.

ACCOUNTING PRINCIPLES

14.2 The following Accounting Principles shall govern the recording, accounting and treatment of employee related transactions:

a. Expenses on Salaries and other allowances shall be recognised as and when they are due for payment (i.e. at the month end).

b. Statutory deductions from salaries including those for income tax, profession tax, provident fund contribution, etc., shall be recognised as liability in the same period in which the corresponding salary is recognised as expense.

c. Formation of Trusts shall be considered for management of Provident Funds. However it will be the responsibility of the ULB to form the trusts and meet the shortfall of the fund, if any.

d. Provident Fund money shall be invested as per the guidelines applicable to any Employee Provident Fund.

e. Separate Funds may also be formed for meeting the pension and other retirement benefits including Gratuity and Leave Encashment. The State Governments can decide on this and can define the modus operandi also. The State may form Trusts either at the state level or at the municipal level.

f. Contribution due towards Pension and other retirement benefit funds shall be recognised as an expense and a liability. State Government to define the rate of contribution. One basis for such rate could be at the rate generally prescribed for state government employees on deputation. Actuarial valuation has not been considered due to practical limitations of the ULBs. If an ULB wants to make an actuarial valuation, their applicable state laws can guide this.

g. Interest receivable on loans given to employees shall be recognised as revenue at the end of the period in which these have accrued.

h. In respect of loans to employees, penal interest leviable on default in repayment of principal or payment towards interest shall be recognised on accrual basis.

i. Bonus, ex-gratia, overtime allowance, other allowances and reimbursements to the employees shall be recognised as an expense as and when they are due for payment.

ACCOUNTING RECORDS & PROCEDURES

14.3 This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for employee related transactions. For the purposes of accounting of employee related transactions there are certain forms, registers, etc., which are specific to employee related transactions, e.g., Pay bill – Form ES -1. These (Forms ES – 1 to ES – 6) are annexed to this chapter and are prefixed "ES".

PAY BILL & DEDUCTIONS

14.4 A Pay Bill shall be prepared for each department on the basis of employee muster and service book maintained. The Pay Bill shall provide computation of gross salaries payable to the employees as per the conditions of service. From the gross salary, adjustments shall be

made for deductions in respect of statutory payments such as income tax, profession tax, provident fund, etc., voluntary deductions such as group insurance premium, investment by employees, contribution to various societies, loan recovery for external agencies, etc., as well as recoveries in respect of loans, advances, etc., to arrive at the net salary payable to the employees.

14.5 Pay bills are normally drawn by Drawing and Disbursing Officer (DDO) in every department. There may be more than one DDO in a Department. The pay bills drawn by all DDOs in a Department may be consolidated and sent to Accounts Department for payment.

14.6 The Accounts Department shall prepare a Consolidated Pay Bill summary in Form ES- 1 from the Departmental Pay Bills. Preparation of Consolidated Pay Bill summary would involve consolidation and summation of the individual Departmental Pay Bills.

14.7 On the basis of the Consolidated Pay Bill, the Accounts Department shall pass the following entries every month for recognising the expense and the corresponding liability:

a. Recording of salary, allowances and corresponding liability. For recognising the expense under various heads and the liability to the employees in respect of gross salaries, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
210-(a) 350-11-(b)	Establishment Expenses – To Employee Liabilities – Gross Salaries Payable	Dr. Cr.	1,00,000	 1,00,000	Journal Book, Ledger

(a) Insert Major and Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable
Note: The postings in the Ledger Accounts of "Establishment Expenses" Account and "Gross Salaries Payable" Account shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book.

b. The department-wise details of establishment expenses will be available in the Consolidated Pay Bill prepared by the Accounts Department, reference to which may be made at the time of preparation of Financial Statements.

c. The Accounts Department shall maintain a separate Functional Expense Subsidiary Ledger in Form GEN – 34 for recording Function-wise establishment expenses. On recording of establishment expenditure in the Journal Book, the Accounts Department shall immediately update the Subsidiary Ledger mentioned above. The procedure for updating Subsidiary Ledger has been provided in Chapter 5 – General Accounting Procedures, reference to which is invited

d. Recording of statutory and other deductions and recoveries from salaries. For accounting liabilities towards amounts payable to different authorities in respect of statutory deductions, and, dues towards settlement of obligations on behalf of employees (e.g. housing loan, contribution to various societies, loan recovery for external agencies, group insurance premium, investment by employees, etc.), recovery of instalments of loans or interest levied on loan and/or advances from employees, etc., the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-11-(a)	Employee Liabilities - Gross Salaries Payable	Dr.	1,00,000		Journal Book, Ledger, Register of Employee Advances, Register of Loans to Employees, Register of Interest on Loans to Employees
350-20-(a)	To Recoveries Payable- TDS from Employees	Cr.		1,000	
350-20-(a)	To Recoveries Payable- Profession Tax	Cr.		1,000	
311-(b)	To- Provident Fund (for own employees)	Cr.		9,000	
350-20-(a)	To Recoveries payable – Provident Fund for Employees on Deputation	Cr.		1,000	
460-10-(a)	To Loans to Employees	Cr.		1,500	
431-40-(a)	To Receivable from Other Sources-Interest due from Employees Loans	Cr.		200	
350-20-(a)	To Recoveries Payable - Others*	Cr.		7,500	
460-10-(a)	To Advance to Employees	Cr.		1,500	
460-20-(a)	To Employee Provident Fund Loans	Cr.		300	
350-11-(a)	To Employee Liabilities – Net Salaries Payable	Cr.		77,000	

** This may include voluntary deductions with respect to Insurance Premium deduction, deduction for Investment by Employees, deduction for Contribution to various Societies, Loan recovery for External Agencies, etc.*

(a) Insert Detailed Head Codes of Account as applicable

e. Accounts Department shall update the Register of Employee Advances maintained in Form ES-2 for recovery of Loans / advances and Register of Interest on Loans to Employees maintained in Form ES-3 for recovery of loans and interest respectively.

f. Salaries may be paid to the employees either (i) by Cheque or (ii) by directly crediting the amount to employees' bank account; or (iii) in cash. (efforts may be made to move towards direct credit of salaries to bank accounts)

g. Recording of payment of salaries by cash: For accounting of payment of salary by cash, the Accounts Department shall pass the following entries:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
On Withdrawal of cash					
450-10-(a) 450-21-(a)	Cash Account To Bank Account *	Dr. Cr.	7,000	 7,000	Cash Book
For payment of salary by cash (if paid fully)					
350-11-(a) 450-10-(a)	Employee Liabilities -Net Salaries Payable To Cash Account	Dr. Cr.	7,000	 7,000	Cash Book, Ledger

* *Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable
Note: If the salary is not fully paid, the accounting treatment is described subsequently.

h. Recording of payment of salaries through bank: For accounting of payment of salary by cheque or direct credit of the salary to employee bank account, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-11-(a) 450-21-(a)	Employee Liabilities – Net Salaries Payable To Bank Account*	Dr. Cr.	70,000	 70,000	Cash Book, Ledger

* *Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable
Note: If the salary is not fully paid, the accounting treatment is described subsequently.

i. Recording of payment of statutory deductions made from salaries. For discharging liabilities towards statutory deductions (e.g., income tax, profession tax, etc.), on payment, the Accounts Department shall pass the following entries:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-20-(a) 450-10-(a) 450-21-(a)	Recoveries Payable – TDS from Employees To Cash Account To Bank Account*	Dr. Cr. Cr.	1,000	 50 950	Cash Book, Ledger
350-20-(a) 450-10-(a) 450-21-(a)	Recoveries Payable – Profession Tax To Cash Account To Bank Account*	Dr. Cr. Cr.	1,000	 100 900	Cash Book, Ledger

* *Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

j. Recording of payment of other deductions made from salaries. For discharging liabilities towards voluntary deductions (e.g., group insurance premium, investment made by employees, contribution to various societies, repayment of loan to various external agencies, etc.) made on behalf of employees, on payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-20-(a)	Recoveries Payable- Others	Dr.	7,500		Cash Book, Ledger
450-10-(a)	To Cash Account	Cr.		500	
450-21-(a)	To Bank Account*	Cr.		7,000	

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable
Note: Recoveries Payable – Others may include voluntary deductions with respect to Insurance Premium deduction, deduction for Investment by Employees, deduction for Contribution to various Societies, Loan recovery for External Agencies, etc.

Unpaid Salaries

14.8 If the salary remains unpaid to the employees, it shall be recorded in the Unpaid Salary Register maintained in Form ES-4**.** The register shall have the details for unclaimed salary as well as subsequent payment of salary. Cheques remaining unpaid and cash withdrawn for payment of salary remaining unpaid for a period of three (3) months shall be re-deposited in the Bank Account and the details recorded in the Unpaid Salary Register.

14.9 Recording of unpaid salaries (bank). In case cheques issued to the employees have not been encashed for three months or such other period as may be prescribed by the State / applicable acts, such cheques shall be cancelled. On cancellation of cheques, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Bank Account*	Dr.	1,000		Cash Book, Ledger, Unpaid Salary Register
350-11-(a)	To Employee Liabilities – Unpaid Salaries	Cr.		1,000	

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

14.10 Recording of unpaid salaries if cash is withdrawn but not collected by the employee. In case of salary payments by cash, if the amount has not been collected, the Accounts Department shall pass the following entries:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
Assuming that Rs. 500 is unpaid out of Rs. 7000 drawn and only Rs. 6500 has been paid, the entry for the payment would be:					
350-11-(a)	Employee Liabilities - Net Salaries Payable	Dr.	6,500		Cash Book, Ledger, Unpaid Salary Register
450-10-(a)	To Cash	Cr.		6,500	
For depositing the cash lying in hand in respect of unpaid salary, the entry would be:					
450-21-(a)	Bank Account*	Dr.	500		Cash Book
450-10-(a)	To Cash	Cr.		500	
For recording the unpaid salary, the following entry shall be passed:					
350-11-(a)	Employee Liabilities - Net Salaries Payable	Dr.	500		Journal Book, Ledger, Unpaid Salary Register
350-11-(a)	To Employee Liabilities – Unpaid Salaries	Cr.		500	

** Specify name of the Bank and Account number*

(a) Insert Detailed Head Codes of Account as applicable

14.11 Recording of payment of unpaid salaries. On payment of unpaid salaries, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-11-(a)	Employee Liabilities – Unpaid Salaries	Dr.	700		Cash Book, Ledger, Unpaid Salary Register
450-10-(a)	To Cash	Cr.		100	
450-21-(a)	To Bank Account*	Cr.		600	

** Specify name of the Bank and Account number*

(a) Insert Detailed Head Codes of Account as applicable

The illustrative amount indicates that of Rs. 700 outstanding in Salaries Unpaid Account, Rs. 100 is paid in Cash and Rs. 600 is paid by cheque.

LOANS AND ADVANCES TO EMPLOYEES

Loans and Advances given

14.12 Recording of advances and loans to employees. ULB may grant loans (interest bearing or interest free) and advances (temporary, standing, etc.) to the employees. On payment of loans and advances by the ULB, the Register of Employee Loans / Advances (Form ES-2) shall be updated by the Accounts Department. These registers shall be maintained department-wise. For recording the payment of loans and advances to employees, the Accounts Department shall pass the following entries:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
For Advances given to employees					
460-10-(a) 450-21-(a)	Advance to Employees To Bank Account*	Dr. Cr.	10,000	 10,000	Cash Book, Ledger, Register of Employee Advances
For Loans granted to employees					
460-10-(a) 450-21-(a)	Loans to Employees To Bank Account*	Dr. Cr.	10,000	 10,000	Cash Book, Ledger, Register of Loans to Employees

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

14.13 The Accounts Department shall intimate the concerned department to update the respective Service Books for recording the loans and advances taken by the employees of that department.

Accrual of Interest on Loans provided to employees

14.14 Recognising interest on loans and advances granted to the employees at the period-end. As per the terms and conditions of the loan agreement, interest is levied on the monthly outstanding balance of loans. The amount of interest accrued shall be communicated by the concerned department to the Accounts Department at the period-ends for which an entry shall be made in the Register of Interest on Loans to Employees (Form ES-3). On the basis of intimation received, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-40-(a) 171-20-(a)	Receivable from Other Sources - Interest due on Employee Loans To Interest on Loans and advances to Employees	Dr. Cr.	1,000	 1,000	Journal Book, Ledger, Register of Interest on Loans to Employees

(a) Insert Detailed Head Codes of Account as applicable

14.15 Recording of Penal Interest for non-payment of principal or interest installment. In case of default in either repayment of principal or payment of interest, penal interest shall be levied at the rates and in the manner prescribed. To record penal interest levied, the Accounts Department shall pass the entry passed in para 14.14 above.

Recovery of Loans and Advances

14.16 Normally as per the terms and conditions of service and loan agreement, recovery of the principal amount of loan assumes precedence over recovery of interest. Interest accrued

for the intervening period, i.e., the period between the date of disbursement of loan and full repayment of loan shall be recognised as an asset, recoverable after the repayment of principal in full.

14.17 The Accounts Department shall update the Register of Employee Loans / Advances (Form ES-2) for the amount of advances and loans recovered. The entries for recovery of loans and advances every month from the Pay Bill, have already been described above in para 14.7 (d).

Recovery of Interest accrued on Loans provided to employees

14.18 Recovery of interest installment. As per the terms and conditions of loan agreement, interest accrued and recognised, as an asset receivable shall be recovered in instalments. The accounting entry for interest recovery from the monthly pay-bill has already been described in para 14.7 (d) above.

PAYMENTS OTHERWISE THAN FROM PAY BILL

14.19 For various types of employee related payments such as leave travel concession, bonus & ex-gratia, overtime, medical reimbursement, hospitalisation claim, suspension allowance, gratuity, leave salary, house rent reimbursement, etc., the concerned department shall send the approved Payment Order along with the supporting documents to the Accounts Department.

14.20 Recording of payments otherwise than from Pay Bill. On payment being made, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
210-(a)	Establishment Expenses-	Dr.	10,000		Cash Book,
450-10-(a)	To Cash	Cr.		4,000	Ledger
450-21-(a)	To Bank Account*	Cr.		6,000	

** Specify name of the Bank and Account number*
(a) Insert Major & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable
Note: Separate entry shall be passed for each of the Payment Order.

14.21 Upon payment, the Accounts Department shall immediately update the Function wise Expense Subsidiary Ledger maintained in Form GEN-34.

PROVIDENT FUND

Employees' Provident Fund Contribution

14.22 A deduction shall be made for employees' provident fund contribution from the salaries of the employees from the Pay Bill. The entry for this has already been described above in para 14.7 (d).

14.23 Recording of transfer of money to Provident Fund Bank Account. The Accounts Department shall transfer the amount deducted as contribution from Main Bank Account to Provident Fund Bank Account and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a) 450-21-(b)	Designated Bank Account* To Bank Account*	Dr. Cr.	9,000	 9,000	Cash Book

* Specify name of the Banks and Account number
(a) Insert Detailed Head Codes of Account as applicable

Payment of Provident Fund Contribution in respect of employees on deputation

14.24 Recording of payment of Provident Fund Contribution in respect of employees on deputation. Provident Fund Contribution deducted on behalf of State Government or other organisations/authorities from the salary of employees on deputation to the ULB shall be deposited with the relevant authority every month. On payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-20-(a) 450-21-(a)	Recoveries payable - Provident Fund Contribution for Employees on Deputation To Bank Account*	Dr. Cr.	1,000	 1,000	Cash Book, Ledger

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

Loans to Employees against Provident Fund

14.25 Recording of the loans granted against Provident Fund Contribution. As per the prescribed rules, the ULB may grant loans to the employees against balance standing to the credit of their Provident Fund account. On receipt of approved payment order, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-20-(a)	Employee Provident Fund Loans	Dr.	1,000		Journal Book Ledger
450-21-(a)	To Bank Account*	Cr.		1,000	

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

Recovery of Provident Fund Loan

14.26 A deduction shall be made for recovery of loan given from the provident fund, from the salaries of the employees from the Pay Bill. The entry for this has already been described above in para 14.7 (d).

14.27 Recording of transfer of money to Provident Fund Bank Account. The Accounts Department shall transfer the amount deducted towards recovery of provident fund loans from Main Bank Account to Provident Fund Bank Account and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a)	Designated Bank Account*	Dr.	300		Cash Book
450-21-(a)	To Bank Account*	Cr.		300	

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

Investments of Employees' Provident Fund Contribution

14.28 The Provident Fund money shall be invested as per the guidelines applicable to any Employee Provident Fund.

14.29 Investments made in respect of Provident Fund Contribution shall be entered in a Provident Fund Investment Register to be maintained in Form IN-1 (provided in Chapter 20 on Investments). The accounting procedures to be followed and the accounting entries to be passed in respect of investments of such moneys are similar to those followed in respect of other investments. They relate to investments, maturity of investment, recording of interest, profit/loss on sale/maturity of investments, etc. These have been described in Chapter 20 on Investments.

Interest on Provident Fund

14.30 For recording interest shortfall. Interest, which is earned on Investments made out of the Provident Fund Reserve, will be credited to the Provident Fund Reserve as well as individual employees. In situations wherein the interest earned is lower than the stipulated

rate payable to the employees, the shortfall in payment of interest shall be made good by the ULB for which the Accounts Department shall pass the following entries:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
210-40-(a)	Other Terminal & Retirement Benefits– Provident Fund shortfall	Dr.	100		Journal Book, Ledger
311-(b)	To Provident Fund	Cr.		100	
For transfer of money from Main Bank Account to the Provident Fund Bank Account					
450-41-(a)	Designated Bank Account*	Dr.	100		Cash Book
450-21-(a)	To Bank Account*	Cr.		100	

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

Withdrawal from Provident Fund

14.31 The balance standing to the credit of the employee' s provident fund account may be withdrawn either at the time of employee' s retirement or otherwise in accordance with the prescribed rules in this behalf.

14.32 The employee may, in accordance with the prescribed rules, withdraw the balance standing to the credit of his/her provident fund account during the continuation of his/her employment. On receipt of approved payment order (Form GEN - 14), the Accounts Department shall pass the following entries:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
For recognising the provident fund contribution and interest due to an employee					
311-(a)	Provident Fund	Dr.	150		Journal Book, Ledger
350-11-(b)	To Employee Liabilities – Provident Fund Payable	Cr.		150	
On payment					
350-11-(b)	Employee Liabilities – Provident Fund Payable	Dr.	150		Ledger
450-41-(b)	To Designated Bank Account*	Cr.		150	

* Specify name of the Bank and Account number
(a) Insert Minor & Detailed Head Codes of Account as applicable
(a) Insert Detailed Head Codes of Account as applicable

14.33 When any employee ceases to be an employee of the ULB, the Provident Fund account of the employee shall be closed and he shall be paid the amount to the credit of his Provident Fund account (contribution, interest, etc.) from the Provident Fund Bank Account. The Accounts Department shall pass the entries referred in para 14.24 above for recognition

of liability, for payment of provident fund dues and for payment of the amount determined from the Provident Fund Bank Account.

RETIREMENT BENEFITS

14.34 Retirement benefits for employees of ULB usually consist of:

a. Pension;
b. Gratuity; and
c. Leave Encashment.

Pension

14.35 The pension would be payable at the time of their retirement either on superannuation or otherwise in accordance with the prescribed rules. Details of pension liability for each pensioner shall be maintained separately in Pension Register in Form ES-6. The ULB may pay pension directly or through a Fund established for this purpose

14.36 Payment of pension shall be made on the basis of the approved Pension Payment Order (PPO). The details of PPO shall be recorded in Pension Payment Order Register in Form ES-5.

Accounting for Pension

Direct Payment

14.37 If the pension amounts were directly paid without creation of a separate fund, the Accounts department shall pass the following entries for accrual of pension expenses and payment of the same.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
On creation of liability for pension					
210-30-(a)	Pension-Pension /Family Pension Expenses	Dr.	1,000		Journal Book, Ledger, Pension Register
350-11-(a)	To Employee Liabilities –Pension Payable	Cr.		1,000	
On payment of commuted pension					
350-11-(a)	Employee Liabilities – Pension Payable	Dr.	1,000		Ledger, Pension Register
450-21-(a)	To Bank Account*	Cr.		1,000	

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

Through Fund

14.38 The ULB shall, on a monthly basis, contribute a sum as determined by the State Government towards the Pension Fund. The contribution shall be recorded as an expense and charged to the Statement of Income and Expenditure and shall also be recognised as a liability.

Creation of Fund

14.39 For creation of Pension Fund. Every month, contribution to the Pension Fund shall be made for the employees on the payroll. For recognising the liability in respect of Pension Fund contribution, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
210-30-(a)	Pension-Pension/Family Pension Expense	Dr.	1,000		Journal Book, Ledger
311-(b)	To Pension Fund	Cr.		1,000	

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

14.40 For transfer of money to Pension Fund Bank Account. An amount equivalent to the contribution to Pension Fund shall be transferred from Main Bank Account to Pension Fund Bank Account. On transfer, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-(a)	Bank Account*	Dr.	1,000		Cash Book,
450-21-(b)	To Bank Account*	Cr.		1,000	Pension Fund Cash Book

** Specify name of the Bank and Account number*
(a) Insert Major & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

Payment of Pension to Employees

14.41 On retirement, as per the prescribed rules, the employee may have a choice of taking his full pension either through monthly payments or by commuting a portion thereof payable at the time of retirement and the balance through monthly payments after retirement.

Commuted Pension

14.42 On commutation of pension. On the basis of approved Pension Payment Order (Form ES-5), on payment of Commuted Pension, the Accounts Department shall pass the following entries:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
On creation of liability for commutation of pension					
311-(a) 350-11-(b)	Pension Fund To Employee Liabilities -Pension	Dr. Cr.	100	100	Journal Book, Ledger, Pension Register
On payment of commuted pension					
350-11-(b) 450-41-(b)	Employee Liabilities –Pension Payable To Designated Bank Account*	Dr. Cr.	100	100	Ledger, Pension Register

** Specify name of the Bank and Account number*
(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

Uncommuted Pension

14.43 Recording of payment of uncommuted pension. A Pension Pay Bill shall be prepared for making monthly pension payment to the individual pensioners. On receipt of approved Pension Pay Bill, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a) 450-41-(a)	Pension Fund To Designated Bank Account*	Dr. Cr.	500	500	Pension Fund Cash Book, Ledger, Pension Register

** Specify name of the Bank and Account number*
(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

Pension Fund deficit

14.44 An amount equivalent to the deficit in the Pension Fund, i.e., the amount by which the Pension Fund is inadequate to pay pension to the pensioners, shall be transferred from the Main Bank Account to the Pension Fund Bank Account. On transfer of funds, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a) 450-21-(a)	Designated Bank Account* To Main Bank Account*	Dr. Cr.	200	 200	Cash Book, Pension Fund Cash Book

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

14.45 The shortfall in the Pension Fund Bank Account, which is met by way of transfer from the Main Bank Account, shall be treated as an expense of the accounting period in which such transfer is made. For this, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
210-30-(a) 311-(b)	Pension-Pension Fund Deficit Contribution To Pension Fund	Dr. Cr.	200	 200	Cash Book, Pension Fund Cash Book

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

Employees on Deputation

14.46 On payment of pension contribution in respect of employees on deputation at ULB. In respect of State Government employees or employees of other organisations/authorities, who have been deputed to the ULB, if pension contribution is payable by the ULB, to the concerned authorities, the Accounts Department shall pass the following entry on payment:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
210-30-(a) 450-21-(a)	Pension–Pension Contribution Employees on Deputation To Bank Account*	Dr. Cr.	200	 200	Cash Book, Ledger

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

GRATUITY AND LEAVE ENCASHMANT

14.47 The ULB may form separate funds for Gratuity and Leave Encashment as per the rules prescribed by the State Government in this behalf. The ULB shall make contribution to the Fund at the rates prescribed by the State Government in this behalf.

14.48 For recognising the liability in respect of contribution to the fund, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
210-40-(a)	Other Terminal Expenses – Leave Encashment	Dr.	1,000		Journal Book, Ledger
210-40-(a)	Other Terminal Expenses- Gratuity Expense	Dr.	500		
311-(b)	To _____Fund	Cr.		1,500	

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

14.49 The procedure and the accounting entries in respect of transfer of money to the fund bank account, payments from the fund, etc. shall be similar to as discussed above in respect of Pension Fund.

Direct Payment

14.50 If the gratuity and leave encashment amounts were directly paid without creation of a separate fund, the Accounts department shall pass the following entries for accrual of pension expenses and payment of the same.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
On creation of liability for gratuity and leave encashment					
210-40-(a)	Other Terminal Benefits -Leave Encashment	Dr.	1,000		Journal Book, Ledger,
210-40-(a)	Other Terminal Benefits Gratuity Expenses	Dr.	500		
350-11-(a)	To Employee Liabilities - Gratuity	Cr.		1,000	
350-11-(a)	To Employee Liabilities - Leave Salary	Cr.		500	
On payment of liability for gratuity and leave salary payable					
350-11-(a)	Employee Liabilities – Leave Salary	Dr.	1,000		Journal Book, Ledger,
		Dr.	500		
350-11-(a)	Employee Liabilities - Gratuity	Cr.		1,000	
450-41-(a)	To Bank Account	Cr.		500	

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

Employees on Deputation

14.51 On payment of Leave Encashment contribution in respect of Employees on deputation at ULB. In respect of State Government employees or employees of other organisations/authorities, who have been deputed to the ULB and if leave encashment contribution is payable by the ULB to the concerned authorities, on payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
210-40-(a)	Other Terminal Benefits –Leave Salary Contribution for Employees on Deputation	Dr.	200		Cash Book, Ledger
450-21-(a)	To Bank Account*	Cr.		200	

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

INVESTMENT OF RETIREMENT BENEFITS FUNDS

Investment of Pension Fund

14.52 Investments made in respect of Pension Fund shall be entered in a Pension Fund Investment Register to be maintained in Form IN-1 (provided in Chapter 20 on Investments). The accounting procedures to be followed and the accounting entries to be passed in respect of investments of such moneys are similar to those followed in respect of other investments. They relate to investments, maturity of investment, recording of interest, profit/loss on sale/maturity of investments, etc. These have been described in Chapter 20 on Investments.

Investment of Other Retirement Benefits Fund

14.53 Investments made in respect of other retirement benefits funds including gratuity and leave encashment shall be entered in a separate Investment Register to be maintained in Form IN-1 (provided in Chapter 20 on Investments). The accounting procedures to be followed and the accounting entries to be passed in respect of investments of such moneys are similar to those followed in respect of other investments, as described in Chapter 20 on Investments.

ACCOUNTING IN RESPECT OF TRUSTS FORMED BY THE ULB

14.54 The ULB may form Trusts for management of provident fund, pension fund, gratuity fund, leave encashment fund and other retirement benefits funds as per the guidelines of the State Government in this behalf.

14.55 In case Trusts are formed, the ULB shall transfer its contribution to the Trusts as per the prescribed dates. For recording the transfer of its contribution to the Trusts, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a)	Provident Fund*	Dr.	9,000		Journal Book, Ledger
210-30-(b)	Pension- Pension/Family Pension	Dr.	1,000		
210-40-(b)	Other Terminal & Retirement Benefits -Leave Encashment	Dr.	1,000		
210-40-(b)	Other Terminal & Retirement Benefits – Gratuity Expense	Dr.	500		
450-21-(b)	To Bank Account**	Cr.		11,500	

* Provident Fund contribution deducted from the monthly salaries of the employees, as shown under Para 14.7 (d), should be transferred to the Trust as per the prescribed dates.

*** Specify name of the Bank and Account number*

(a) Insert Minor & Detailed Head Codes of Account as applicable

(b) Insert Detailed Head Codes of Account as applicable

14.56 The Trusts shall manage the funds transferred to it by the ULB. It shall invest the funds as per the rules prescribed by the State Government in this behalf.

14.57 The Trust shall maintain books of accounts to record transactions in respect of funds received by it from the ULB, the funds invested by it, the payments made to the employees, the interest received on the investments made, etc. The accounting entries to be passed by the Trusts would be similar to as discussed above under the section 'Provident Fund' and 'Retirement Benefits'. It may be noted here that the ULB shall only record the entry as discussed in Para 14.53 and all subsequent accounting entries would be passed by the Trust in its books of accounts.

14.58 At the end of the accounting period, the Trusts shall prepare financial statements in respect of the funds managed by it. A copy of the financial statements shall be provided to the ULB by the prescribed dates. The ULB shall attach these to the financial statements of the ULB.

INTERNAL CONTROLS

14.59 The following internal controls shall be observed by the ULB:

a. Separate Pay Bills shall be prepared by each DDO.

b. Consolidation of Pay Bills of DDO shall be made Department wise and Department bills are consolidated for ascertainment of ULB level information.

c. Consolidated paybill summary shall be checked with previous month for ensuring all DDO and departments bills are included.

d. A monthly reconciliation shall be carried out by the Head of the Accounts Department and the Head of Establishment Department in respect of loans and advances outstanding between the balances in the Ledger Accounts maintained at the Accounts Department and the Register of Employee Advances and Register of Loans to Employees. Further, at the period-end, the Head of the Accounts Department shall ensure that accounting entry for recording income in respect of interest accrued on loans provided to employees has been passed.

e. Every month, the Head of the Accounts Department shall ensure timely remittance of the various deductions made from the employees' salaries in the Pay Bill to the concerned authorities.

f. The Head of the Accounts Department shall ensure that the total establishment expenditure incurred and recorded in the Functional Expense Subsidiary Ledger reconciles with the balance as per the respective Establishment Expense Ledger Account. The Subsidiary Ledger shall record total establishment expenses incurred, including that paid through Pay Bill.

g. Every month, the Head of the Accounts Department or other officers of the ULB designated by him shall verify that Provident Fund and Pension Fund contribution deducted for the employees on deputation have been deposited with the concerned authorities.

h. At every year-end, the Head of the Accounts Department or other officers of the ULB designated by him shall verify whether interest received or receivable on the provident fund investment is less than the statutory liability for interest payment to employees on their balance in the provident fund reserve account, and if so, ensure that the difference of interest payable is provided for and to that extent amount has been transferred from Main Bank Account to Provident Fund Bank Account.

i. The Head of the Accounts Department or other officers of the ULB designated by him shall ensure that payment of pension and other retirement benefits to the employees at retirement should be made from the Pension Fund and other retirement benefits funds created by the ULB.

j. All the pension payments shall be made only from the Pension Fund Bank Account. To the extent of difference/deficit in the Pension Fund, an amount equivalent to the deficit shall be transferred from the Main Bank Account to the Pension Fund Bank Account. The transfer shall be made before making payment to the pensioners from the Pension Fund Bank Account.

k. The Head of the Accounts Department shall ensure that whenever the entries in para 14.7 (d) is passed, the equivalent amount of money in respect of deduction of provident fund contribution and provident fund loan is simultaneously transferred from the Main Bank Account to the Provident Fund Bank Account.

l. The Chief Executive Officer/Head of the ULB shall specify such appropriate calendar of returns /reports for monitoring.

14.60 All Reconciliation Statements shall be certified by Head of the Accounts Department.

PRESENTATION IN FINANCIAL STATEMENTS

14.61 The various heads of account used for the accounting of Employee Related Transactions shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the ULB. All such Financial Statements and schedules should be affixed with signature and seal of designated authorities.

14.62 The Schedules of Income and Expenditure Statement in respect of Employee Related Transactions are presented below.

Schedule I-8: Schedule of Interest Earned

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
171-20-(a)	Interest on Loans and advances to Employees		
Total Income earned from Employees to be shown Interest Earned Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-9: Schedule of Other Income

Code No.	Heads of Account	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
180-40-(a)	Recovery from Employees		
Total Income earned from Employees to be shown Other Income Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-10: Establishment Expenses -Expense head wise

Code No.	Head of Account	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	**2**	**3**	**4**
210-10-(a)	Salaries, Wages and Bonus		
210-20-(a)	Benefits and Allowances		
210-30-(a)	Pension		
210-40-(a)	Other Terminal & Retirement Benefits		
Total Expense of Employees to be shown as part of establishment expenses– expense head wise Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Note: Details of any other establishment expenses incurred, which has not been specifically disclosed above, shall be collated and disclosed as Other Administrative expenses, provided the expense incurred does not exceed the disclosure limits prescribed in this Accounts Manual.

14.63 The Balance Sheet Abstracts in respect of the Employee Related Transactions are presented below.

Schedule B-2: Schedule of Earmarked Funds

Schedule B – 2: Special Funds

Amount in Rs.

Particulars	Pension Fund	General Provident fund
(a) Opening Balance **(b) Additions to the Special Fund** (i) Transfer from Municipal Fund (ii) Interest/Dividend earned on Special Fund Investments (iii) Profit on disposal of Special Fund Investments (iv) Appreciation in Value of Special Fund Investments (v) Other addition (Specify nature)		
Total (b)		
Total (a+b)		
(c) Payments out of funds **(i) Capital expenditure on** Fixed Assets* Others		
Sub –total		
(ii) Revenue Expenditure on Salary, Wages and allowances etc. Rent Other administrative charges		
Sub –total		
(iii) Other: Loss on disposal of Special Fund Investments Diminution in Value of Special Fund Investments Transferred to Municipal Fund		
Sub –total		
Total of (i+ii+iii) (c)		
Net balance at the year end – (a+b)-(c)		
Grant Total of Special Funds		

Note: All funds are to be shown as separate fund either in the schedule or in a separate schedule with the corresponding indication in the balance sheet under "Funds" on liability.

Additions during the year:
a. Addition to Pension Fund would be out of the "Transfer to Funds" from Income and Expenditure Account as per the accounting principles.
b. Addition to General Provident and Contributory Provident Fund are the deductions from salary.
c. Interest from investments of Funds would be added to respective Funds.

Deductions during the year:
a. Deductions from Pension Fund means payments made on account of Pension/Family pension
b. Deduction from Gross Provident Fund/Contributory Provident Fund - Advances/Withdrawals.

Schedule B-9: Schedule of Other Liabilities (Sundry Creditors)

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
350-11-(a)	Employee Liabilities –Gross Salaries payable		
350-11-(a)	Employee Liabilities –Salaries Unpaid		
350-11-(a)	Employee Liabilities –Net Salaries Payable		
350-11-(a)	Employee Liabilities –Pension payable		
350-11-(a)	Employee Liabilities –Provident Fund Payable		
350-11-(a)	Recoveries payable -Provident Fund Contribution for Employees on Deputation Payable		
350-11-(a)	Recoveries payable -Investment by Employees Payable		
350-11-(a)	Recoveries payable –Contribution to Societies Payable		
350-11-(a)	Recoveries payable -Loan Recovery for External Agencies Payable		
350-20-(a)	Recoveries Payable -TDS from Employees		
350-20-(a)	Recoveries Payable Profession Tax Payable		
350-20-(a)	Recoveries Payable Insurance Premium Payable		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-17: Schedule of Cash and Bank Balances

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
450-10-(a)	Cash		
450-21-(a)	Bank Account		
450-41-(a)	Designated Bank Account		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-18: Schedule of Loans, advances and deposits

Code No.	Particulars	Opening Balance at the beginning of the year (Rs.)	Paid during the current year (Rs.)	Recovered during the year (Rs.)	Balance outstanding at the end of the year (Rs.)
1	2	3	4	5	6
460-10-(a) 460-20-(a)	Loans and advances to employees Employee Provident Fund Loans				
	Total				
461-(b)	Less: Accumulated Provisions against Loans, Advances and Deposits				
	Net total of Receivables from Employees				

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

Form ES-1

_____ Name of the ULB

CONSOLIDATED PAY BILL SUMMARY ROLL OF THE PERMANENT/TEMPORARY ESTABLISHMENT FOR THE MONTH OF _____

Serial No.	Section of establishment	Substantive pay (Personal pay or special pay, if any, should also be shown in this column as a separate entry below substantive pay)	Leave Salary	Officiating pay	Compensatory or other allowances	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
1	2	3	4	5	6	7

Pay, officiating pay or leave salary held over for future payment	Deductions			Miscellaneous recoveries (Fines and advances, house rent, etc.)	Net amount payable	Remarks	Date of receipt of bill
	Income Tax	Provident Fund Subscription	Other deductions *				
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
8	9	10	11	12	13	14	15
*Please specify the nature of Deduction							
Total							
(in words ……..)							

Form ES-2

_____ Name of the ULB

REGISTER OF EMPLOYEE LOANS/ ADVANCES
FOR THE YEAR 20 ____to 20____

Month and date and name of the employee	Particulars of advance	Voucher or receipt number	Amount	Monthly Total	Repayments or adjustments					
					April	May	June	July	August	September
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	2	3	4	5	6	7	8	9	10	11

Repayments or adjustments						Total Repayment for the year **		Date and voucher number of repayment/ adjustment		Balance remaining unadjusted at the end of the year	Remarks
October	November	December	January	February	March						
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.				Rs.	
12	13	14	15	16	17	18		19		20	21
Entered By :# _____								Checked By :# _____			

** *Total repayment in Column 18 shall be the sum total of Columns 6 to 17*

\# *For each entry made; record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry.*

Form ES-3

_____ Name of the ULB

REGISTER OF INTEREST ON LOANS TO EMPLOYEES
FOR THE YEAR 20 __to 20__

Name of Employee	Particulars of Loans	Opening Cumulative Accrued Interest	Interest Accrued during the Quarters				Total Interest Accrued during the year	Total Cumulative Accrued Interest	Repayments or Adjustments *		
			Quarter I	Quarter II	Quarter III	Quarter IV			April	May	June
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	2	3	4	5	6	7	8	9	10	11	12
							(4+5+6+7)	(3+8)			

Repayments or Adjustments *									Total Interest Recovered during the year **	Balance remaining unadjusted at the end of the year***	Remarks
July	**August**	**September**	**October**	**November**	**December**	**January**	**February**	**March**			
Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	
13	**14**	**15**	**16**	**17**	**18**	**19**	**20**	**21**	**22**	**23**	**24**
										(9-22)	
Entered By :#_____								**Checked By :#_____**			

** *Column 22 shall be sum total of columns 10 to 21*

*** *Balance in Column 23 at the end of the accounting year shall be the opening balance of Column 3 in the next year*

For each entry made; record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry

Form ES-4

_____ Name of the ULB

UNPAID SALARY REGISTER FOR THE YEAR 20___to 20__

Payments					
Date	**Serial No. of credit**	**Name of person**	**On what account**	**Amount (Rs.)**	**Initials of Authorised Officer**
1	**2**	**3**	**4**	**5**	**6**

Payments					
Date	**Serial No. of payment**	**Name of person**	**Amount(Rs.)**	**Acquittance of payee**	**Initials of Authorised Officer**
7	**8**	**9**	**11**	**12**	**13**

Entered By :*_____ **Checked By :*_____**

**For each entry made; record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry*

Form ES-5

_____ Name of the ULB

REGISTER OF PENSION PAYMENT ORDER

Number of Pension Payment Order	Name of Pensioner	Monthly amount (Rs.)	Remarks
1	2	3	4
Entered By :* _____	**Checked By :*_____**		

** For each entry made; record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry*

Form ES-6

_____ Name of the ULB

PENSION REGISTER

Name of Pensioner_____
Orders sanctioning the pension_____

Month	20__ to 20 __			20__ to 20 __			20__ to 20 __			20__ to 20 __			Remarks
	Date of payment	Voucher No.	Initials of Authorised Officer	Date of payment	Voucher No.	Initials of Authorised Officer	Date of payment	Voucher No.	Initials of Authorised Officer	Date of payment	Voucher No.	Initials of Authorised Officer	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
April ..													
May ..													
June ..													
July ..													
August ..													
September ..													
October ..													
November ..													
December ..													
January ..													
February ..													
March ..													

Entered By :* _____ **Checked By :*** _____

** For each entry made; record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry*

CHAPTER 15

HEALTH & SANITATION

INTRODUCTION

15.1 This chapter contains the recommended accounting system for transactions relating to health and sanitation activities in the Urban Local Body (ULB).

15.2 The Health Department is primarily involved in operating the hospitals, dispensaries & maternity homes and in monitoring sanitation and other public health related activities, within the limits of the ULB.

15.3 The main sources of incomes earned by the Health Department are as follows:

a. Fees and User Charges (accounted under Code of Account -)
   - Fees from Medical Institutions
   - Registration Fees for Patients
   - Recovery of Cost of Medicines
   - Examination Charges [X -Rays, Tests, Ultra-Sound, etc.]
   - Ambulance Charges
   - Funeral/Hearse Van Services
   - License fees from Butchers and Traders of Meat
   - Meat and Poultry Trade Licensing Fees, etc.
   - Disposal Charges (Solid Waste)

b. Sale & Hire Charges (accounted under Code of Account -)
   - Sale of Garbage/Manure

15.4 Besides incurring the usual administrative expenses such as establishment expenses, printing, stationery, office expenses, etc., the Health Department incurs expenses related to its Health and Sanitation functions. Following is an illustrative list of the expenses incurred in respect of the Health Department:

a. Sanitation related expenses
   - Solid Waste Management related expenses
     - City cleaning and sweeping
     - Garbage clearance
     - Dumping ground maintenance
   - Repairs and Maintenance – Solid Waste Management related expenses
     - Dustbin repairs and maintenance
     - Cattle-shed maintenance
     - Crematoria operation and maintenance
   - Own Programmes
   - Consumption of Health Stores – Solid Waste Management, etc.
     - Purchase of cleaning material
     - Insecticides and pesticides
     - Insecticides and pesticide spraying

b. Hospitals and Dispensaries related
   - Medical related expenses,
   - Testing & inspection fees,
   - Repairs and Maintenance – Medical/Health related assets,
   - Consumption of Medical Stores, etc.

c. Public Health progamme/scheme related
   - Health Program related expenses,
     - Family welfare expenses
     - Pulse polio vaccination expenses
     - School children health program related expenses
     - Aids awareness expenses, etc.

ACCOUNTING PRINCIPLES

15.5 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to health and sanitation:

a. Revenue in respect of the following shall be recognised on actual receipt.
   i. Hospital fees, maternity homes fees, diagnostic centre fees and dispensaries fees
   ii. Hospital training fees
   iii. Rent and/or hire charges in respect of ambulance, hearse, suction unit, meat van and road roller
   iv. Sale of fertilisers and waste, sale of animals and sale of scrap.
b. Revenue in respect of Trade License Fees shall be accrued in the year to which it pertains and where the demand is raised based on applicable Acts of the state.
c. Revenue in respect of rent of equipment provided to the contractors, deducted from their bills, shall be recognised as and when the deductions are made.
d. All revenue expenditures incurred shall be recognised on admission of the bills for payment by the ULB.
e. Provision shall be made at the year-end for all bills received up to a cut off date (30th April of the next financial year). However, the State Governments, depending on practicality and materiality involved can decide on this.

ACCOUNTING RECORDS & PROCEDURES

15.6 *This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Health & Sanitation. For the purposes of accounting of Health & Sanitation all the forms applicable, are generally applicable in respect of the transactions of the ULB including in respect of Health & Sanitation.*

ACCOUNTING FOR INCOME AND OTHER RECEIPTS

Medical Fees

15.7 The procedure to be followed for the collection and accounting of medical fees shall be as follows:

a. The collection in respect of the medical fees shall be made at the respective units (i.e. Hospitals, Dispensaries, Maternity Homes, etc.). A Receipt (Form GEN-8) or pre-denominated tokens shall be issued to the person making the payment at the respective units.

b. The amount collected by the units shall be deposited in a Designated Bank Account or forwarded to the Ward Office or to the Accounts Department.

c. The procedures for cash/cheque collection, remittance and/or deposit have been described in Chapter 5 - General Accounting Procedures, reference to which is invited. These procedures should be followed for Health and Sanitation related transactions.

d. Recording of collection of medical fees. On the basis of the Summary of Daily Collection (Form GEN-12) received from the various entities, i.e., Units, Ward Offices, Health Department, etc., the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 140- (b)	Bank Account* To _____ Charges**	Dr. Cr.	10,000	 10,000	Cash Book, Ledger

* Specify name of the Bank and account number
(a) Specify the Detailed head codes of account as applicable
(b) Insert Minor & Detailed Head Codes of account as applicable.

Note: The postings in the Ledger Account of "_____ Charges" Account shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book.

Hospital Training Fees

15.8 Recording of collection of hospital training fees. Hospital training fees are charges from medical colleges for granting internship facilities to their students in the hospitals owned by the ULB. The procedure followed for collection of hospital training fees shall be the same as described above for the collection of medical fees. To record the collection of hospital training fees, the Accounts Department shall pass the entry referred to in para. 15.7 (d).

Trade License Fees

15.9 The income in respect of trade license fees shall be recognised on accrual basis. It shall be accrued in the year to which it pertains and where the demand is raised based on applicable Acts of the State.

15.10 The procedure and accounting entries in respect of demand raised for trade license fees, collections made, provisioning for unrealised fees, etc. shall be similar to as described under section 'Accounting for Incomes to be accounted on Accrual Basis' in Chapter 11 – Rentals, Fees, and Other Incomes.

Other Incomes

15.11 The other incomes pertaining to the health and sanitation related activities such as ambulance rent, suction unit rent, dumping ground charges, etc., shall be accounted for in the manner as has been described under section 'Accounting for Other Incomes to be accounted on Actual Receipt Basis' in Chapter 11 - Rentals, Fees, and Other Incomes.

EXPENDITURES PERTAINING TO HEALTH AND SANITATION

15.12 The accounting for expenditures pertaining to hospitals, dispensaries, sanitation, scavenging, etc., shall be similar to that described in Chapter 12 - Public Works (for expenditure incurred through awarding of contracts to outside parties for carrying out certain activities), Chapter 13 - Stores (for expenditure incurred on purchase of stores such as medicines, insecticides, pesticides, etc.) and Chapter 16 - Other Revenue Expenditures in respect of all other expenditures pertaining to health and sanitation related activities.

15.13 At the period-end, the Health Department shall ensure that all the bills received in respect of expenses incurred before the last date of the accounting period, are processed and forwarded to the Accounts Department for accounting by 30th April of the next financial year if the accounting period is a financial year and in other cases in 15 days from the end of the accounting period.

INTERNAL CONTROLS

15.14 The following internal controls shall be observed by the ULB in respect of health and sanitation related transactions :

a. A quarterly reconciliation shall be carried out by the Head of the Accounts Department and the Head of the Health Function in respect of the amount collected under the various heads based on the balances standing in the Functional Income Subsidiary Ledger (Form GEN-33) in respect of Fees & User Charges and Sale & Hire Charges relating to Health Function maintained at the Accounts Department and the Collection Register (Form GEN–11) maintained at the Health Department.

b. The officers designated by the ULB for operating the Designated Hospital Bank Account shall co-ordinate with the banks on a daily basis and ascertain the status of the cheques deposited by them.

c. The Head of the Accounts Department shall ensure budget availability with respect to the expenditure incurred at the time of accruing of the expenditure.

d. The Head of the Accounts Department shall ensure that all the bills/invoices were journalised before release of the payments.

e. The Chief Executive Officer/Head of the ULB shall specify such appropriate calendar of returns /reports for monitoring.

15.15 All Reconciliation Statements shall be certified by the Head of the Accounts Department and verified by the Municipal Chief Auditor.

PRESENTATION IN THE FINANCIAL STATEMENTS

15.16 The various heads of accounts used for the accounting of Health and Sanitation related transactions shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the ULB. All such Financial Statements and schedules should be affixed with signature and seal of designated authorities.

15.17 The Schedules of Income and Expenditure Statement in respect of Health and Sanitation related income and expenses are presented below.

Schedule I-4: Schedule of Income from Fees & User Charges – Income head-wise

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
140-10-(a)	Empanelment & Registration Charges- Patients		
140-40-(a)	Other Fees- Health Fees		
140-50-(a)	User Charges-Medicines		
140-50-(a)	User Charges-Examination Charges		
140-50-(a)	User Charges-Ambulance		
Total income of Health & Sanitation to be shown as part of Fees & User Charges – Income head-wise Schedule			

(a) Specify the Detailed head codes of account as applicable

Schedule I-5: Schedule of Income from Sale & Hire Charges – Income head-wise

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
150-11-(a)	Sale of Forms		
150-41-(a)	Hire Charges of Equipment – Medical Equipment		
Total income of Health & Sanitation to be shown as part of Sale & Hire Charges – Income head-wise Schedule			

(a) Specify the Detailed head codes of account as applicable

Schedule I-12: Schedule of Operations & Maintenance – Expenditure head-wise

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
230-51-(a)	Repairs & maintenance - Civic Amenities		
230-52-(a)	Repairs & maintenance – Hospital Buildings		
230-53-(a)	Repairs & maintenance – Health Vehicles		
230-59-(a)	Repairs & maintenance – Others		
Total expense of Health & Sanitation to be shown as part of Operations & Maintenance Expenses Schedule			

(a) Specify the Detailed head codes of account as applicable

Schedule I-14: Schedule of Programme Expenses

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
250-20-(a)	Own Programmes		
250-30-(a)	Share in Programmes of others		
Total expense of Health & Sanitation to be shown as part of Program Expenses Schedule			

(a) Insert the Detailed head codes of account as applicable

15.18 The Balance Sheet Abstract in respect of Health & Sanitation Expense is presented below:

Schedule B-17: Schedule of Cash and Bank Balances

Code of Account	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
450-10-(a) 450-21-(a)	Cash Bank Account		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

CHAPTER 16

OTHER REVENUE EXPENDITURES

INTRODUCTION

16.1 This chapter contains the recommended accounting system for transactions relating to revenue expenditures other than the employees related expenses, the Public Works and the Stores. The expenditures discussed in this chapter are those in respect of which the benefits expire in a short period of time, i.e., less than one year.

16.2 The revenue expenditures discussed in this chapter could illustratively include:

a. Administrative Expenses

- Books and Periodicals, Newspapers
- Legal expenses
- Fuel
- Printing
- Stationery
- Advertisement and publicity
- Service Postage / Stamps
- Electricity and power
- Telephone and communication expenses
- Rent, Rates and Taxes
- Suit Compromises

- Professional and other Fees/charges
- Insurance charges
- Hospitality expenses
- Training expenses
- Computer related expenses (Revenue Expenses)
- Any other expenses, etc.

b. Programme Expenses

- Election Expenses
- Own Programmes
- Share in Programmes of others
- Census Expenses; etc

c. Miscellaneous Expenses

- Miscellaneous contingent expenses
- Women and Child Welfare Expenditure
- Backward Class Expenditure; etc.

16.3 Payment in respect of all the expenses incurred or borne by the ULB shall be made centrally by the Accounts Department. However, payment for certain categories of expenses, may be made from the Permanent Advance granted to a Head of the Department as resolved by the ULB or from the advance provided to the employees of the ULB.

16.4 Permanent Advance refers to those advances, which are granted to the Heads of the Departments for incurring certain specific expenditure, usually of a minor nature involving payments of small amounts, subject to bye-laws framed by the ULB in this behalf.

16.5 The ULB may also grant Miscellaneous Advance for incurring expenditure to the employees of the ULB. Such advances are expected to be settled immediately after the purpose for which they were sanctioned has been fulfilled.

ACCOUNTING PRINCIPLES

16.6 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Other Revenue Expenditures:

a. Other Revenue Expenditures shall be treated as expenditures in the period in which they are incurred.

b. Provision shall be made at year-end for all bills received upto a cut off date (30th April of next financial year). However, state governments, depending on practicality and materiality involved can decide on this.

c. Any expenditure for which the payment has been made in the current period but the benefit and/or service is likely to arise in a future period shall be treated as an expenditure for the period in which its benefit arises and/or services are received.

d. The expenditure for the current period shall include the proportionate value of the benefits and/or services arising in the current period even if the payment therefor has been made in the previous period.

ACCOUNTING RECORDS & PROCEDURES

16.7 This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Other Revenue Expenditures. For the purposes of accounting of Other Revenue Expenditures all the forms applicable, are the ones generally applicable in respect of the transactions of the ULB.

16.8 The concerned department, on receipt of bill or invoice for goods purchased or services received, shall prepare a Payment Order in Form GEN-14 and forward it to the Accounts Department for payment.

16.9 On receipt of the Payment Order, the Accounts Department shall enter the particulars thereof in a Register of Bills for Payment (Form GEN-13).

16.10 The procedure to be followed for approval and accounting of payment of expenditure is the same as provided in Chapter 5 on General Accounting Procedures.

16.11 Recording payment of expenditure. With regard to the payment made towards an expenditure, the benefit of which is likely to expire within a financial year in which it is incurred, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
220-(a)	_____ Expenses**	Dr.	25,000		Cash Book, Ledger
230-(a)	_____ Expense**	Dr.	15,000		
271-(a)	_____ Expense**	Dr.	10,000		
450-21-(b)	To Bank Account*	Cr.		50,000	

* *Specify name of the Bank and Account number*
** *Specify the appropriate expense head.*
(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

Note: The postings in the Ledger Account of "_____ Expenses" Account shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever the cash or the bank account is involved, there will be no entry in the Journal Book.

16.12 The Accounts Department shall maintain a Functional Expense Subsidiary Ledger in Form GEN–34 for each function in which various administrative expenditure incurred by a function shall be recorded on a daily basis. On payment of administrative expenditure, the Accounts Department shall immediately update the Functional Expense Subsidiary Ledger. The procedure for updating Subsidiary Ledger has been provided in Chapter 5 – General Accounting Procedures, reference to which is invited.

TREATMENT OF EXPENSES INVOLVING AN ELEMENT OF PREPAYMENT

16.13 In case of expenses for which payment is made in one accounting period and the benefit is likely to be received in the period within which the payment is made as well as the next period, the accounting entries shall be as explained below. This is illustrated with reference to rent payment.

16.14 Suppose the rent is payable in advance for a calendar year, e.g., January 2004 to December 2004. The bill for this is received in the month of November 2003. The portion in respect of January 2004 to March 2004 will pertain to the financial year 2003-2004. The portion in respect of April 2004 to December 2004 will pertain to the financial year 2004-2005.

16.15 Recordings of payment say in November 2003. The Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
220-10-(a) 450-21-(a)	Rent, Rates & Taxes To Bank Account*	Dr. Cr.	48,000	 48,000	Cash Book, Ledger**

** Specify name of the Bank and Account number*

(a) Insert Detailed Head Codes of Account as applicable

16.16 Recording of adjustment of prepaid rent. Immediately on expenditure being incurred, the amount of rent paid in advance shall be determined for recording the prepaid rent. For adjusting the rent paid for April 2004 to December 2004, i.e., for the next financial year, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
440-20-(a) 220-10-(a)	Prepaid Expenses – Administration To Rent, Rates & Taxes	Dr. Cr.	36,000	 36,000	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

Note: This entry shall be passed only if the prepaid amount is ascertainable at the time of recording expenditure. If such amount is not ascertainable at the time of recording of expenditure, the same shall be ascertained at the period-end and recorded then.

16.17 Recording of rent expense in next year. In the financial year 2004-2005, in April 2004, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
220-10-(a) 440-20-(a)	Rent, Rates & Taxes To Prepaid Expenses – Administration	Dr. Cr.	36,000	 36,000	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

16.18 By passing the entries in the above manner, the following shall happen:

a. Rent expense for the year 2003-2004 shall be shown as at Rs. 12,000 (Rs. 48,000 less Rs. 36,000).

b. Prepaid rent of Rs. 36,000 shall be carried forward in the Balance Sheet as at 31st March 2004 and shown as an asset.

c. Rent expense for the year 2004-2005 shall be shown at Rs. 36,000 as far as it relates to the payment made in November 2003.

d. For the payment made during financial year 2004-2005, similar entries as above would need to be passed. It is likely that a further Rs. 12,000 shall be treated as an expense in the financial year 2004-2005 and therefore, the total rent for the financial year 2004-2005 shall be Rs. 48,000 (Rs. 36,000 paid in previous year plus Rs.12, 000 paid in the year 2004-2005).

16.19 All other expenses shall be treated in a similar manner.

16.20 Most expenses which are payable on a time basis shall be treated in the above manner. In case of expenses of a sporadic nature, if the entire service has not been received in the year of payment, an estimate would need to be made at the end of the financial year to carry forward the unexpired portion of the benefit or service to the next financial year.

ACCRUED EXPENDITURE

16.21 There may be instances of expenditures, which pertain to a particular accounting period in respect of which the bills have been received but may not have been admitted for payment by the ULB. These shall be provided at the end of an accounting period to fully reflect the revenue expenditures incurred in that period.

16.22 For this, at the end of the accounting period, each of the departments shall collate the details of the accrued expenditure from the bills received during or after the accounting period but pertaining to the accounting period and remaining unpaid at the end of the accounting period. The said information shall be collated in Form GEN-28 by 30th April of the next financial year where the accounting period is a financial year and in other cases in 15 days from the end of the accounting period.

16.23 The portion of a bill representing accrued liability in respect of an accounting period shall be accounted for in that period's books, irrespective of the fact that it has been received in the next accounting period.

16.24 Recording of Accrued Expenditure. For recording the accrued expenditure, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
220-(a) 360-10-(b)	_____ Expenses* To Provision for Expenses	Dr. Cr.	2,00,000	 2,00,000	Journal Book, Ledger

(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

16.25 Payment of Accrued Expenditure. In the **next** accounting period, upon payment of accrued expenditure, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
360-10-(a) 450-21-(a)	Provision for Expenses To Bank Account*	Dr. Cr.	2,00,000	 2,00,000	Cash Book, Ledger

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

16.26 Suppose the bill in respect of legal fees of Rs. 10,000/- payable for the months of March 2004 and April 2004 is received at the end of April 2004 with the expenditure for the month of April being separately quantified at Rs. 5,000/-.

a. Recording the liability. For the accrued expenditure, the Accounts Department shall pass the following entry for legal fees in the books of accounts of financial year 2003 – 2004:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
220-51-(a) 350-10-(a)	Legal Expenses – Legal Fees To Creditors -Expenses	Dr. Cr.	5,000	 5,000	Journal Book, Ledger**

(a) Insert Detailed Head Codes of Account as applicable

b. Recording of payment of Legal Fees. When the payment is made in the month of April 2004, the following entry shall be passed in the books of accounts of financial year 2004-2005:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
220-51-(a)	Legal Expenses – Legal Fees	Dr.	5,000		Cash Book, Ledger
350-10-(a)	Creditors – Expenses	Dr.	5,000		
450-21-(a)	To Bank Account*	Cr.		10,000	

** Specify Name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

16.27 The effect of the above entries shall be as follows:

a. Legal Expenses shall be reflected for March 2004 in the accounts for the period 2003-2004 and an outstanding liability created.

b. When the actual payment is made, the legal expenses ledger account shall be debited for that portion of legal fees which pertains to April 2004 and Creditors for Other Expenditures shall be debited for that portion of legal fees which pertains to March 2004 for which a liability was created in the financial year 2003-2004.

PAYMENT AGAINST PERMANENT ADVANCE

16.28 Recording of grant of Permanent Advance. Permanent Advance may be provided to the heads of the departments for incurring specific expenditure, as per the bylaws of the ULB or as approved by the ULB. The Accounts Department shall record the grant of Permanent Advance in Register of Permanent Advance in Form GEN-17 and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-50-(a)	Advance to others – Permanent Advance	Dr.	2,500		Cash Book, Ledger, Register of Advances
450-21-(a)	To Bank Account*	Cr.		2,500	

** Specify Name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

16.29 Recording of other revenue expenditure incurred. Expenditure in respect of which Permanent Advance has been provided shall be initially incurred against it. At intervals of not more than one month, the concerned department shall prepare a Payment Order (Form

GEN-14) and forward it to the Accounts Department. On receipt of Payment Order, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
220-(a) 460-50-(b)	_____ Expenses* To Advance to others Permanent Advance	Dr. Cr.	1,000	1,000	Journal Book, Ledger, Register of Advances

(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

16.30 The Accounts Department after recording the aforesaid entry shall replenish the permanent advance to the extent of the amount expended and in respect of which entry as referred to in para. 16.28 shall be passed.

16.31 For recovery of Permanent Advance. The permanent advance granted to the Departments shall be recovered at the end of the financial year. On receipt of money, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 460-50-(a)	Bank Account* To Advance to others – Permanent Advance	Dr. Cr.	1,500	1,500	Cash Book, Ledger, Register of Advances

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

PAYMENT AGAINST MISCELLANEOUS ADVANCE

16.32 Recording of grant of Miscellaneous Advances. Miscellaneous Advances may be given to the employees of the ULB for incurring specific expenditure for the ULB. The Accounts Department at the time of granting of miscellaneous advance shall make an entry in the Register of Advance (Form GEN-16) and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-10-(a) 450-21-(a)	Advances to Employees-Miscellaneous Advance To Bank Account*	Dr. Cr.	1,500	 1,500	Cash Book, Ledger, Register of Advances

* *Specify Name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

Expenses incurred are less than the advance given

16.33 Recording of Expense incurred. The concerned employee shall prepare a Payment Order (Form GEN-14) for the expenditure incurred against the miscellaneous advance provided (for e.g. - expenses incurred are Rs. 1,000 against advance provided Rs. 1,500) and forward it to the Accounts Department. The excess cash shall be re-deposited with the Accounts Department. The Accounts Department shall update the Register of Advances (Form GEN-16) for the Payment Order received and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
220-(a) 460-10-(b)	Administrative Expenses – Others To Advances to Employees – Miscellaneous Advance	Dr. Cr.	1,000	 1,000	Journal Book, Ledger, Register of Advances

(a) Insert Minor and Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

16.34 Re-deposit of excess cash. For excess cash tendered along with the Payment Orders, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 460-10-(a)	Bank Account* To Advances to Employees – Miscellaneous Advance	Dr. Cr.	500	 500	Cash Book, Ledger, Register of Advances

* *Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

Expenses incurred are more than the advance given

16.35 Recording of Expense incurred. The concerned employee shall prepare a Payment Order (Form GEN-14) for the expenditure incurred against the miscellaneous advance provided (for e.g. - expenses incurred are Rs. 2,500 against advance provided Rs. 1,500) and forward it to the Accounts Department. The Accounts Department shall update the Register of Advances (Form GEN-16) for the Payment Order received and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
220-(a) 460-50-(b)	_____ Expenses* To Advances to Employees – Miscellaneous Advance	Dr. Cr.	1,500	1,500	Journal Book, Ledger, Register of Advances

(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

16.36 Recording extra expense incurred. In case, expenditure incurred is more than the advance provided to the employee, for recording the extra expenditure incurred and payment for it, either to the employee or to the supplier, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
220-(a) 450-21-(b)	_____ Expenses** To Bank Account*	Dr. Cr.	1,000	1,000	Cash Book, Ledger, Register of Advances

** Specify name of the Bank and Account number*
(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

ACCOUNTING OF EXPENDITURE INCURRED IN TERMS OF ANY GRANT OR SPECIAL FUND

16.37 The procedure to be followed for accounting of expenditure incurred in pursuance of the terms and conditions of any Grants or Special Funds, shall be the same as what is described above in respect of expenditure incurred by the ULB during the normal course of its operations. The expenditure so incurred shall be paid from the respective designated bank accounts. The accounting entry to be passed for expenditure incurred and paid shall

be the same as what has been described in Chapter 17 on Grants in respect of expenditure incurred under any Grant and Chapter 19 on Special Funds in respect of expenditure incurred from any Special Fund.

INTERNAL CONTROLS

16.38 The following internal controls shall be observed by the ULB:

a. The Head of the Accounts Department shall ensure budget availability with respect to the expenditure incurred at the time of accruing of the expenditure.

b. The Head of the Accounts Department shall ensure that all the bills/invoices were journalised before release of the payments.

c. The Head of the Accounts Department shall ensure proper authorisation of Payment Order as per the authorities delegated by the ULB.

d. The Head of the Accounts Department shall ensure that the relevant supporting documents are annexed to the Payment Order submitted by the Department.

e. The Head of the Accounts Department shall ensure appropriate classification both in terms of expenditure head and the period in which the expenditure has been accounted with reference to the nature of the bill and the date of the bill, respectively.

f. On a quarterly basis, and, also in between, on a random basis, the Head of the Accounts Department shall conduct physical verification of cash in hand held at the various departments and tally it with the departmental records maintained there and thereafter with the Register of Advances (Form GEN-16) maintained at the Accounts Department.

g. At the time of making payment, the Accounts Department shall ensure that reference to the departmental Register of Bills for Payment where the payment bill has been recorded by the department concerned, is provided in the Payment Order. In case of non-referencing, the Accounts Department shall return the Payment Order to the concerned Department for rectification and resubmission. In addition, at the time of payment to Suppliers/contractors and any other creditors it shall be ensured that no amount is due from them, which may be adjusted before payment.

h. The Head of the Accounts Department shall ensure that a monthly reconciliation of total expenditure incurred and recorded in the Departmental Expense (Administrative Expenses) Subsidiary Ledger is carried out with the total expenditure recorded in several Administrative Expense Ledger Accounts.

i. The Chief Executive Officer/Head of the ULB shall specify such appropriate calendar of returns /reports for monitoring.

16.39 All Reconciliation Statements shall be certified by the Head of the Accounts Department.

PRESENTATION IN FINANCIAL STATEMENTS

16.40 The prepaid expenses and accrued liability shall be identified for proper disclosure in the Balance Sheet of the ULB.

16.41 The various heads of accounts used for the accounting of Other Revenue Expenditures shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the ULB. All such Financial Statements and schedules should be affixed with signature and seal of designated authorities.

16.42 The Schedules of Income and Expenditure Statement in respect of Other Revenue Expenditures are presented below.

Schedule I-11: Schedule of Administrative Expenses – Expenditure head-wise

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
220-10-(a) 220-51-(a) 220-80-(a)	Rent, Rates and Taxes Legal Expenses Other Administrative Expenses		
Total expense of Other Revenue Expenditure to be shown as part of Administrative expenses – expense head wise Schedule			

(a) Insert Detailed Head Codes of Account as applicable

16.43 The abstracts of Balance Sheet in respect of Other Revenue Expenditures are presented below:

Schedule B-9: Schedule of Other Liabilities (Sundry Creditors)

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
350-10-(a)	Creditors – Payable against Expenses		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-10: Schedule of Provision for Expenses

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
360-10-(a)	Provision for Expenses		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-16: Schedule of Prepaid Expenses

Code No.	Particulars	Current year Amount (Rs.)	Previous year Amount (Rs)
1	2	3	
440-20-(a)	Administration		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-17: Schedule of Cash and Bank Balances

Code No.	Particulars	Current year Amount (Rs.)	Previous year Amount (Rs.)
1	2	3	4
450-10-(a) 450-21-(a) 450-41/61-(a)	Cash Account Bank Account Designated Bank Account		
	Total Cash and Bank balances		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-18: Schedule of Loans, advances and deposits

Code No.	Particulars	Opening Balance at the beginning of the year (Rs.)	Paid during the current year (Rs.)	Recovered during the year (Rs.)	Balance outstanding at the end of the year (Rs.)
1	2	3	4	5	6
460-50-(a)	Advance to Others				
	Net total of Loans, advances, and deposits				

(a) Insert Detailed Head Codes of Account as applicable

CHAPTER 17

GRANTS

INTRODUCTION

17.1 This chapter contains the recommended accounting system for transactions relating to Grants received by the Urban Local Body (ULB).

17.2 The ULB receives grants from the State and/or Central Government(s). The grants received by the ULB could be either for general purposes or for carrying out specific projects/schemes or in form of reimbursements for specific expenditures.

NATURE OF GRANTS

17.3 Grants received by the ULB may be of a capital or revenue nature. A *Capital Grant* is usually utilised for capital expenditure i.e. creation of a fixed asset (like purchase of land, building, equipment, facilities, etc.). The benefits of such expenditure are of an enduring nature and spread over an extended period of time. A *Revenue Grant*, on the other hand, is generally utilised for meeting recurring expenditure, the benefits of which usually expire within the accounting year in which it is incurred. Revenue Grants are usually in the nature of a subsidy. Grants may be for a non-specific purpose, i.e., *General Grants* or for a specific purpose, i.e., *Specific Grants*. These are further described below.

GENERAL GRANTS

17.4 Grants received for general (unspecified) purposes are usually in the form of a lumpsum payment from the State Government to facilitate meeting certain expenditure (usually revenue in nature) relating to the ULB's activities.

17.5 Following is an illustrative list of the General Grants that may be received by the ULB from the State Government:

- Motor Vehicles Tax grant
- Stamp Duty grant
- District Court grant

SPECIFIC GRANTS

17.6 The ULB usually also receive grants for carrying out specific projects/schemes or for meeting specific expenditures. These can be Revenue or Capital in nature based on the purpose for which they are received Certain Specific Grants can have both, capital and revenue components, e.g., grant for construction of new roads and subsequent repairs and maintenance of roads. Specific Grants may either be received in advance or as a reimbursement of the expenditure incurred by the ULB.

17.7 The following is an illustrative list of Specific Grants that may be received by the ULB:

- Revenue Grants for meeting expenditure incurred during the ordinary course of activites of the ULB:
  - Dearness Allowance Expenditure Reimbursement Grant,
  - Grant for Chemicals used for Water Supply Works, etc.
- Revenue Grants for operating specific projects/schemes:
  - Census Grant,
  - Pulse Polio Grant,
  - Family Welfare Grant,
  - Tuberculosis Control Grant,
  - Malaria Control Grant,
  - Aids Awareness Grant,
  - School Children Health Program Grant, etc.

- Capital Grants for meeting capital expenditures under specific projects/schemes:
  - Backward Classes Development Grant,
  - Integrated Urban Areas Development/Integrated Development of Small and Medium Towns Grant,
  - Public Toilets Construction grant, etc.

17.8 When a Specific Grant is received in advance, the ULB is required to submit an "Utilisation Certificate" in the manner, prescribed in the Grant Sanction Order.

17.9 The claim for grant receivable as a reimbursement of expenditure incurred is made by submitting "Statement of Expenditure" to the sponsoring agency at such intervals as prescribed in the Grant Sanction Order.

17.10 Some Specific Grants require opening of a Designated Bank Account from which all expenditures in respect of the grant are paid and/or maintenance of separate Books of Accounts.

ACCOUNTING PRINCIPLES

17.11 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Grants:

a. General Grants, which is of a revenue nature, shall be recognised as income on actual receipt.

b. Grants towards revenue expenditure, received prior to the incurrence of the expenditure, shall be treated as a liability till such time that the expenditure is incurred.

c. Grants received or receivable in respect of specific revenue expenditure shall be recognised as income in the accounting period in which the corresponding revenue expenditure is charged to the Income and Expenditure Account.

d. Grants received towards capital expenditure shall be treated as a liability till such time that the fixed asset is constructed or acquired. On construction/acquisition of a fixed asset out of the grants so received, the extent of liability corresponding to the value of the asset so constructed/acquired shall stand reduced and the amount shall be treated as a capital receipt and shall be transferred from the respective Specific Grant Account to the Capital Contribution.

e. Grants received as a nodal agency or as implementing agency for an intended purpose, which does not, result in the creation of assets with ownership rights for the ULB shall be treated as a liability till such time it is used for the intended purpose. Upon utilisation for the intended purpose, the extent of liability shall stand reduced by the value of such utilisation and no further treatment shall be required.

f. Grants in the form of non-monetary assets (such as fixed assets given at a concessional rate) shall be accounted for on the basis of the acquisition cost. In case a non-monetary asset is received free of cost, it shall be recorded at a nominal value (e.g. Rupee One).

g. Income on investments made from 'Specific Grants received in advance' shall be recognised and credited to the Specific Grant, whenever accrued. Profit/loss, if any, arising on disposal of investments made from the 'Specific Grant received in advance' shall also be recognised and credited/debited to the Specific Grant.

ACCOUNTING RECORDS & PROCEDURES

17.12 *This section describes the records, register, documents, accounting entries, etc., in respect of accounting for transactions related to Grants. For the purposes of accounting, the form Grant Register (Form G-1) is specific to Grants. This is annexed to this chapter.*

17.13 The Accounts Department shall maintain a Grant Register in Form G-1 with separate registers for capital and revenue grants and separate pages for each grant for recording details of receipt of grant and expenditures incurred from it.

GENERAL GRANTS

17.14 The amount of grant sanctioned by the State Government may be after deduction of certain charges/dues payable to the State Government by the ULB. For example loan liabilities/interest on the loans from the State Government/electricity charges payable etc Therefore recording of a grant received from the State Government of Rs.85,000 after deduction of 'Electricity charges payable' amounting to Rs 10,000 and Interest on Short-term loan from the State Government' amounting to 5,000 is explained as detailed below:

a. Recording of receipt of General Grant. Details of General grants received shall be entered in the Receipt Register (Form GEN-9) maintained at the Accounts Department and deposited into the Main Bank Account. A Receipt shall be issued in Form GEN-8 to the sponsoring agency. To record the receipt of grant, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450--(a) 160-10-(b)	Bank Account * To Revenue Grant	Dr. Cr.	85,000	 85,000	Cash Book, Ledger, Grant Register

* *Specify name of bank and Account number*
(a) Insert Minor and Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

b. Recording of deductions made by the State Government at the time of payment: At the time of release, state government may deduct from the grants the payments to be made by ULB like Electricity Charges, Interest on Loans, Loan repayment etc. ULBs shall account for the gross amount of the grant as Income and book the relevant heads for the deductions made. As per the details of the deductions in the government order sanctioning the grant, the Accounts Department shall pass the following entry in its books:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
240-20-(a)	Interest on Loans from State Government	Dr.	5,000		Journal Book, Ledger, Loans Register and Grants Register
220-11-(a)	Office Maintenance - Electricity Charges	Dr.	10,000		
160-10-(a)	To Revenue Grant	Cr.		15,000	

(a) Insert Detailed Head Codes of Account as applicable

Note: The postings in the Ledger (Form GEN-3) of "Main Bank" Account and "____Grant Income" Ac count shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book (Form GEN-2)

SPECIFIC GRANTS

17.15 Specific Grants could either be received in advance or as a reimbursement of the expenditure already incurred. These could be Revenue or Capital in nature, or a combination of both. The accounting entries for Specific Grant will, depend on the nature of the receipt (in advance or as reimbursement) and the nature of the expenditure, which are expected to be incurred out of such grants (capital or revenue).

Specific Grants Received in Advance

17.16 Grants received in advance shall be deposited in their respective Designated Grant Bank Accounts and they shall be accounted for in the following manner.

Specific Grant in respect of Revenue Expenditure

17.17 The Specific Grants received in advance towards revenue expenditure shall be accounted as follows:

a. Recording of grant received in advance. The details of the Grant Sanction Order shall be recorded in the Grant Register (Form G-1). On receipt of the grant, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450- 61-(a) 320-(b)	Designated Bank Account* To Grants for Specific Purposes	Dr. Cr.	1,00,000	1,00,000	Grant Cash Book, Ledger, Grant Register

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

b. Separate Cash Book (Form GEN-1) shall be maintained in respect of all grants.

c. The details of the receipt of the grant shall be updated in the Grant Register (Form G-1).

d. The accounting procedure to be followed in respect of revenue expenditure incurred against Specific Grants received in advance shall be the same as what is described in Chapter 12 – Public Works for repairs and maintenance expenses, Chapter 13 – Stores for stores purchased, and Chapter 16 - Other Revenue Expenditures for other revenue expenditures.

e. Payment of advance to contractor/supplier in respect of a Specific Grant received in advance. Any advance made to a supplier/contractor in respect of a project/scheme to be carried out against a Specific Grant received in advance, shall be payable from the Designated Grant Bank Account only and not from the Main Bank Account. The entry for this shall be the same as described in the section "Advance paid to contractors/suppliers".

f. Recording of liability on receipt of contractor/supplier bill. On receipt of processed bill in respect of material supplied or services rendered or works executed which is of a revenue nature, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
2-(b)	_____Expenditure	Dr.	20,000		Journal Book, Ledger, Grant Register
350-10-(a)	To Creditors-Payables against Specific Grants	Cr.		12,000	
340-10-(a)	To From Contractors/ Suppliers -Security Deposit Specific Grant	Cr.		2,000	
350-20-(a)	To Recoveries Payable – TDS from Specific Grant	Cr.		1,000	
350-20-(a)	To Recoveries Payable – Works Contract Tax from Specific Grant	Cr.		2,000	
460-40-(a)	To Advance to Suppliers/ Contractors– Specific Grants	Cr.		3,000	

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Major, Minor and Detailed Head Codes of Account as applicable

g. The details of the expenditure shall be recorded in the Grant Register (Form G-1) under the respective Specific Grant.

h. Recording of payment to the contractor/supplier. The payment to the contractor/supplier shall be made only from the respective Designated Grant Bank Account. On payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a)	Creditors – Payables against Specific Grants	Dr.	12,000		Grant Cash Book, Ledger, Grant Register
450- 61-(a)	To Designated Bank Account*	Cr.		12,000	

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

i. Recording of payment for deductions made. The deductions made on behalf of the Government in point "h" above shall also be paid from the respective Designated Grant Bank Account. On payment of deductions made, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-20-(a)	Recoveries Payable - TDS – Specific Grant	Dr.	1,000		Grant Cash Book, Ledger, Grant Register
350-20-(a)	Recoveries Payable -Works Contract Tax from Specific Grant	Dr.	2,000		
450-61-(a)	To Designated Bank Account*	Cr.		3,000	

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

j. Recording of transfer of money from Designated Grant Bank Account to Main Bank Account on utilisation of common stores. The amount equivalent to the cost of common stores utilised for the purpose of the Specific Grant shall be transferred from the respective Designated Grant Bank Account to Main Bank Account. Accounts Department shall update the Grant Register (Form G-1) for the same and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Bank Account*	Dr.	1,000		Grant Cash Book, Cash Book, Grant Register
450-61-(a)	To Designated Bank Account*	Cr.		1,000	

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

k. Recognising grant income in respect of revenue expenditure incurred under Specific Grants. At the end of each quarter, the Accounts Department shall identify the revenue expenditure incurred under the Specific Grants received in advance (from the Grant Register). To record income against it, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
320-(a)	Grants for Specific Purposes	Dr.	21,000		Journal Book, Ledger, Grant Register
160-10-(b)	To Revenue Grant	Cr.		21,000	

(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

Advance paid to contractors/suppliers

17.18 On payment of advance to contractors for work executed under a Specific Grant, the Accounts Department shall pass the following entries:

a. To record the advance sanctioned. Suppose an advance of Rs. 20,000 is sanctioned to a contractor from which Rs. 1,000 is deducted on account of income tax. On deduction, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-40-(a)	Advance to Suppliers & Contractors – Specific Grant	Dr.	20,000		Journal Book, Ledger, Grant Register
350-20-(a)	To Recoveries Payable TDS From Specific Grant	Cr.		1,000	
350-10-(a)	To Creditors –Contractors Advance Control Account Specific Grants	Cr.		19,000	

(a) Insert Detailed Head Codes of Account as applicable

b. For recording payment of advance. On payment of balance advance, i.e., Rs. 19,000 from the respective Designated Grant Bank Account, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a)	Creditors –Contractors Advance Control Account Specific Grants	Dr.	19,000		Grant Cash Book, Ledger, Grant Register
450-61-(a)	To Designated Bank Account*	Cr.		19,000	

**Specify the name of the Bank and Account number*

(a) Insert Detailed Head Codes of Account as applicable

Earnest Money Deposit

17.19 Any amount received or paid on account of Earnest Money Deposit in respect of any contract executed under Specific Grant received in advance shall be deposited in or refunded from the respective Designated Grant Bank Account. The accounting procedure to be followed for this shall be the same as described in Chapter 12 - Public Works, reference to which is invited**.**

17.20 Recording of receipt of Earnest Money Deposit. On receipt of Earnest Money Deposit, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-61-(a) 340-10-(a)	Designated Bank Account* To From Suppliers/ Contractors – EMD Specific Grants	Dr. Cr.	1,000	1,000	Grant Cash Book, Ledger, Grant Register

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

17.21 Recording of refund of Earnest Money Deposit. On refund of Earnest Money Deposit to the unsuccessful bidder, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a) 450-61-(a)	From Suppliers/ Contractors – EMD Specific Grants To Designated Bank Account*	Dr. Cr.	900	900	Grant Cash Book, Ledger, Grant Register

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

17.22 Conversion of Earnest Money Deposit to Security Deposit. On receipt of intimation from the concerned department for conversion of Earnest Money Deposit of the successful bidder into Security Deposit payable by him, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a) 340-10-(a)	From Suppliers/ Contractors – EMD Specific Grants To From Suppliers/ Contractors – Security Deposit Specific Grants	Dr. Cr.	100	100	Journal Book, Ledger, Grant Register

(a) Insert Detailed Head Codes of Account as applicable

Security Deposit

17.23 Any amount received or paid on account of Security Deposit in respect of any contract executed under any Specific Grant shall be deposited in or refunded from the respective Designated Grant Bank Account. The accounting procedure to be followed in this respect shall be the same as described in Chapter 12 - Public Works, reference to which is invited.

17.24 Recording receipt of Security Deposit. On receipt of Security Deposit, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-61-(a) 340-10-(a)	Designated Bank Account* To From Suppliers/ Contractors – Security Deposit Specific Grants	Dr. Cr.	10,000	10,000	Grant Cash Book, Ledger, Grant Register

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

17.25 Treatment of Security Deposit deducted from the contractor's/supplier's invoice has already been described in para. 17.16 (f) above.

17.26 Recording refund of Security Deposit. The refund of the Security Deposit collected/deducted in respect of any Specific Grant received in advance shall be made from the respective Designated Grant Bank Account. and the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a) 450-61-(a)	From Suppliers/ Contractors – Security Deposit Specific Grants To Designated Bank Account*	Dr. Cr.	12,000	 12,000	Grant Cash Book, Ledger, Grant Register

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

Specific Grant in respect of Capital Expenditure

17.27 Recording of grant received in advance. The details of the Grant Sanction Order shall be recorded in the Grant Register (Form G-1). On receipt of the grant, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-61-(a) 320-(b)	Designated Bank Account* To Grants for Specific Purposes	Dr. Cr.	3,00,000	3,00,000	Grant Cash Book, Ledger, Grant Register

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

17.28 The accounting procedure to be followed and accounting entries to be recorded in respect of:

a. Advance provided to the contractor/supplier,

b. Recovery of advance provided to contractor/supplier,

c. Receipt of Earnest Money Deposit (EMD) from the bidders and its refund to unsuccessful bidders;

d. Conversion of EMD of successful bidder into Security Deposit;

e. Security Deposit received from contractor/supplier,

f. Security Deposit deducted from the contractor's/supplier's bill,

g. Refund of Security Deposit,

h. Deduction of tax from the contractor's/supplier's bill,

i. Payment of amounts deducted to the relevant authorities, etc.

shall be the same as what is described in the section "Specific Grant in respect of Revenue Expenditure" above.

17.29 Recording of receipt of bill for capital work-in-progress. On receipt of a progress bill in respect of capital works being executed under Specific Grants, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
412-(a) 350-10-(a)	Capital Work-in-Progress _____Specific Grants To Creditors – Payables against Specific Grants	Dr. Cr.	2,00,000	 2,00,000	Journal Book, Ledger, Grant Register

(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

17.30 Recording of receipt of bill for acquisition of fixed assets. On receipt of a bill in respect of acquisition/purchase of fixed assets under Specific Grants, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410-(a) 350-10-(a)	Fixed Assets (Specify the name of the Asset) To Creditors - Payables against Specific Grants	Dr. Cr.	1,00,000	 1,00,000	Journal Book, Ledger, Grant Register

(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

17.31 Recording payment to contractors/suppliers. Payment in respect of any expenditure incurred for purchase, acquisition or construction of any fixed asset under any Specific Grant shall be made from the respective Designated Grant Bank Account. On payment, the Accounts Department shall pass the following:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a) 450-61-(a)	Creditors - Payables against Specific Grants To Designated Bank Account*	Dr. Cr.	3,00,000	 3,00,000	Grant Cash Book, Ledger, Grant Register

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

17.32 Recording capitalisation of capital work-in-progress. On completion of construction of capital project, the capital work-in-progress shall be capitalised for which the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410-(a) 412-(a)	Fixed Assets (Specify name of the Asset) To Capital Work-in-Progress _____ Specific Grants	Dr. Cr.	2,00,000	 2,00,000	Journal Book, Ledger, Grant Register

(a) Insert Minor Head Codes of Account under 3-07 & 3-08 as applicable

17.33 Recording of transfer of Specific Grant to 'Capital Contribution' on capitalisation. On capitalisation of capital work-in-progress or on acquisition of any fixed assets under a Specific Grant, an amount equivalent to the amount of capital expenditure incurred and capitalised shall be transferred from the Specific Grant to the Capital Contribution. To record this transfer, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered nto
320-(a) 312-10-(b)	Grants for Specific Purposes To Capital Contribution	Dr. Cr.	3,00,000	 3,00,000	Journal Book, Ledger, Grant Register

(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

17.34 The above entry shall be passed simultaneously along with the entry for purchase/acquisition or capitalisation of the fixed assets.

Investment of Funds from Specific Grant received in advance

17.35 Investments made from Specific Grants received in advance shall be entered in a Grant Investment Register to be maintained in Form IN-1 (provided in Chapter 20 - Investments). The accounting entries /procedures to be followed for investments of such moneys are similar to those followed in respect of other investments. They relate to investments, maturity of investment, recording of interest, profit/loss on sale/maturity of investments, etc. These have been described in Chapter 20 - Investments.

17.36 Interest earned on investments, profit/loss on disposal of Investments, if any, shall be updated in the Grant Register (Form G-1) by the Accounts Department.

GRANTS RECEIVED AS NODAL/ IMPLEMENTATION AGENCY

17.37 ULBs may receive grants as a nodal agency under certain schemes, wherein the expenditure of the schemes are for a set of beneficiaries. In some cases, the scheme expenditure is met by the ULB directly. In some other cases they are paid to the beneficiaries group who upon spending will produce the relevant expenditure / utilisation statement.

17.38 Recording of grant received: The details of the Grant Sanction Order shall be recorded in the Grant Register (Form G-1). On receipt of the Grant in advance, the Accounts department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-61-(a) 320-(b)	Designated Bank Account* To Grants for Specific Purposes	Dr. Cr.	3,00,000	3,00,000	Grant Cash Book, Ledger, Grant Register

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

17.39 Payment of advance to executing agency or beneficiary group: The ULBs may pay advance to the executing agency / beneficiary group towards the works to be undertaken by them. For recording the payment of advances, the accounts department will pass the following accounting entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-50-(a)	Advances for Project – Specific grants	Dr.	2,00,000		Grant Cash Book, Ledger, Grant Register
450-61-(a)	To Designated Bank account*	Cr.		2,00,000	

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

17.40 Recording of liability for 'Scheme expenses' on receipt of bill : ULBs may receive the bills for payment either directly from the contractors or from the implementing agency. The expenses incurred against Scheme to which the grant is received by the ULB shall be taken to a separate control to accumulate the expenditure incurred. For recording of the amounts payable to the contractors or nodal agencies the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-80-(a)	Other Current Assets – Scheme expenses	Dr.	1,00,000		Journal Book and Ledger
350-10-(a)	To Creditors – Payables against Scheme expenses	Cr.		80,000	
350-20-(a)	To Recoveries Payable TDS from– Scheme expenses	Cr.		10,000	
460-50-(a)	To Advances for Project –Specific grants	Cr.		10,000	

(a) Insert Detailed Head Codes of Account as applicable

17.41 Recording of payments made to contractor / implementing agency.

a. The payment for the bills shall be made only from the respective designated grant bank account. . The accounts department shall pass the following entry on payment :

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a)	Creditors -Payable against Scheme expense	Dr.	80,000		Grant Cash Book, Ledger, Grant Register
450-61-(a)	To Designated Bank Account*	Cr.		80,000	

*Specify the name of the Bank and Account number
(a) Insert Detailed Head Codes of Account as applicable

17.42 Recording of payment for deductions made The deductions made on behalf of the Government in above shall also be paid from the respective Designated Grant Bank Account. On payment of deductions made, the Accounts Department shall pass the same entry as explained in Para 17.16.

17.43 Recording of transfer of money from Designated Grant Bank Account to Main Bank Account on utilisation of common stores. The amount equivalent to the cost of common stores utilised for the purpose of the Specific Grant shall be transferred from the respective Designated Grant Bank Account to Main Bank Account before issue of any common stores. Accounts Department shall update the Grant Register (Form G-1) for the same and the accounting entry is same as explained in Para 17.16 (j).

17.44 Recording of Transfer of Scheme expenses on completion of the scheme or at period end: On completion of the scheme or at the period ends, the total amount of grant received for specific purpose as a nodal agency shall be adjusted to the extent of amounts utilised under the project. The accounting entry for such adjustment is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered nto
320-(a) 460-80-(b)	Grants for Specific Purposes To Other Current Assets – Scheme Expenses	Dr. Cr.	3,00,000	3,00,000	Journal Book, Ledger, Grant Register

(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

Period End Procedures

17.45 At the period-end it shall be ensured that the bills received in respect of revenue expenditure incurred as well as works executed or acquisition / purchase of fixed assets before the last date of the accounting period, are processed and forwarded to the Accounts Department for accounting and payment within 15 days from the end of the accounting period.

17.46 The accounting entry to be recorded in respect of revenue expenditure shall be same as provided in para 17.16 (f) above and the accounting entry to be recorded to recognise the grant income in respect of revenue expenditure incurred shall be same as provided in para 17.16 (k) above.

17.47 The accounting entry to be recorded for progress bill in respect of capital works being executed under Specific Grants shall be the same as provided in para 17.28 above and for bills in respect of acquisition / purchase of fixed assets under Specific Grants shall be the same as provided in para 17.29 above.

17.48 For grants received as a nodal agency, it shall be ensured that the transfer entry is made for expenses incurred against it and the balance in the 'Scheme Expenses – Nodal Agency' account has become nil.

Repayment of unutilised Specific Grant received in advance

17.49 Recognition of liability for repayment of grant. Specific grants are normally to be used within a period specified in the Grant Sanction order. Generally the Specific grants shall be refunded in the following circumstances:

- On expiry of the period for utilisation of the grant as per grant sanction order.
- The total amount utilised out of the grant is lesser than the amount of the grant received.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
320-(a) 350-40-(b)	Grants for Specific Purposes To Refunds Payable – Grants	Dr. Cr.	10,000	10,000	Journal Book, Ledger, Grant Register

(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

17.50 Payment of unutilised Specific Grant. The unutilised Specific Grant received in advance shall be repaid from the respective Designated Grant Bank Account. On payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-40-(a) 450-61-(a)	Refund Payable –Grants To Designated Bank Account*	Dr. Cr.	10,000	10,000	Grant Cash Book, Ledger, Grant Register

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

Specific Grants Received as Reimbursement of Expenditure incurred by the ULB

17.51 Specific Grants received as reimbursement of expenditures could be received towards revenue expenditures incurred during the ordinary course of activities of the ULB or for implementing a specific project/scheme or towards capital expenditure incurred under a specific project/scheme. These expenditures would be incurred from the Main Bank Account before claiming reimbursement. The grants receivable as reimbursement shall be accounted in the following manner:

Specific Grant for revenue expenditure incurred during the ordinary course of activities of the ULB

17.52 The grants receivable as reimbursement of revenue expenditures incurred during the ordinary course of activities of the ULB, shall be accounted in the following manner:

a. Recognition of grant income on sanction of the grant. The details on receiving the Grant Sanction Order in respect of the specific grant where application/details of expenditure submitted earlier shall be recorded in the Grant Register (Form G-1). To recognise the income, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-50-(a)	Receivable from Government -Grants	Dr.	50,000		Journal Book, Ledger, Grant Register
160-20-(a)	To Re-imbursement of Expenses	Cr.		50,000	

(a) Insert Detailed Head Codes of Account as applicable

b. Recording of receipt of grant. On receipt of the grant, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Bank Account	Dr.	45,000		Cash Book, Ledger, Grant Register
431-50-(a)	To Receivable from Government -Grants	Cr.		45,000	

(a) Insert Detailed Head Codes of Account as applicable

Specific Grant for expenditure incurred under a specific project/scheme

17.53 The grants receivable as reimbursement of expenditure incurred under a specific project/scheme shall be accounted as follows:

a. The project/scheme is usually sponsored/sanctioned by a sponsoring agency. The details of the Grant Sanction Order shall be recorded in the Grant Register (Form G-1).

b. The accounting entries/procedure to be followed for receipt of deposits, incurrence of expenditure, payment of contractor bills, payment of deductions made from the contractor bills, utilisation of common stores, completion of the asset and capitalisation of the asset, period end procedure for making provisions for unpaid bills, has been described in Chapter 12 - Public Works, Chapter 13 - Stores, Chapter 16 - Other Revenue Expenditures and Chapter 21 - Fixed Assets.

c. The department incurring the expenditure shall specify the name of the grant in respect of which the expenditure has been incurred in the Payment Order (Form GEN-14). As and when any expenditure is recorded in the books of original entry, i.e., Cash Book (Form GEN-1) or Journal Book (Form GEN-2) as well as utilisation of common stores, the Grant Register (Form G-1) shall also be updated correspondingly.

d. Recording of grant income in respect of revenue expenditure incurred under the grant. The grant becomes receivable on incurrence of expenditure under the grant. At period-end, the Accounts Department shall identify the revenue expenditure incurred and paid for during the period from the Grant Register (Form G-1). To recognise the grant income in respect of the revenue expenditure incurred under the grants during the period, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-50-(a) 160-30-(a)	Receivable from Government -Grants To Contribution towards scheme	Dr. Cr.	10,000	 10,000	Journal Book, Ledger, Grant Register

(a) Insert Detailed Head Codes of Account as applicable

e. Recording of receipt of grant. The concerned department shall submit a "Statement of Expenditure" at periodic intervals (as specified in the program/scheme details) to the sponsoring agency for claiming the amount of grant due. On receipt of the grant, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 431-50-(a)	Bank Account* To Receivable from Government -Grants	Dr. Cr.	9,500	 9,500	Cash Book, Ledger, Grant Register

(a) Insert Detailed Head Codes of Account as applicable

Period-end Procedure

17.54 At the period-end, it shall be ensured that revenue expenditure incurred under the grant scheme but remaining outstanding for re-imbursement before the last date of the accounting period shall be recorded with matching the income corresponding to the expenditure being recorded. The accounting entry to be recorded shall be the same as provided in para 17.51 (a) above.

Write-off of Grant Receivable

17.55 Recording of write-off of grant receivable. The Accounts Department shall, at the end of each year, review the recoverable position of Grants Receivables. The ULB may consider writing-off the grants that have remained outstanding for a period exceeding three (3) years. If the ULB decide to write-off any grants receivable, based on the Write-off Order, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270-30-(a)	Revenues Written off – Grants	Dr.	500		Journal Book, Ledger, Grant Register
431-50-(a)	To Receivable from Government –Grants	Cr.		500	

(a) Insert Detailed Head Codes of Account as applicable

ADJUSTMENT OF GRANT RECEIVABLE FROM THE STATE GOVERNMENT AGAINST ULB'S DUES TO THE STATE GOVERNMENT

17.56 The State Government may deduct any amount, which is due from ULB to any Government Corporation, Government Company or any other statutory authority constituted by it, from the grants payable to the ULB.

17.57 Recording of adjustment of State Government dues against grant receivable. On receiving the intimation from the State Government regarding such adjustment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-30-(a)	Government Dues Payable*	Dr.	500		Journal Book, Ledger, Grant Register
431-50-(a)	To Receivables from Government –Grants	Cr.		500	

** Specify the head of account of the government due, against which the grant is adjusted, e.g., State Education Cess Payable, Electricity Charges payable, Employment Guarantee Cess Payable, etc.*

(a) Insert Detailed Head Codes of Account as applicable

INTERNAL CONTROLS

17.58 The following internal controls shall be observed by the ULB in respect of Grant related transactions:

a. The Head of the Accounts Department shall ensure that the grant received for a specific purpose shall not be utilised for any other purpose.

b. The Head of the Accounts Department and the Head of the Department implementing the project/scheme sponsored by the grant shall quarterly reconcile the expenditure incurred during the period in respect of each of the grant from the Ledger (Form GEN-3) and the Grant Register (Form G-1) maintained at the Accounts Department and the relevant records maintained at the respective departments.

c. The Head of the Accounts Department shall quarterly reconcile the amount of grant received and receivable in the Ledger (Form GEN-3) and the Grant Register (Form G-1) maintained at the Accounts Department.

d. The Head of the Accounts Department shall, after entry in CashBook in respect of grants received, ensure that the grant received is recorded in the Grant Register. Further, it shall be ensured that the Receipt in from GEN-8 Summary of Daily collections prepared, provides reference of Grant Register.

e. The Chief Executive Officer/Head of the ULB shall specify such appropriate calendar of returns /reports for monitoring.

17.59 All Reconciliation Statements shall be certified by the Head of the Accounts Department.

PRESENTATION IN FINANCIAL STATEMENTS

17.60 The various heads of account used for the accounting of Grant related transactions should be reflected in the Financial Statements or in the Schedules attached to the Financial Statements of the ULB. All such Financial Statements and schedules should be affixed with signature and seal of designated authorities.

17.61 The Schedule of the Income and Expenditure Statement in respect of Grants is provided below.

Schedule I-6: Schedule of Revenue Grants, Contribution and Subsidies

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
160-10-(a) 160-20-(a) 160-30-(a)	Revenue Grant Re-imbursement of expenses Contribution towards schemes		
Total Income of Grants to be shown as part of Revenue Grants, Contributions and Subsidies Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-16 : Schedule of Provisions & Write off

Code No	Particulars	Current Year	Previous Year
270-30-(a)	Revenues Written Off –Revenue Grants		
Total Expense of Grants to be shown as part of Provision & Write Off Schedule			

(a) Insert Detailed Head Codes of Account as applicable

17.62 The Balance Sheet Abstract in respect of Grants is provided below.

Schedule B-3: Schedule of Reserves

Code No.	Particulars	Opening balance (Rs.)	Additions during the year (Rs.)	Total (Rs.)	Deductions during the year (Rs.)	Balance at the end of the current year (Rs.)
1	**2**	**3**	**4**	**5 (3+4)**	**6**	**7 (5-6)**
312-10-(a) 312-30-(a)	Capital Contribution Special Funds (Utilised)					
	Total Reserve funds					

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-4: Schedule of Grants & Contribution for Specific Purposes

Amount in Rs.

Particulars	Grants from Central Government	Grants from State Government	Grants from Other Government Agencies	Grants from Financial Institutions	Grants from Welfare Bodies	Grants from International Organisations	Others
Code No.							
(a) Opening Balance **(b) Additions to the Grants *** (i) Grant received during the year (ii) Interest/Dividend earned on Grant Investments							
(iii) Profit on disposal of Grant Investments (iv) Appreciation in Value of Grant Investments (v) Other addition (Specify nature)							
Total (b)							
Total (a+b)							
(c) Payments out of funds **(i) Capital expenditure on** Fixed Assets* Others							
Sub –total							
(ii) Revenue Expenditure on Salary, Wages and allowances etc. Rent Other administrative charges							
Sub –total							
(iii) Other: Loss on disposal of Grant Investments Diminution in Value of Grant Investments Grants Refunded							
Sub –total							
Total (c) [i+ii+iii]							
Net balance at the year end – (a+b)-(c)							
Total Grants & Contribution for Specific Purposes							

Note: Plan funds received from Central/ State Government are to be shown as grant funds and not be mixed up with earmarked funds

* For transferring completed capital assets, expenditure incurred will be capitalised and assets will be taken to Fixed Assets schedule (B-11) and Capital contribution will be increased by the same amount.

Schedule B-7: Schedule of Deposits Received

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
340-10-(a) 340-10-(a) 340-80-(a)	From Contractors and Suppliers – EMD Specific Grants From Contractors and Suppliers – Security Deposits Specific Grants From Others Specific Grants		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedules B-9: Schedule of Other Liabilities (Sundry Creditors)

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
350-10-(a) 350-10-(a) 350-20-(a) 350-20-(a) 350-40-(a)	Creditors Payable against Specific Grant Creditors Payable against Scheme Expense Recoveries Payable TDS Specific Grants Recoveries Payable- Works Contract Tax from Specific Grants Refunds Payable - Grants		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-13: Schedule of Investments – Other Funds

Code No	Nature of investment	With whom invested	Face value	Cost	Remarks.
1	2	3	4	5	6
421-(a)	Investment Other Funds –Grant Investment				
	Total				

(a) Insert Detailed Head Codes of Account as applicable

Schedules B-15: Schedule of Sundry Debtors (Receivables)

Code No	Particulars	Gross Amount (Rs.)	Provision for doubtful receivables Amount (Rs.)	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
431-50-(a)	**Current Assets** Receivable from Government -Grants				
	Total				

(a) Insert Detailed Head Codes of Account as applicable

Schedules B-17: Schedule of Cash & Bank Balances

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
450-10-(a) 450-21-(a) 450-61-(a)	Cash Account Bank Account Designated Bank Account		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-18: Loans, advances and deposits

Code No.	Particulars	Opening Balance at the beginning of the year (Rs.)	Paid during the current year (Rs.)	Recovered during the year (Rs.)	Balance outstanding at the end of the year (Rs.)
1	**2**	**3**	**4**	**5**	**6**
460-40-(a) 460-50-(a) 460-80-(a)	Advance to Suppliers and Contractors – Specific Grants Advance to Others – Specific Grants Other Current Assets- Scheme Expenses				
	Total				
461--(b)	Less: Accumulated Provisions against Loans, Advances and Deposits [Schedule B – 18 (a)]				
	Net total of Loans, advances, and deposits				

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

Form G-1

_____***Name of the ULB***

GRANT REGISTER*

Sr. No.	Name of the Grant	Order/Designation of the Authority sanctioning the grant	Nature of the Grant*	Period of the Grant	Sanctioned Amount (Rs.)	Grant Received in Advance	
						Date	Amount (Rs.)
1	2	3	4	5	6	7	8

Expenditure Incurred on Specific Grants					Grant unutilised on expiry of grant period (Rs.)	Refund of unutilised Grant	
Date	Voucher Number	Nature of Expenditure	Amount (Rs.)	Date of Payment		Date	Amount (Rs.)
9	10	11	12	13	14	15	16

* Maintain separate registers for Capital and Revenue Grants.
* State whether Grants received from Central Govt., State Govt. or Other Govt. agencies

Note: For each entry made; record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry.

CHAPTER 18

BORROWINGS (LOANS RECEIVED)

INTRODUCTION

18.1 This chapter contains the recommended accounting system for transactions relating to loans received by the Urban Local Body (ULB).

18.2 On sanction by the State Government, the ULB may borrow funds, either by issuing debentures, or other wise, for the purposes specified in the approval. These borrowings are generally secured by movable and immovable properties vested in the ULB. Unless specifically approved by the State Government, the loans cannot be used for any purpose other than that specified in the approval.

18.3 Where the terms of sanction provide for the establishment of a sinking fund for the repayment of loan, the ULB shall establish it and credit to it, funds from the Municipal Fund. Similarly, if the terms provide for a creation of an escrow account for repayment of loans, the ULB shall create it and credit to it, the income earmarked for this. The purpose of establishment of a sinking fund or an escrow account is to accumulate money, including interest, adequate to repay the loan as per the repayment schedule.

ACCOUNTING PRINCIPLES

18.4 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Borrowings (Loans Received):

a. Interest expenditure on loan shall be recognised on accrual basis.

b. Interest on borrowings directly attributable to acquisition or construction of qualifying fixed assets up to the date of commissioning of the assets shall be capitalised.

c. A provision shall be made for the interest accrued between the date of last payment of interest and the date of financial statements and shall be charged to the current period's Income and Expenditure Statement.

d. The expenses incurred while issuing of debentures or bonds (Issue Expenses) shall be deferred and amortised in equal installments over a period of 5 years or the tenure of the loan whichever is earlier. In case, the debentures & bonds are prematurely redeemed, the amount of issue expenses outstanding during the year shall be written-off and charged to the Income and Expenditure Statement as expense of the year when such an event happens. However, all other expenses in respect of raising loans other than those considered, as issue expenses shall be expensed off in the year in which they are incurred.

ACCOUNTING RECORDS AND PROCEDURES

18.5 This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Loans. For the purposes of accounting of Loans, there are certain forms, registers, etc., which are specific to Loans, e.g., Register of Loans – (Form BR-1). These (Forms BR-1 to BR-3) are annexed to this chapter and are prefixed "Loan".

ACCOUNTING FOR RECEIPT OF LOAN

18.6 The amount borrowed as per the terms of sanction shall be entered in the Register of Loans in Form BR–1 maintained by the Accounts Department of the ULB. A separate folio shall be allotted for each loan taken. In case, sanction has been obtained for issuing debentures, the particulars of the debenture holder shall be recorded in the Register of Debentures in Form BR-2. Amount received as loan shall be deposited in the Designated Loan Bank Account.

18.7 Raising / Borrowing of Funds. On receipt of loan, the Accounts Department shall pass the following entries:

a. In cases where debentures have been issued for raising funds.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450- (b)	Designated Loan Bank Account *	Dr.	10,00,000		Cash Book, Ledger, Register of Debenture
331-70-(a)	To Bonds & debentures**	Cr.		10,00,000	

** Specify the name of the Bank and Account number*
**Specify the percent or any other distinguishing feature of the debenture issued for easy identification.
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Detailed & Minor head codes of account as applicable

Note 1: The Major account head to be credited shall be 330 in the case of Un- Secured Loans and this applies to all the entries relating to loans explained in this Chapter.

Note 2: The postings in the Ledger Accounts of "Bonds & debentures" Account shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever the cash or the bank account is involved, there will be no entry in the Journal Book.

b. In cases where funds are borrowed otherwise than by issue of debentures.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-(b)	Designated Loan Bank Account *	Dr.	10,00,000		Cash Book, Ledger, Register of Loans
331-(b)	To Loans ____ **	Cr.		10,00,000	

**Specify the name of the Bank and Account number*
***Specify the institution from which the funds have been borrowed or any other distinguishing feature of the loan received for easy identification.*
(a) Insert minor & detailed Head Codes of account as applicable

ACCOUNTING OF INTEREST PAYABLE ON LOAN / DEBENTURES

18.8 Recording of interest accrued. For interest payment, on receipt of approval for payment of interest from the authorities designated by the ULB, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
240 – (b) 350-12-(a)	Interest & Finance Charges To Interest Accrued & due – Loans	Dr. Cr.	1,00,000	1,00,000	Journal Book, Ledger, Register of Loans, Register of Debenture

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

18.9 Recording of payment of interest. On payment of interest to the lenders, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-12-(a) 450-21-(a)	Interest Accrued & due – Loans To Bank Account *	Dr. Cr.	1,00,000	 1,00,000	Cash Book, Ledger, Register of Loans, Register of Debenture

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

18.10 The amount of interest remaining unclaimed or unpaid shall be treated as Current Liability.

18.11 Recording of interest accrued but not due. For the period between the date of last payment of interest and the date of the preparation of the financial statements, the amount of interest accrued for the period aforesaid shall be determined and a provision shall be made for it. The Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
240 –(b) 360 –20-(a)	Interest & Finance Charges To Provision for Interest- Interest Accrued & Not Due	Dr. Cr.	15,000	15,000	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

18.12 Recording of reversal of interest provisioning. At the beginning of the new accounting period, the provision entry made in the previous accounting period shall be reversed and the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
360 –20-(a)	Provision for Interest – Interest Accrued and Not Due	Dr.	15,000		Journal Book, Ledger
240 –(b)	To Interest & Finance Charges- Loans	Cr.		15,000	

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

18.13 Through the reversal entry, the entry for period end expenses passed in the current period shall be reversed in the next accounting period. Payments made during the next accounting period in respect of the interest shall be recorded by debits to the interest on loans/ debentures accounts in the same manner as payment for interest accruing and arising in the next accounting period as described in paras 18.11 and 18.12.

18.14 The credits made in the interest account through the above reversal entry would automatically take care of the extra debits given in the next accounting period.

ACCOUNTING FOR REPAYMENT OF LOAN/REDEMPTION OF DEBENTURES

Repayment of Loan/Redemption of Debentures in case where Sinking Fund is established

Establishment of Sinking Fund

18.15 For creation/addition to Sinking fund. Where the terms of sanction for raising loan or issuing debenture provides for establishment of a Sinking Fund, an amount stipulated in the terms of sanction shall be transferred to the Sinking Fund from the Municipal Fund at the end of the year. To record the above, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
290- (a) 311-50-(b)	Transfer to Sinking Fund To Sinking Fund	Dr. Cr.	1,00,000	 1,00,000	Journal Book, Ledger, Register of Sinking Fund

(a) Insert Minor and Detailed Head Codes of account as applicable
(b) Insert Detailed Head Codes of account as applicable

18.16 Recording of transfer of funds from the Main Bank Account to the Sinking Fund Bank Account. The amount so transferred to the Sinking Fund from the Municipal Fund shall be deposited in a separate bank account. On deposit, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450- 41-(a) 450-21-(a)	Designated Bank Account* To Bank Account *	Dr. Cr.	1,00,000	 1,00,000	Cash Book, Ledger, Register of Sinking Fund

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

Investment of Sinking Fund

18.17 Investments made in respect of Sinking Fund shall be entered in a Sinking Fund Investment Register (Form IN-1) (provided in Chapter 20 on Investments). The accounting entries/procedures to be followed for investments of such moneys are similar to those followed in respect of other investments. They relate to investments, maturity of investment, recording of interest, profit/loss on sale/maturity of investments, etc. These have been described in Chapter 20 on Investments.

18.18 Interest earned on Investments, profit/loss on disposal of Investments, if any, shall be updated in the Register of Sinking Fund (Form BR-3).

Transfer from Municipal Fund to Sinking Fund

18.19 Recording of transfer from Municipal Fund to make good the deficit in Sinking Fund observed during an examination of sinking fund investment. On examination, if it is observed that the present value of sinking fund investment is less than the value of the Fund stipulated in the terms of sanction, the difference shall be made good from the Municipal Fund. The Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
290-(a) 311-50-(a)	Transfer to Sinking Fund To Sinking Fund	Dr. Cr.	5,000	 5,000	Journal Book, Ledger, Register of Sinking Fund

(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed head as applicable

18.20 Recording of transfer of Funds. The additional amount so transferred from Municipal Fund to Sinking Fund shall be deposited to the Sinking Fund Bank Account and accordingly following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450- 41-(a) 450-21-(a)	Designated Bank Account* To Bank Account *	Dr. Cr.	5,000	5,000	Cash Book, Ledger, Register of Sinking Fund

**Specify the name of the Bank and Account number*
(a) Insert Minor & Detailed Head Codes of Account as applicable

Repayment of Loan/Redemption of Debentures

18.21 On repayment/redemption of loans/debentures. For repayment of loans and/or redemption of debentures, the Accounts Department shall pass the following entries:

a. For repayment of loan from the Sinking Fund

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
331 - (a) 450-41-(b)	Loans To Designated Bank Account *	Dr. Cr.	10,00,000	10,00,000	Cash Book, Ledger, Register of Sinking Fund, Register of Loans

**Specify the name of the Bank and Account number*
(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

b. For redemption of debentures from the Sinking Fund

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
331- (a) 450- 41-(a)	Bonds & debentures To Designated Bank Account *	Dr. Cr.	10,00,000	10,00,000	Cash Book, Ledger, Register of Sinking Fund, Register of Debentures

**Specify the name of the Bank and Account number*
(a) Insert Minor & Detailed Head Codes of Account as applicable

c. For transfer of funds from the Sinking Fund on repayment/redemption of loan/debenture

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
421- (b)	Investments – Other Funds	Dr.	20,00,000		Journal Book, Ledger, Register of Sinking Fund
420 - (b)	To Investments – General Funds	Cr.		20,00,000	

(a) Insert Minor & Detailed Head Codes of Account as applicable

<u>Repayment of Loan/Redemption of Debentures in case where Escrow Account is created:</u>

18.22 <u>Creation of Escrow account:</u> Where the terms of sanction for raising loan or issuing debentures provide for the establishment of an Escrow account, an amount equivalent to that stipulated in the sanction shall be transferred to the Escrow account based on collections of earmarked income. For e.g. if a loan has been taken for building Water Supply Infrastructure, then out of the water supply income collected, an amount equal to certain percentage of water tax shall be deposited into the Escrow account. For creation of Escrow Account, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.)	Credit Amount (Rs.)	Books to be entered into
450-41-(a)	Designated Bank Account *	Dr.	3,00,000		Cash Book, Ledger, Register of Loans, Register of Debenture
450-21-(a)	Bank Account *	Dr.	7,00,000		
110-02-(a)	To Tax Revenues – Water Taxes	Cr.		10,00,000	

**Specify the name of the Bank and Account number*
Insert Detailed Head Codes of Account as applicable

Investment of amount lying in Escrow Account:

18.23 Investments made in respect of Escrow account shall be entered in an Escrow Account Investment Register (Form IN-1) (provided in Chapter 20 on Investments). The accounting entries/procedures to be followed for investments of such moneys are similar to those followed in respect of other investments. They relate to investments, maturity of investment, recording of interest, profit/loss on sale/maturity of investments, etc. These have been described in Chapter 20 on Investments.

18.24 Interest earned on Investments, profit/loss on disposal of Investments, if any, shall be updated in the Escrow Account Investments Register.

Accounting and payment of Interest on Loans/ Debentures

18.25 Accounting and payment of interest on Loans/ Debenture/ Bonds raised/ issued will be same as provided in the section "Accounting of interest payable on loan / debentures" above, reference to which is invited. The only difference being payment will be out of Escrow Bank Account instead of Main Bank Account. To record the payment the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350- 12- (a)	Interest Accrued & due- Loans	Dr.	70,000		Cash Book, Ledger, Register of Loans, Register of Debenture
450-41-(a)	To Designated Bank Account*	Cr.		70,000	

** Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

Repayment of Loan/Redemption of Debentures

18.26 <u>On repayment/redemption of loans/debentures</u>. For repayment of loans and/or redemption of debentures, the Accounts Department shall pass the following entries:

a. For repayment of loan from the Escrow Account:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.)	Credit Amount (Rs.)	Books to be entered into
331- (a)	Loans	Dr.	300,000		Cash Book, Ledger, Register of Loans
450-41-(b)	To Designated Bank Account*	Cr.		300,000	

**Specify the name of the Bank and Account number*
(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

b. For redemption of debentures from the Escrow Account:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
331- (b)	Bonds & debentures	Dr.	10,00,000		Cash Book, Ledger, Register of Debentures
450- 41-(a)	To Designated Bank Account*	Cr.		10,00,000	

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

Repayment of Loan/Redemption of Debentures in case where Sinking Fund/Escrow Account is not established

18.27 Recording of repayment of loan or redemption of debenture. Where Sinking Fund is not established, the loan shall be repaid or debentures redeemed from the Municipal Fund as per the terms of the agreement entered into and the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
331-(b) 331-(b) 450-21-(a)	Loans Bonds & debentures To Bank Account*	Dr. Dr. Cr.	10,00,000 10,00,000	 20,00,000	Cash Book, Ledger, Register of Loans, Register of Debentures

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

Accounting for Expenditure incurred in raising loans or issuing debentures

18.28 Recording of Loan Issue Expenses. The ULB may incur expenses such as credit rating fees, security creation fees, stamp duty, etc., at the time of raising loan or issuing debentures. These expenses shall be deferred and be classified as Loan Issue Expenses and on payment being made, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
480-10-(a) 450-21-(a)	Loan Issue Expenses –Deferred To Bank Account*	Dr. Cr.	50,000	 50,000	Cash Book, Ledger,

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

18.29 Recording of amortisation of Loan Issue Expenses. The Loan Issue Expenses shall be amortised in equal instalments over a period of 5 years or the tenure of the loan whichever is lower. For instance, issue expenses of Rs. 50,000 incurred for raising loan shall be amortised over a period of 5 years in equal instalments of Rs. 10,000/- every year. At the end of each financial year, for amortising the relevant portion of Loan Issue Expenses, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270-50-(a)	Miscellaneous Expenditure written off	Dr.	10,000		Journal Book, Ledger,
480-10-(a)	To Loan Issue Expenses Deferred	Cr.		10,000	

(a) Insert Detailed Head Codes of Account as applicable

18.30 Recording of write-off of Loan Issue Expenses. In case the loans are pre-paid or debentures are redeemed prematurely, the balance outstanding in the Loan Issue Expenses shall be written-off during the year in which the prepayment or premature redemption has been made. Continuing the earlier illustration, in case the loans have been prepaid during the third year, then the balance of Rs. 30,000/- lying outstanding in the Loan Issue Expenses shall be written-off during the third year. At the end of the financial year, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270-50-(a)	Miscellaneous Expenditure written off	Dr.	30,000		Journal Book, Ledger,
480-10-(a)	To Loan Issue Expenses Deferred	Cr.		30,000	

(a) Insert Detailed Head Codes of Account as applicable

INTERNAL CONTROLS

18.31 The following internal controls shall be observed by the ULB in respect of Loans related transactions:

a. The Head of the Accounts Department shall ensure that adequate provision is made for the interest accrued between the date of last payment of interest and the date of Financial Statements and is charged to the current period's Income and Expenditure Statement.

b. The Head of the Accounts Department shall carry out physical verification of Sinking Fund Investment documents and compare with the Sinking Fund Investment Account.

c. The Head of the Accounts Department shall monitor the funds borrowed and ensure proper utilisation of funds.

d. The Head of the Accounts Department shall ensure that the present value of the sinking fund investment ties up with the value of the Fund as per the State Government's sanction. If any mismatch is observed, the adequate funds shall be transferred from the Main Bank Account to Sinking Fund Bank Account.

e. The Head of the Accounts Department shall ensure that the transfers to escrow account out of income collected are as per the conditions of borrowings.

f. The Chief Executive Officer/Head of the ULB shall specify such appropriate calendar of returns /reports for monitoring.

18.32 All Reconciliation Statements shall be certified by the Head of the Accounts Department and verified.

PRESENTATION IN FINANCIAL STATEMENTS

18.33 The various heads of accounts used for the accounting of Loans shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the ULB. All such Financial Statements and schedules should be affixed with signature and seal of designated authorities.

18.34 The schedule of Income and Expenditure Statement in respect of Loans is provided below.

Schedule I-13: Interest & Finance Expenses

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
240-10-(a)	Interest on Loans from Central Government		
240-20-(a)	Interest on Loans from State Government		
240-30-(a)	Interest on Loans from Government Bodies & associations		
240-40-(a)	Interest on Loans from International Agencies		
240-50-(a)	Interest on Loans from Banks & Other Financial Institutions		
240-60-(a)	Other Interest		
240-70-(a)	Bank Charges		
240-80-(a)	Other Finance Expenses		
	Total Interest & Finance expenses		

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-16 - Schedule of Provisions & Write off

Code No.	Particulars	Current Year	Previous Year
1	2	3	4
270-50-(a)	Miscellaneous Expenses / Expenditure written off		
	Total – Provisions & Write off		

(a) Insert Detailed Head Codes of Account as applicable

18.35 The Balance Sheet abstract in respect of Loans is provided below.

Schedule of Ear Marked Funds

Schedule B-2 (a): Sinking Fund

Particulars	Sinking Fund
(a) Opening Balance	
(b) Additions to the Sinking Funds (i) Transfer from Municipal Funds (ii) Interest/Dividend earned on Sinking Fund Investments (iii) Profit on disposal of Sinking Fund Investments (iv) Appreciation in Value of Sinking Fund Investments (v) Other addition (Specify nature)	
Total (b)	
Total (a+b)	
(c) Payments out of funds **(i) Capital expenditure on** Fixed Assets Others	
Total	
(ii) Revenue Expenditure on Salary, Wages and allowances etc. Rent Other administrative expenses	
Total	
(iii) Other: Loss on disposal of Sinking Fund Investments Diminution in Value of Sinking Fund Investments Transferred to Municipal Fund	
Total	
Total (c)	
Net balance at the year end – (a)+(b)-(c)	

Schedule B-2 (b): Escrow Account

Particulars	Escrow Account
(a) Opening Balance	
(b) Additions to the Escrow Account (i) Transfer from Income from Project (ii) Interest/Dividend earned on Escrow Account Investments (iii) Profit on disposal of Escrow Account Investments (iv) Appreciation in Value of Escrow Account Investments (v) Other addition (Specify nature)	
Total (b)	
Total (a+b)	

Particulars	Escrow Account
(c) Payments out of funds	
(i) Capital expenditure on Fixed Assets Others	
Total	
(ii) Revenue Expenditure on Salary, Wages and allowances etc. Rent Other administrative expenses	
Total	
(iii) Other: Loss on disposal of Escrow Account Investments Diminution in Value of Escrow Account Investments Transferred to Municipal Fund	
Total	
Total (c)	
Net balance at the year end – (a)+(b)-(c)	

Schedule B-5/6: Secured & Unsecured Loans [Code No 330/331]

Amount in Rs.

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
330/31-10-(a)	Loans from Central Government		
330/31-20-(a)	Loans from State government		
330/31-30-(a)	Loans from Govt. bodies & Associations		
330/31-40-(a)	Loans from international agencies		
330/31-50-(a)	Loans from banks & other financial institutions		
330/31-60-(a)	Other Term Loans		
330/31-70-(a)	Bonds & debentures		
330/31-80-(a)	Other Loans		
	Total Secured/Un Secured Loans		

(a) Insert Detailed Head Codes of Account as applicable

Notes

1. Rate of Interest and Original Amount of loan and outstanding can be provided for every Loan under each of these categories separately;
2. The nature of the Security shall be specified in each of these categories
3. Particulars of any guarantees given shall be disclosed
4. Terms of redemption (if any) of bonds/debentures issued shall be stated, together with the earliest date of redemption
5. For loans disbursed directly to an Executing Agency, please specify the name of the Project for which such loan is raised.

Schedule B-9: Schedule of Other Liabilities

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
350-12-(a)	Interest Accrued and Due-Loans		
	Total Other liabilities		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-10: Schedule of Provisions

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
360-20-(a)	Provision for interest- Interest Accrued & not due- Loans		
	Total Provisions		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-13: Schedule of Investments - Other Funds (Sinking Funds, Escrow Account)

Code No.	Particulars	With whom invested	Current year		Previous year	
			Face value (Rs.)	Carrying Cost (Rs.)	Face value (Rs.)	Carrying Cost (Rs.)
1	2	3	4	5	6	7
421-10-(a)	Central Government Securities					
421-20-(a)	State Government Securities					
421-30-(a)	Debentures and Bonds					
421-40-(a)	Preference Shares					
421-50-(a)	Equity Shares					
421-60-(a)	Units of Mutual Funds					
421-80-(a)	Other Investments					
	Sub-total					
	Less:					
420-90-(a)	Accumulated Provision					
	Net Total Investments OF					

(a) Insert Detailed Head Codes of Account as applicable

Note:

1. Details of Investments shall be provided separately for each of the Special Fund Investment and Grant Investment.
2. Value in respect of investments, which have matured but not encashed shall be disclosed separately.

Schedules B-17: Schedule of Cash & Bank Balances

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
450-21-(a) 450-41-(a)	Bank Balances Designated Bank Account		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedules B-20: Schedule of Miscellaneous Expenditure Not Written Off

Code of Account	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
480-10-(a)	Loan Issue Expense Deferred		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Form BR – 1

_____Name of the ULB

REGISTER OF LOANS

1. Department from which loan received _____
2. Purpose of Loan _____
3. No. & date of resolution / orders sanctioning the loan _____
4. Amount of Loan sanctioned _____
5. Rate of Interest _____
6. No. of instalment _____ [whether half-yearly or yearly]
7. Amount of each instalment _____

Receipt of Loan			Amount due for repayment				Initials of the officer	Amount Repaid				Balance			Remarks
Date of Receipt	Amount Received	Total Amount Received	Due Date of Repayment	Amount of Principal	Amount of Interest	Total Amount due to repayment		Date of Repayment	Principal Amount	Interest	Total	Principal Amount	Interest	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

Note :

1. Separate folio shall be allotted to each loan.
2. The format for capital grant register would be similar.
3. Pages of ledger / register would be numbered.
4. In case of more than one loan, summary of all loans shall be drawn suitably in the register.
5. For each entry made, record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry

Form BR - 2

_____*Name of the ULB*

REGISTER OF DEBENTURES

Date of order sanctioning the issue of debenture:
Debenture Face Value (Rs.):
Amount raised by issue of debentures (Rs.):
Rate of interest payable on debentures:
Date of issue of Debentures:
Purpose of issuing debentures:
Details of Guarantee and Security furnished:
Name of the Debenture-trustee, if any:
Interest payment Schedule:
Date of maturity:
Repayment Schedule:

Sr. No.	Debenture Folio No.	Debenture Certificate Nos.	Distinctive number of Debentures issued		Name and Address of the Debenture holder	Date of becoming a debenture holder	Date of ceasing as a debenture holder	Initials of Authorised Officer*	Payment of Interest on Debentures				Initials of Authorised Officer*	Remarks
			From	To					Date when due	Amount due (Rs.)	Date of Payment	Amount paid (Rs.)		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

Notes:
(1) Details of all the holders who have been issued debentures of a particular series shall be listed above.
(2) Separate folios shall be allotted for each series of the debentures being issued.
(3) Three to four lines should be left after each certificate number to record the transfer entries for those certificates.
(4) Date on which a person becomes a debenture holder and the date on which he ceases to be shall be mentioned for all the transfers effected.
(5) For each entry made, record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry.

Form BR – 3

_____Name of the ULB

REGISTER OF SINKING FUNDS

Amount of loan and rate of interest:
Date of raising the loan:
Amount of sinking fund instalment:
Rate of interest provided for in the Agreement at which sinking fund develops:

Previous Balance (Rs.)	RECEIPTS					INVESTMENTS										Difference (Rs.)	Remarks
	Annual Instalments (Rs.)	Date of Credit	Total (Rs.)	Amount of interest received/ accrued on Invest ments (Rs.)	Theoretic al value as on 31st March (Rs.)	Previous Balance		Purchased during the year			Total		Present Value of Sinking Fund				
						Actual value at cost (Rs.)	Face Value (Rs.)	Value at Cost (Rs.)	Face Value (Rs.)	Date of invest ment	Value at Cost (Rs.)	Face Value (Rs.)	Market Value of securities mentioned in column 13 on 31st March (Rs.)	Uninvested Cash Balance of sinking fund as on 31st March (Rs.)	Total (Rs.)		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
			(1+2)		(4+5)						(7+9)	(8+10)			(14+15)	(16-6)	

Note: For each entry made, record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry

CHAPTER 19

SPECIAL FUNDS

INTRODUCTION

19.1 This chapter contains the recommended accounting system for transactions relating to Special Funds, which are accounted in the same books of the ULBs.

19.2 ULBs may, as per relevant statutes, constitute special funds for any purpose mentioned in the statute. The statutes may also prescribe the manner in which such funds shall be constituted and disposed off.

19.3 Special funds are created for objects for which it is considered essential to allocate separate funds from the Municipal Funds or by earmarking certain percentage of specific receipts of the ULB. A separate account may be created and all moneys collected for the specific purpose shall be transferred to the Special Funds Account. All expenditures incurred for the specific purpose shall be debited to the respective fund accounts.

19.4 The following is an illustrative list of the Special Funds that may be created by the ULB:

Development Funds

- Fire Brigade Fund
- Road Fund
- Water Supply Reserve Fund
- Tree Authority Fund, etc.
- City Development Funds
- Solid Waste Management Fund

Employee Funds:

- Pension Fund
- General Provident Fund / Contributory Provident Fund
- Welfare Fund, etc.
- Gratuity / Leave encashment Fund

Sinking Funds:

- Asset Replacment Fund
- Sinking Fund etc

19.5 The accounting procedure and entries in respect of employee funds are described in Chapter 14 on Employee Related Transactions, reference to which is invited.

19.6 The accounting procedure and entries for creation/addition to sinking fund and its utilisation, investments made from fund and other related aspects are described in Chapter 18 on Borrowings (Loans Received), reference to which is invited.

19.7 This chapter essentially covers the accounting procedures in respect of Development Funds only.

ACCOUNTING PRINCIPLES

19.8 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to **Special Funds**:

a. Special Funds shall be treated as a liability on their creation.

b. Income on investments made from Special Fund shall be recognised and credited to Special Fund, whenever accrued. Profit/loss, if any, arising on disposal of investments made from the Special Fund shall be recognised and credited/debited to Special Fund Account.

c. Any expenditure of a revenue nature, which is incurred specifically on scheme/project for which a Special Fund has been created, shall be charged to that Special Fund.

d. On completion of the construction of a fixed asset and/or on acquisition of a fixed asset out of a Special Fund, the amount equivalent to the cost of such fixed asset shall be transferred from the respective Special Fund to the Special Fund (Utilised).

ACCOUNTING RECORDS & PROCEDURES

19.9 *This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Special Funds. For the purposes of accounting of transactions related to Special Funds, the register applicable is specific to Special Funds transactions, e.g., Special Funds Register – Form SF -1.*

CREATION OF FUNDS

19.10 Special Funds are created as an appropriation from the Municipal Fund. Each of the Special Funds shall be represented by a separate Bank Account. On creation of the fund, money shall be transferred from the Main Bank Account to Special Fund Bank Account. The Accounts Department shall maintain a Special Fund Register in Form SF-1 where details of each fund created, expenditure incurred in respect of each fund, etc., is separately recorded.

a. On creation of Special Funds. The Accounts Department shall enter the details of the order approving the creation of fund in the Special Fund Register and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
310-10-(a) 311-(b)	Municipal Fund To ---------- Special Fund *	Dr. Cr.	1,00,000	1,00,000	Journal Book, Ledger, Special Fund Register

** Specify the name of the special fund*
(a) Insert Detailed Head Code of Account as applicable
(b) Insert Minor Head Codes of Account between 10-49 and detailed head of account as applicable

Note: The postings in the Ledger Accounts of "Municipal Fund" Account and "Special Fund" Account shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book.

b. Recording of contribution to Special funds from earmarked collection: The accounts department as per the decision of the ULB shall transfer the earmarked collection accounted as revenue to the special funds. Accounting entry for transfer of these amounts to Special fund is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
290-(a) 311-(a)	Transfer to ---------- Fund* To ---------- Special Fund*	Dr. Cr.	1,00,000	1,00,000	Journal Book, Ledger, Special Fund Register

** Specify the name of the special fund*
(a) Insert Minor Head Codes of Account as applicable

c. Recording of transfer of money to Designated Special Fund Bank Account. For transferring the funds to a separate bank account, Accounts Department shall transfer the amount from Main Bank Account to Special Fund Bank Account and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a)	Designated Bank Account*	Dr.	1,00,000		Cash Book, Special Fund
450-21-(a)	To Main Bank Account *	Cr.		1,00,000	Cash Book

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable
Note: A Separate Cash Book shall be maintained for Special Funds.

d. On creation of Welfare Fund: As per relevant act, an amount of surplus of the Transport Undertaking acquired or established by the ULB may be transferred to the Municipal Fund for credit to the Welfare Fund constituted under the rules provided in Act. On receipt of contribution from the Transport Undertaking, the Accounts Department shall pass the following entry

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a)	Designated Bank Account*	Dr.	25,000		Cash Book, Special Fund
311-(b)	To Welfare Fund	Cr.		25,000	Cash Book

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor Head Codes of Account between 70-99 and detailed head of account as applicable

19.11 Collection of Special Funds may be made along with other collections. For example, ULB may collect Tree Authority Cess along with Property Tax. The accounting treatment in such cases is described below.

19.12 At the end of every month, Accounts Department shall also identify the transactions pertaining to Tree Authority Cess collected along with the property and other taxes, accounting process in respect of which has been described in Chapter 6 on Property and Other Taxes. Accounts Department shall transfer the amount of the cess thus collected from Municipal Fund to Tree Authority Fund. In addition, money will be transferred from Main Bank Account to Tree Authority Fund Bank Account. Accounts Department shall further pass the entries mentioned in para 19.10 (b) and (c) above for the same.

19.13 In respect of Development Charges, the amount collected shall be transferred to Development Fund. In addition, money equal to Development Charges so collected shall be transferred from the Main Bank Account to Development Fund Bank Account. Accounts Department shall pass the entries mentioned in para 19.10 (b) and (c) above for the same

19.14 Similar procedure shall be followed for identifying transactions and transferring an equivalent amount to designated bank account pertaining to various other Special Funds created/ought to be created. Accounting entries referred to in para 19.10 (a) for creation, (b) for addition and (c) for transfer of money to Special Funds shall be recorded. .

UTILISATION OF FUNDS

19.15 Special Funds shall be utilised for the purpose for which they are created. The expenditure incurred could be either revenue or capital expenditure. The accounting procedure to be followed is described below.

Utilisation of Special Fund for Revenue Expenditure

a. The accounting procedure to be followed in respect of revenue expenditure incurred against Special Fund shall be the same as what is described in Chapter 12 on Public Works for repairs and maintenance expenses, Chapter 13 on Stores for stores purchased, and Chapter 16 on Other Revenue Expenditures for other revenue expenditures.

b. Payment of advance to contractor/supplier in respect of a Special Fund. Any advance made to a supplier/contractor in respect of a project/scheme to be carried out against a Special Fund, shall be payable from the Designated Special Fund Bank Account only and not from the Main Bank Account. The entry for this shall be the same as described in section "Advance paid to contractors/suppliers".

c. Recording of liability on receipt of contractor/supplier bill. On receipt of processed bill in respect of material supplied or services rendered or works executed which is of a revenue nature, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a) 350-10-(b)	___ Special Fund* To Payables against Special Funds	Dr. Cr.	10,000	 10,000	Journal Book, Ledger, Grant Register

**Specify the name of the special Fund*
(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

d. Recording of deductions from contractor's/supplier's bill. If Security or any tax on behalf of Government or advance provided to contractor/supplier is deducted or any other deduction is made from the processed bill, the amount payable shall be reduced for the deduction made and the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a)	Payables against Special Funds	Dr.	4,000		Journal Book, Ledger, Special Fund Register
340-10-(a)	To Deposit From Contractors - Security Deposit Special Funds	Cr.		1,000	
350-20-(a)	To TDS– Special Funds	Cr.		500	
350-20-(a)	To Works Contract Tax – Special Funds	Cr.		1,000	
460-40-(a)	To Advance for suppliers and contractors – Special Funds	Cr.		1,500	

(a) Insert Detailed Head Codes of Account as applicable

e. Recording of payment to the contractor/supplier. Such payments shall be made only from the bank account maintained for that Special Fund. On payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a)	Payables against Special Funds	Dr.	6,000		Special Fund Cash Book, Special Fund Register, Ledger
450-41-(a)	To Designated Bank Account*	Cr.		6,000	

**Specify the name of the Bank and Account number*

(a) Insert Detailed Head Codes of Account as applicable

f. Recording of payment for deductions made. Deductions made shall also be paid from the respective Designated Special Fund Bank Account. On payment of deductions made, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-20-(a)	TDS - Special Funds	Dr.	500		Special Fund Cash Book, Special Fund Register, Ledger
350-20-(a)	Works contract Tax – Special Funds	Dr.	1,000		
450-41-(a)	To Designated Bank Account*	Cr.		1,500	

**Specify the name of the Bank and Account number*

(a) Insert Detailed Head Codes of Account as applicable

g. Recording of transfer of money from Designated Special Fund Bank Account to Main Bank Account on utilisation of Common Stores. The amount equivalent to the common stores utilised for the purpose of the Special Fund shall be transferred from the Special Fund Bank Account to Main Bank Account before issue of any common stores. Accounts Department shall update the Special Fund Register (Form SF-1) and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 450-41-(a)	Main Bank Account* To Designated Bank Account*	Dr. Cr.	1,000	1,000	Cash Book, Special Fund Cash Book, Special Fund Register

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

h. Recording of utilisation of Common Stores for special funds. For common stores consumed, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a) 430-10-(b)	Special Fund * To Purchase of Stores	Dr. Cr.	1,000	1,000	Journal Book, Ledger, Special Fund Register

**Specify the name of the Special Fund*
(a) Insert Minor Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

Advance paid to contractors/suppliers

19.16 As mentioned earlier, any advance payable to the contractor/supplier in respect of any work executed or services or materials received under any Special Fund shall be paid from the Designated Special Fund Bank Account. On payment, the Accounts Department shall pass the following entries:

a. For recording tax deducted, if any, from the advance provided. Suppose an advance of Rs. 10,000 is granted to a contractor from which Rs. 500 is deducted on account of income tax. On deduction, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-40-(a) 350-20-(a) 350-10-(a)	Advance for Suppliers and contractors – Special Funds To TDS – Special Funds To Contractors Advance Control Account – Special Funds	Dr. Cr. Cr.	10,000	 500 9,500	Journal Book, Ledger, Special Fund Register

(a) Insert Detailed Head Codes of Account as applicable

b. <u>For recording payment of advance.</u> On payment of balance advance, i.e., Rs. 9,500 from the Designated Special Fund Bank Account, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-40-(a) 450-41-(a)	Advances for suppliers and contractors – Special Funds To Designated Bank Account*	Dr. Cr.	9,500	 9,500	Special Fund Cash Book, Ledger, Special Fund Register

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

Earnest Money Deposit

19.17 Any amount received or paid on account of Earnest Money Deposit in respect of any contract executed under Special Fund shall be deposited in or refunded from the respective Designated Special Fund Bank Account. The accounting procedure to be followed for the same is described in Chapter 12 on Public Works, reference to which is invited.

19.18 <u>Recording of receipt of Earnest Money Deposit</u>. On receipt of Earnest Money Deposit, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a) 340-10-(a)	Designated Bank Account* To Deposit From Contractors – EMD Special Funds	Dr. Cr.	1,000	 1,000	Special Fund Cash Book, Ledger, Special Fund Register

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

19.19 Recording of refund of Earnest Money Deposit. On refund of Earnest Money Deposit to the unsuccessful bidder, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a)	Deposit From Contractors – EMD Special Funds	Dr.	900		Special Fund Cash Book, Ledger, Special Fund Register
450-41-(a)	To Designated Special Fund Bank Account*	Cr.		900	

**Specify the name of the Bank and Account number*

(a) Insert Detailed Head Codes of Account as applicable

19.20 Conversion of Earnest Money Deposit into Security Deposit. On receipt of intimation from the concerned department for conversion of Earnest Money Deposit of the successful bidder into Security Deposit payable by him, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a)	Deposit From Contractors – EMD Special Funds	Dr.	100		Journal Book, Ledger, Special Fund Register
340-10-(a)	To Deposit From Contractors – Security Deposit Special Funds	Cr.		100	

(a) Insert Detailed Head Codes of Account as applicable

Security Deposit

19.21 Any amount received/paid on account of Security Deposit in respect of any contract executed under Special Fund shall be deposited in or refunded from the respective Designated Special Fund Bank Account. The accounting procedure to be followed for the same is described in Chapter 12 on Public Works, reference to which is invited.

19.22 Recording of receipt of Security Deposit. On receipt of Security Deposit, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a)	Designated Bank Account*	Dr.	5,000		Special Fund Cash Book, Ledger, Special Fund Register
340-10-(a)	To Deposit from Contractors - Security Deposit Special Funds	Cr.		5,000	

**Specify the name of the Bank and Account number*

(a) Insert Detailed Head Codes of Account as applicable

19.23 Treatment of Security Deposit deducted from the contractor's/supplier's invoice has already been described in para 19.15(d) above.

19.24 Recording of refund of Security Deposit. On refund of Security Deposit, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a)	Deposit From Contractors - Security Deposit Special Funds	Dr.	6,000		Special Fund Cash Book, Ledger, Special Fund Register
450-41-(a)	To Designated Special Fund Bank Account*	Cr.		6,000	

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

Utilisation of Special Fund for Capital Expenditure

19.25 The accounting procedures and entries to be recorded for:

a. Advance provided to the contractor/supplier,

b. Recovery of advance provided to contractor/supplier,

c. Receipt of Earnest Money Deposit (EMD) from the bidders and its refund to unsuccessful bidders;

d. Conversion of EMD of successful bidder into Security Deposit;

e. Security Deposit received from contractor/supplier,

f. Security Deposit deducted from the contractor's/supplier's bill,

g. Refund of Security Deposit,

h. Deduction of tax from the contractor's/supplier's bill,

i. Payment of amounts deducted to the relevant authorities, etc.

shall be the same as described in the section "Utilisation of Special Funds for Revenue Expenditure" above.

19.26 Recording of receipt of bill for capital work-in-progress. On receipt of a progress bill in respect of capital works being executed under Special Fund, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
412-(a) 350-10-(b)	Capital Work-in-Progress – against ___ Special Funds To Payables against Special Funds	Dr. Cr.	1,00,000	 1,00,000	Journal Book, Ledger, Special Fund Register

(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert the Detailed head code of account as applicable

19.27 Recording of receipt of bill for fixed asset purchased/acquired. On receipt of bill in respect of fixed asset purchased/acquired under Special Fund, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
411-(a) 350-10-(a)	Fixed Assets (Specify the name) To Payables against Special Funds	Dr. Cr.	50,000	 50,000	Journal Book, Ledger,

(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert the Detailed head code of Account as applicable

19.28 Recording of payment made. Payment in respect of any expenditure incurred for purchase, acquisition or construction of any fixed asset under any Special Fund shall be made from the Bank Account maintained for that Special Fund. On payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a) 450-41-(a)	Payables against Special Funds To Designated Bank Account*	Dr. Cr.	1,50,000	 1,50,000	Special Fund Cash Book, Special Fund Register, Ledger

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

19.29 Recording of capitalisation of capital work-in-progress. On completion of construction of capital project, the capital work-in-progress shall be capitalised for which the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
411-(a) 413-(a)	Fixed Assets (Name of the Fixed Asset) To Capital Work-in-Progress – against Specific Grant	Dr. Cr.	1,00,000	 1,00,000	Journal Book, Ledger

(a) Insert Minor and Detailed Head Codes of Account as applicable

19.30 Recording of transfer of funds from Special Fund to Special Fund (Utilised) on capitalisation. On capitalisation of capital work-in-progress or on purchase/acquisition of fixed asset, an amount equivalent to the amount of expenditure incurred and capitalised shall be transferred from Special Fund to Special Fund (Utilised). For this, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a) 312-30-(b)	___ Special Fund * To ___ Special Fund (Utilised)*	Dr. Cr.	1,50,000	 1,50,000	Journal Book, Ledger, Special Fund Register

* *Specify name of the fund*
(a) Insert Minor and Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

INVESTMENT OF SPECIAL FUNDS

19.31 Investments made in respect of Special Fund shall be entered in a Special Fund Investment Register (Form IN-1) (provided in Chapter 20 on Investments). The accounting procedures/ entries to be followed/ passed in respect of investments of such moneys are similar to those followed in respect of other investments. They relate to investments, maturity of investment, recording of interest, profit/loss on sale/maturity of investments, etc. These have been described in Chapter 20 on Investments.

19.32 Interest earned on Investments, profit/ loss on disposal of Investments, if any,shall be updated in the Special Fund Register (Form SF-1) by the Accounts Department.

PERIOD END PROCEDURES

19.33 The following entries shall be passed for provisioning of the unpaid bills.

a. Recording of period-end provision for bills remaining unpaid in respect of Special Fund expenditure. At period-end, a provision shall be made for the revenue expenditure incurred under Special Fund but for which bills are remaining unpaid as at the end of the accounting period. For making provision, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a) 350-10-(b)	___ Special Fund To Payables against Special Funds	Dr. Cr.	5,000	5,000	Journal Book, Ledger, Special Fund Register

(a) Insert Minor and Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

b. Recording of payment. On payment of the expenditures in respect of which period-end provision entry has been passed, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a) 450-41-(a)	Payables against Special Funds To Designated Bank Account*	Dr. Cr.	5,000	5,000	Special Fund Cash Book, Special Fund Register, Ledger

**Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

19.34 In respect of capital project / schemes, bills received in respect of works executed or acquisition / purchase of fixed assets before the last date of the accounting period, must be processed and forwarded to the Accounts Department for accounting and payment by 30th April of the next financial year if the accounting period is a financial year and in other cases, within 15 days from the end of the accounting period. The accounting entry to be recorded shall be the same as provided in para 19.26 above for progress bill in respect of capital works being executed under Special Funds and 19.27 above for bills in respect of acquisition / purchase of fixed assets under Special Funds.

ON CLOSURE OF FUNDS

19.35 On closure of Special Funds. Once the purpose for which the Special Fund created is achieved, the unutilised balance in the fund, if any, shall be transferred from Special Fund to Municipal Fund by transferring the money from the Special Fund Bank Account to the Main Bank Account. The approval of the ULB shall be obtained wherever required. The following entries shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a) 310-10- (b)	____ Special Fund To Additions to Municipal Fund	Dr. Cr.	10,000	 10,000	Journal Book, Ledger, Special Fund Register
460-21-(b) 460-41-(b)	Main Bank Account To Designated Special Fund Bank Account*	Dr. Cr.	10,000	 10,000	Cash Book, Special Fund Cash Book

**Specify the name of the Bank and Account number*
(a) Insert Minor and Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

INTERNAL CONTROLS

19.36 The following internal controls shall be observed by the ULB:

a. The Head of the Accounts Department shall, before transferring the money from Main Bank Account to the respective designated special fund bank account, ensure that the fund created is recorded in the Special Fund Register. Further, it shall be ensured that the Journal Voucher in Form No. GEN-7 prepared to record the transaction, shall provide reference to the Special Fund Register.

b. The Head of the Accounts Department and other officer designated in this behalf shall ensure timely transfer of mandatory contribution to Special Fund Bank Accounts.

c. The Head of the Accounts Department and the or other officer designated in this behalf, shall ensure that the amount of Special Fund shall not be utilised for the purpose other than for which the fund it is created.

d. Bank reconciliation of Special Fund Bank Accounts shall be carried out on a monthly basis by the department/office responsible for operating the bank account.

e. The Head of the Accounts Department or other officer designated in this behalf shall regularly match the expenditure from a Special Fund to the reduction in the balance of the Special Fund.

f. At the end of every month, the Head of the Accounts Department or other officer designated in this behalf shall reconcile the ledger balance of the Special Fund Account with the Special Fund Register and the Special Fund Bank Account balance.

g. The Head of the Accounts Department shall reconcile the expenditure incurred towards Backward Classes Welfare activities and ensure that the unspent balance is transferred to the Backward Classes Welfare Fund Bank Account.

h. The Chief Executive Officer/Head of the ULB shall specify such appropriate calendar of returns /reports for monitoring.

19.37 All Reconciliation Statements shall be certified by the Head of the Accounts Department and verified.

PRESENTATION IN BALANCE SHEET

19.38 The various heads of accounts used for the accounting of Special Funds shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the ULB. All these Financial Statements and schedules should be affixed with signature and seal of designated authorities.

19.39 The Balance Sheet Abstract in respect of Special Funds is provided below.

Schedule B-2 : Special Fund

Code No.	Particulars	Special Fund 1	Special Fund 2	Special Fund 3	Special Fund 4	Special Fund 5	Special Fund 6	Special Fund 7
	(a) Opening Balance **(b) Additions to the Special Funds** i. Transfer from Municipal Funds ii. Interest/Dividend earned on Special Fund Investments iii. Profit on disposal of Special Fund Investments iv. Appreciation in Value of Special Fund Investments v. Other addition (Specify nature)							
	Total (b)							
	Total (a+b)							
	(c) Payments out of funds **(i) Capital expenditure on** Fixed Assets Others							
	Total							
	(ii) Revenue Expenditure on Salary, Wages and allowances etc. Rent Other administrative charges							
	Total							

Code No.	Particulars	Special Fund 1	Special Fund 2	Special Fund 3	Special Fund 4	Special Fund 5	Special Fund 6	Special Fund 7
	(iii) Other: Loss on disposal of Special Fund Investments Diminution in Value of Special Fund Investments Transferred to Municipal Fund							
	Total							
	Total (c)							
	Net balance at the year end – (a)+(b)-(c)							

Schedule B-3: Schedule of Reserves

Code No.	Particulars	Opening Balance at the beginning of the year (Rs.)	Additions (Rs.)	Total (Rs.)	Deductions (Rs.)	Balance outstanding at the end of the current year (Rs.)
312-30-(a)	Special Fund (Utilised)					
	Total					

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-7: Schedule of Deposits Received

Code No.	Particulars	Opening balance as the beginning of the year	Additions during the current year	Refunded during the year	Balance outstanding at the end of the current year
340-10- (a) 340-10-(a)	Security Deposit – Special Funds Earnest Money Deposit – Special Funds				
	TOTAL				

(a) Insert Detailed Head Codes of Account as applicable

Schedules B-9: Schedule of Other Liabilities (Sundry Creditors)

Code of Account	Liabilities	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
350-10-(a) 350-20-(a) 350-20-(a)	Payables against Special Funds TDS – Special Funds Works Contract Tax – Special Funds		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-13: Schedule of Investments – Other Funds

Code No	Particulars	With whom invested	Face value	Cost	Remarks
1.	**2.**	**3.**	**4.**	**5.**	**6.**
321-(a)	**Any other investments** Special Fund Investment				
	Total				

(a) Insert Minor & Detailed Head Codes of Account as applicable

Schedules B-17: Schedule of Cash & Bank Balances

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
450-10-(a) 450-21-(a) 450-41-(a)	Cash Account Main Bank Accounts Designated Bank Accounts		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedules B-18: Schedule of Other Loans, Advances & Deposits

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
460-40-(a)	Advance for suppliers and contractors – Special Funds		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Form SF-1

Name of the ULB_____

SPECIAL FUNDS REGISTER

Name of the Fund _____

On creation/ addition to Fund					On Utilisation of Fund					Balance in fund (Rs.) (5-10)	Remarks
Date of Receipt	**Reference of voucher No.**	**Particulars**	**Amount (Rs.)**	**Cumulative Amount (Rs.)**	**Date of Payment**	**Reference of voucher No.**	**Particulars**	**Amount (Rs.)**	**Cumulative Amount (Rs.)**		
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**

Note:

1. Interest earned on investments and Profit on disposal of investments made from the Special Funds shall be recorded in the column 1 to 5 to update the balance of Special Funds
2. Loss on disposal of investments shall be recorded in the column 6 to 10 to reduce the balance of Special Fund

For each entry made; record the Name, Designation, and Signature of the person making the entry in the register and the person checking the entry.

CHAPTER 20

INVESTMENTS

INTRODUCTION

20.1 This chapter contains the recommended accounting system in relation to investment transactions, i.e., transactions dealing with surplus or other funds.

20.2 The local bodies invest surplus funds available with it as per state laws under which it was constituted. Investments means assets held not for operational purposes or for rendering services and comprises financial assets resulting from investments of cash surpluses (e.g., securities, shares, debentures, etc.).

20.3 Investments shall be classified based on the maturity profile / nature into short-term and long-term. According to the Accounting Standard 13 prescribed by the Institute of Chartered Accountants of India, 'short term' investments are those which are readily realisable, and are intended to be held for not more than twelve months from the date of investment. Investments falling outside the ambit of current investments are treated as 'long term' investments.

20.4 A separate account code has to be assigned for each type of the investments made by the ULBs. (The accounting procedures for accounting of various investment transactions are explained in detail in the accounting principles listed below)

ACCOUNTING PRINCIPLES

20.5 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Investments:

a. Investment shall be recognised at cost of investment. The cost of investment shall include cost incurred in acquiring investment and other incidental expenses incurred for its acquisition.

b. All long-term investments shall be carried / stated in the books of accounts at their cost. However in the event of any permanent diminution in their value as on the date of balance sheet, these shall be provided for.

c. Short-term investments shall be carried at their cost or market value (if quoted) whichever is lower.

d. Interest on investments shall be recognised as and when due. At period-ends, interest shall be accrued proportionately.

e. Dividend on investments shall be recognised on actual receipt.

f. Profit/loss, if any, arising on disposal of investment (net of selling expense such as commission, brokerage, etc) from the Municipal Fund shall be recognised in the year when such disposal takes place.

g Income on investments made from Special Fund and Grants under specific purpose shall be recognised and credited to Special Fund and Grants for Specific purpose respectively, whenever accrued. Profit/loss, if any, arising on disposal of investments (net of selling expense such as commission, brokerage, etc) made from the Special Fund and Grants under specific purpose shall be recognised and credited/debited to Special Fund Account and Grant under specific purpose Account respectively. However, interest or gains from an investment made from grants received as reimbursements, shall be credited to Municipal / General fund of the ULB instead of the Grant account.

ACCOUNTING RECORDS AND PROCEDURES

This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Investments. For the purposes of accounting of Investments, the register applicable is specific to Investments, e.g., Investment Register - Form IN-1. This is annexed to this chapter and is prefixed "IN". Accounts Department shall maintain an Investment Register in Form IN-1. Details of investment made from the Municipal Fund, various Special Funds and Grants for specific purpose shall be recorded separately in the Investment Register.

Investment of funds from Municipal Fund, Special Funds and Grant for specific purposes

20.6 Recording of investment made from Municipal Fund: For investment made from the Municipal Fund, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
420-(a) 450-21-(b)	Municipal Fund Investment* To Bank Account**	Dr. Cr.	10,000	10,000	Cash Book, Ledger, Investment Register

** Separate folios shall be maintained in respect of each of the investments made in the Investment Register.*
*** Specify name of the Bank and Account number*
(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

Note: The postings in the Ledger Account of "Municipal Fund Investment" Account shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book.

20.7 Recording of investment made from Special Funds. For investment made from Special Funds, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
421-(a) 450-41-(b)	Special Fund Investment* To Designated Bank Account **	Dr. Cr.	10,000	10,000	Cash Book, Ledger, Investment Register, Special Fund Register,

** Separate accounts shall be maintained for investments made from different funds such as, provident fund, pension fund, sinking fund, etc.*
***Specify name of the bank*
(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

20.8 Recording of investment made from Grants for specific purposes. For investment made from Grants for specific purposes, the Accounts Department shall pass the following entry:

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
421-(a) 450-61-(b)	Grant Investment* To Designated Bank Account**	Dr. Cr.	10,000	10,000	Cash Book, Ledger, Investment Register, Grant Register,

** Separate accounts shall be maintained for investments made from different grants for specific purposes, such as, Grants from Central Government, State Government and Others.*
***Specify name of the bank*
(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

20.9 Designated bank accounts of Special Funds and Grants shall be credited for investment made from respective funds and grants.

Income from Investment

20.10 Recording of receipt of interest/dividend on investments from the Municipal Fund. To record the receipt of interest/dividend on the Municipal Fund Investments, the Accounts Department shall pass the following entry:

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Bank Account *	Dr.	1,000		Cash Book, Ledger, Investment Register
170-10-(a)	To Income From Investments –Interest	Cr.		800	
170-20-(a)	To Income From Investments -Dividend	Cr.		200	

* *Specify name of Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

20.11 Recording of receipt of interest/dividend on investments from the Special Funds and Grants. Interest/dividend earned on investments made from Special Funds and Grants shall be deposited in the respective Special Fund or Grant bank account. Interest/dividend received on investments represents accretion to the Special Fund or Grant and cannot be utilised for any purpose other than for which the Special Fund has been created or Grant has been received. To record the receipt of interest/dividend on investments made from Special Funds or Grants, the Accounts Department shall pass the following entries:

a. Recording of interest/dividend received on Special Fund Investments. To record the interest/dividend received on Special Fund Investments, the Accounts Department shall pass the following entry:

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a)	Designated Bank Account *	Dr.	1,000		Cash Book, Ledger, Investment Register, Special Fund Register, Register of Sinking Fund
311-10-(a)	To Special Funds**	Cr.		1,000	

* *Specify name of Bank and Account number*
** *Specify name of the Special Fund*
(a) Insert Detailed Head Codes of Account as applicable

b. Recording of interest/dividend received on Grant Investments. To record the interest/dividend received on Grant Investments, the Accounts Department shall pass the following entry:

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-61-(a) 320-(b)	Designated Bank Account * To Grants for specific purposes	Dr. Cr.	1,000	1,000	Cash Book, Ledger, Investment Register, Grant Register

* *Specify name of Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

20.12 Interest earned on investments made from Special Funds and Grants shall be updated in the Investment Register along with Special Funds Register maintained in Form SF-1, Grants Register maintained in Form G-1.

Re investment of interest amounts

20.13 Investments are re-invested along with Interest on many occasions. To record the re-investment of interest on the Municipal Fund Investments, the Accounts Department shall pass the following entry:

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
420-(a) 170-10-(b)	Municipal Fund Investments To Income From Investments -Interest	Dr. Cr.	1,000	1,000	Ledger, Investment Register

(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

20.14 Similar entries will be passed for other funds.

Period-end Procedures

20.15 At period-end, interest shall be accrued on investments made from the date of last receipt of interest till the end of the accounting period. The accrual of interest shall include both interests due for receipt and interests not due for receipt. This can be explained with the help of an illustration. For instance, assume interest on Municipal Fund Investment of Rs. 1 lakh is payable half yearly on 30th June and 31st December at 10% per annum, which implies that interest of Rs.5000 is receivable on 31st December 2004 of the current accounting year and Rs 5000 is receivable on 30th June 2005 of the next accounting year. However, interest

for the period from the date of last receipt, i.e., 30th December 2004 to the end of the accounting year needs to be accounted in the books of account as interest is computed on the basis of time elapsed. Thus, Rs. 7500 (10% on Rs. 1 lakh for 3 months), i.e., interest for the intervening period shall be recorded in the books of accounts. In the case interest due for half-year ended 31 December of Rs. 5,000 which is not received as of March i.e. year end it shall be accounted as 'Interests accrued and due' and the interest accrued for the three months period upto 31 March 2005 of Rs 2,500 shall be accounted as 'Interest accrued but not due'. The entries that would be passed for accounting of interest accrued is outlined below.

a. Recording of Interest accrued on Municipal Fund Investments. At period-end, to record the interest accrued on Municipal Fund Investments, the Accounts Department shall pass the following entry:

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-40-(a)	Receivable from other sources Interest accrued & dues on Municipal Fund Investment	Dr.	5,000		Journal Book, Ledger, Investment Register
431-40-(a)	Receivable from other sources Interest accrued & not due on Municipal Fund Investment	Dr.	2,500		
170-10-(a)	To Investment Income – Interest from Municipal Fund Investment	Cr.		7,500	

(a) Insert Detailed Head Codes of Account as applicable

b. Recording of Interest accrued on Investments made from the Special Funds. In case the investment in the illustration is made from the Special Fund, 'interest accrued and due on Investments' and 'interest accrued and not due on Investments' shall be added to the respective Special Fund for which the Accounts Department shall pass the following entry:

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-40-(a)	Receivable from other sources - Interest accrued & dues on Special Fund Investment	Dr.	5,000		Journal Book, Ledger, Investment Register
431-40-(a)	Receivable from other sources - Interest accrued & not due on Special Fund Investment	Dr.	2,500		
311-10-(a)	To Special Funds*	Cr.		7,500	

* *Specify name of the Special Fund*

(a) Insert Detailed Head Codes of Account as applicable

c. Recording of Interest accrued on Investments made from the Grants. In case the investment in the illustration is made from funds received in the form of Grant, 'interest accrued and due on Investments' and 'interest accrued and not due on Investments' shall be added to the respective Grant for which the Accounts Department shall pass the following entry:

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-40-(a)	Receivable from other sources -Interest accrued & dues on Grant Investment	Dr.	5,000		Journal Book, Ledger, Investment Register
431-40-(a)	Receivable from other sources –Interest accrued & not due on Grant Investment	Dr.	2,500		
320-(b)	To Grant for specific purposes	Cr.		7,500	

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

20.16 Reversal of Interest accrued on Municipal Fund Investments and Grants received as reimbursements. At the beginning of the next accounting period, the entry for accrual of interest on Municipal Fund Investment shall be reversed by passing the following entry:

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
170-10-(a)	Investment Income -Interest from Municipal Fund Investment	Dr.	7,500		Journal Book, Ledger, Investment Register
431-40-(a)	To Receivable from Other Sources – Interest Accrued and due on Municipal Fund Investment	Cr.		5,000	
431-40-(a)	To Receivable from Other Sources - Interest Accrued and not due on Municipal Fund Investment	Cr.		2,500	

(a) Insert Detailed Head Codes of Account as applicable

20.17 Reversal of Interest accrued on investments made from Special Funds. At the beginning of the next accounting period, the entry for accrual of interest on Investments made from the Special Funds shall be reversed by passing the following entry:

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-10-(a) 431-40-(a)	Special Funds* To Receivable from Other Sources - Interest Accrued & due on Special Fund Investment	Dr. Cr.	7,500	 5,000	Journal Book, Ledger, Investment Register
431-40-(a)	To Receivable from Other Sources - Interest Accrued and not due on Special Fund Investment	Cr.		2,500	

** Specify name of the Special Fund*
(a) Insert Detailed Head Codes of Account as applicable

20.18 Reversal of Interest accrued on investments made from Grants. At the beginning of the next accounting period, the entry for accrual of interest on Investments made from the Grants shall be reversed by passing the following entry:

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
320-(b) 431-40-(a)	Grant for specific purposes To Receivable from Other Sources-Interest Accrued and due on Grant Investment	Dr. Cr.	7,500	 5,000	Journal Book, Ledger, Investment Register
431-40-(a)	To Receivable from Other Sources – Interest Accrued and due on Grant Investment	Cr.		2,500	

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

20.19 Through the above reversing entries passed in Paras 20.16 to 20.18, the entry for period end interest income passed in the current accounting period shall be reversed in the next accounting period. Money received during the next accounting period in respect of the concerned head of accounts shall be recorded by credits to the concerned head of accounts in the same manner as receipt of interest income accruing and arising in the next period.

20.20 The debits made in the interest income account through above entries would be for a temporary period and would automatically be set-off when credits shall be given in the next accounting period. Through this, interest of Rs. 7,500 is recognised as an income of the current accounting period and not as an income of the next accounting period when money is actually received.

Maturity/Disposal of Investment

20.21 Investments may be held to maturity or may be disposed before the maturity date. On disposal of investment, the ULB may either realise a profit or loss depending on whether the amount received on disposal of investment is more or less than the cost of investment. In case of Municipal Fund Investment, the profit earned or loss incurred on disposal of investment shall be recorded as income or expenditure in the Income and Expenditure Statement whereas, in case of Special Funds Investments or Grants Investments, the profit realised or loss incurred shall be adjusted in the Special Fund or Grant.

20.22 This is explained with the following illustration wherein an original investment which had cost Rs. 9000 is disposed under three different alternative scenarios resulting in no profit or loss in Scenario I, profit in Scenario II and loss in Scenario III.

a. Investment is disposed of at Rs. 9000 and thus only cost is recovered. In this case the Accounts Department shall pass the following entries for money realised:

   i. In case of Municipal Fund Investments

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 420-(b)	Bank Account* To Municipal Fund Investment	Dr. Cr.	9,000	9,000	Cash Book, Ledger, Investment Register

** Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

   ii. In case of Special Fund Investments

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a) 421-(b)	Designated Bank Account* To Special Fund Investment**	Dr. Cr.	9,000	9,000	Cash Book, Ledger, Investment Register, Special Fund Register, Register of Sinking Fund

** Specify name of the Bank and Account number*
***Separate accounts shall be maintained for investments made from different funds such as provident fund, pension fund, sinking fund, etc.*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

iii. In case of Grant Investments

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-61-(a) 421-(b)	Designated Bank Account To Grant Investment*	Dr. Cr.	9,000	 9,000	Cash Book, Ledger, Investment Register, Grant Register,

** Separate accounts shall be maintained for investments made from different grants for specific purposes, such as Grants from Central Government, State Government and Others.*

(a) Insert Detailed Head Codes of Account as applicable

(b) Insert Minor & Detailed Head Codes of Account as applicable

b. Suppose investment instead of being disposed of at Rs. 9000 is disposed of at Rs. 9,500 (after deducting cost of disposal of investment such as brokerage, commission, etc.), thus resulting in a profit of Rs. 500. The Accounts Department shall pass the following entry for money received and profit realised on disposal of investment.

i. For money realised on disposal of investment. Entries referred to in (a) above shall be passed for money realised on disposal of investment, i.e., Rs. 9,500.

ii. For recording profit realised on disposal of investment.

- In case of Municipal Fund Investments

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
420-(a) 170-40-(b)	Municipal Fund Investment To Profit on Sale of Investments	Dr. Cr.	500	 500	Journal Book, Ledger, Investment Register

(a) Insert Minor & Detailed Head Codes of Account as applicable

(b) Insert Detailed Head Codes of Account as applicable

- In case of Special Fund Investments

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
421-(a) 311-10-(b)	Special Fund Investment* To Special Fund*	Dr. Cr.	500	500	Journal Book, Ledger, Investment Register, Special Fund Register, Register of Sinking Fund

** Separate accounts shall be maintained for investments made from different funds such as provident fund, pension fund, sinking fund, etc.*

*** Specify name of the Special Fund*

(a) Insert Minor & Detailed Head Codes of Account as applicable

(b) Insert Detailed Head Codes of Account as applicable

- In case of Grant Investments

Code of the account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
421-(a) 320-(a)	Grant Investment* To Grants for specific purposes	Dr. Cr.	500	500	Journal Book, Ledger, Investment Register, Grant Register,

** Separate accounts shall be maintained for investments made from different grants for specific purposes, such as Grants from Central Government, State Government and Others.*

(a) Insert Minor & Detailed Head Codes of Account as applicable

c. Suppose the investment is disposed at Rs. 8500 (after deducting cost of disposal of investment such as brokerage, commission, etc.), thus resulting in a loss of Rs. 500. The Accounts Department shall pass the following entries for money received and loss incurred on disposal of investment.

i. <u>For money realised on disposal of investment</u>. Entries referred to in (a) above shall be passed for money realised on disposal of investment, i.e., Rs. 8,500.

ii. <u>For recording loss incurred on disposal of investment</u>.

- In case of Municipal Fund Investments

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
271-20-(a) 420-(b)	Loss on Sale of Investments To Municipal Fund Investment*	Dr. Cr.	500	500	Cash Book, Ledger, Investment Register

** Separate folios shall be maintained in respect of each of the investments made in the Investment Register.*

(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

- In case of Special Fund Investments

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-10-(a) 421-(b)	Special Fund* To Special Fund Investment**	Dr. Cr.	500	500	Journal Book, Ledger, Investment Register, Special Fund Register, Register of Sinking Fund

** Specify name of the Special Fund*
*** Separate accounts shall be maintained for investments made from different funds such as, provident fund, pension fund, etc.*
(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

- In case of Grant Investments

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
320-(a) 421-(a)	Grants for specific purposes To Grant Investment*	Dr. Cr.	500	500	Journal Book, Ledger, Investment Register, Grant Register,

**Separate accounts shall be maintained for investments made from different grants for specific purposes, such as Grants from Central Government, State Government and Others.*
(a) Insert Minor & Detailed Head Codes of Account as applicable

20.23 Profit or Loss arising on disposal of Special Funds Investments and Grants Investments shall be updated in the Special Funds Register maintained in Form SF-1, Grants Register maintained in Form G-1.

Valuation of Investments

20.24 All long-term investments shall be carried / stated in the books of accounts at their cost. In the case of the market values being less than the carrying value of the investments at the period, the diminution in the value of investments will be accounted as charge to the Income and expenditure account in the case of General Fund Investment or to respective funds account as the case may be.

20.25 Short-term investments shall be carried at their cost or market value (if quoted) whichever is lower.

20.26 At the end of the financial year, the accounts department has to ascertain whether any amount to be provided towards diminution or decline in value of the investments. The provision required in accordance with the accounting principle shall be calculated investment wise. The total amount of provision so calculated would then have to be compared with the balances in the 'Accumulated Provision for Decline in Value of Investments' accounts. Wherever balances fall short of the amount of provision calculated, an additional provision for such shortfall is created and where the balance in accumulated provision for investments account exceeds the provision calculated, such excess in the books would have to be written back. For the purpose of calculation for provision, calculation sheet as provided in Form IN-2 shall be used. To record the diminution in value of long-term investments and fall in the value of short-term investments, the Accounts Department shall pass the following entries:

i. In case of Municipal Fund Investments

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270-20-(a)	Provision for other Assets-Investments	Dr.	200		Journal Book, Ledger, Investment Register
420-(b)	To Municipal Fund Investments*	Cr.		200	

** In the case of long-term investment the account to be credited is 'Provision for decline in the value of investments' (under the account head 420-90-(a) and the Investment value will be shown net of the balance in this account).*

(a) Insert Detailed Head Codes of Account as applicable

(b) Insert Minor & Detailed Head Codes of Account as applicable

ii. In case of Special Funds Investments

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-10-(a) 421-(b)	Special Fund * To Special Fund Investment	Dr. Cr.	200	200	Journal Book, Ledger, Investment Register, Special Fund Register, Register of Sinking Fund

** Specify the name of the Special Fund*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

iii. In case of Grant Investments

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
320-(a) 421-(a)	Grants for specific purposes To Grant Investment*	Dr. Cr.	200	200	Journal Book, Ledger, Investment Register, Grant Register,

** Separate accounts shall be maintained for investments made from different grants for specific purposes, such as, Grants from Central Government, State Government and Others.*
(a) Insert Minor & Detailed Head Codes of Account as applicable

20.27 Investments, after provision for diminution shall be carried in Financial Statements at the reduced value.

20.28 Any appreciation in market value of both short-term and long-term investments over the cost of investments shall be ignored. If the appreciation is in respect of investments for which provision for diminution in value or fall in value was made in earlier years, the value of the said investments shall be appreciated by an amount not greater than the provision for diminution / fall in value made in earlier years. To record the appreciation in value of investment, the Accounts Department shall pass the following entries:

i. In case of Municipal Fund Investments

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
420-(a) 170-80-(a)	Municipal Fund Investment To Appreciation in Value of Investment	Dr. Cr.	200	200	Journal Book, Ledger, Investment Register

Note 1 : It is presumed that the market value of current investments increases as follows:

- Investments in respect of which diminution in value had been provided in earlier years – Rs. 250
- Investments in respect of which no diminution was provided – Rs. 50.

Note 2: The appreciation in value of investments for which diminution provision was provided in earlier years would be restricted to provision for diminution provided. Thus, the appreciation in value of such investments is restricted to Rs. 200/- (equivalent to diminution provided) despite increase in market value by Rs. 250. In respect of investments for which no diminution was provided in earlier years, the increase in market value of Rs. 50 shall be ignored.

ii. In case of Special Funds Investments

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
421-(a) 311-10-(b)	Special Fund Investment To Special Fund*	Dr. Cr.	200	200	Journal Book, Ledger, Investment Register, Special Fund Register, Register of Sinking Fund

** Specify the name of the Special Fund*

(a) Insert Minor & Detailed Head Codes of account as applicable

(b) Insert Detailed Head Codes of Account as applicable

Note: Restricted to increase in value of Special Fund investments for which diminution provision was provided in earlier years.

iii. In case of Grant Investments

Code of the Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
421-(a) 320-(a)	Grant Investment* To Grants for specific purposes	Dr. Cr.	200	200	Journal Book, Ledger, Investment Register, Grant Register,

(a) Insert Minor & Detailed Head Codes of Account as applicable

Note: Restricted to increase in value of Grant investments for which diminution provision was provided in earlier years.

20.29 Investments, whose value has appreciated on account of reversal in diminution in value, shall be disclosed in the Financial Statements at their increased value.

INTERNAL CONTROLS

20.30 The following internal controls shall be observed by the ULBs:

a. The Head of the Accounts Department shall ensure that investments are made as per the laws applicable.

b. At the end of every month, the Head of the Accounts Department or other officer designated in this behalf shall reconcile the ledger balance of various Investment Accounts with the Investment Register.

c. At the end of the financial year, the Head of the Accounts Department shall conduct physical verification of investments and reconcile the balance as denoted in the investments with the balance in ledger accounts. Each of the investment certificate/instrument/document shall be tallied with the Investment Register.

d. The Head of the Accounts Department or other officer designated in this behalf shall review the Investment Register on a weekly basis to identify and list investments maturing within the next two weeks for information of the Commissioner.

e. The Head of the Accounts Department shall ensure that interest/dividend on investments is actually received as per the terms of the investments.

f. The Head of the Accounts Department shall ensure that the Investments at the end of the financial year are valued at cost or market price, whichever is less. Further, they shall ensure that Investments are not stated over the original cost of acquisition.

g. The Chief Executive Officer or the Head of ULB may prescribe appropriate MIS reports of their level for monitoring.

20.31 The Head of the Accounts Department shall certify all Reconciliation Statements.

PRESENTATION IN FINANCIAL STATEMENTS

20.32 The various heads of accounts used for the accounting of Investments related transactions shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the ULBs. These Financial Statements and schedules should be affixed with signature/seal of authorised staff.

20.33 The schedules of Income and Expenditure Statement in respect of the income earned from Municipal Fund Investments are provided below.

Schedule I-7: Income from Investments – General Fund

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
170-10-(a)	Interest		
170-20-(a)	Dividend		
170-30-(a)	Income from projects taken up on commercial basis		
170-40-(a)	Profit on Sale of Investments		
170-80-(a)	Others		
	Total Income from Investments		

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-8: Interest Earned

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
171-10-(a)	Interest from Bank Accounts		
	Total. – Interest earned		

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-17: Miscellaneous Expenses

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
271-20-(a)	Loss on disposal of Investments		
	Total Expenses of Investments to be shown as part of Miscellaneous expenses Schedule		

(a) Insert Detailed Head Codes of Account as applicable

20.34 The Balance Sheet Abstract in respect of Investments is provided below.

Schedule B-12: Investments - General Fund

Code No.	Particulars	With whom invested	Current year		Previous year	
			Face value	Carrying Cost	Face value	Carrying Cost
1	2	3	4	5	6	7
420-10-(a)	Central Government Securities					
420-20-(a)	State Government Securities					
420-30-(a)	Debentures and Bonds					
420-40-(a)	Preference Shares					
420-50-(a)	Equity Shares					
420-60-(a)	Units of Mutual Funds					
420-80-(a)	Other Investments					
	Sub-total					
420-90-(a)	Less: Accumulated Provision					
	Net Total Investments GF					

(a) Insert Detailed Head Codes of Account as applicable

Note:

1. Provide detailed break-up of 'other investments' as applicable
2. Value in respect of investments, which have matured but not encashed shall be disclosed separately.
3. Aggregate amount of quoted investments and also market value thereof shall be disclosed. Aggregate amount of unquoted investments shall also be disclosed.

Schedule B-13: Investments - Other Funds (Special Funds, Grants)

Code No.	Particulars	With whom invested	Current year		Previous year	
			Face value (Rs.)	Carrying Cost (Rs.)	Face value (Rs.)	Carrying Cost (Rs.)
1	**2**	**3**	**4**	**5**	**6**	**7**
421-10-(a)	Central Government Securities					
421-20-(a)	State Government Securities					
421-30-(a)	Debentures and Bonds					
421-40-(a)	Preference Shares					
421-50-(a)	Equity Shares					
421-60-(a)	Units of Mutual Funds					
421-80-(a)	Other Investments					
	Sub-total					
420-90-(a)	Less: Accumulated Provision					
	Net Total Investments OF					

(a) Insert Detailed Head Codes of Account as applicable

Notes:

1. Provide break-up of investments as provided for General Provident Fund Investment.
2. Details of Investments shall be provided separately for each of the Special Fund Investment and Grant Investment.
3. Value in respect of investments, which have matured but not encashed shall be disclosed separately.
4. Aggregate amount of quoted investments and also market value thereof shall be disclosed. Aggregate amount of unquoted investments shall also be disclosed.

Schedule B-15: Sundry Debtors (Receivables)

Code No.	Particulars	Gross Amount (Rs.)	Provision for Outstanding revenues (Rs.)	Net amount (Rs.)	Previous year Net amount (Rs.)
	2	**3**	**4** **432**	**5 = 3 – 4**	**6**
431-40-(a)	Receivables from Other Sources – Interest accrued & due				
431-40-(a)	Receivables from Other Sources – Interest accrued & not due				
	Total				

(a) Insert Detailed Head Codes of Account as applicable

Schedules B-17: Schedule of Cash & Bank Balances

Code of Account	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
450-10-(a)	Cash Account		
450-21-(a)	Main Bank Accounts		
450-41-(a)	Designated Bank Accounts		

(a) Insert Detailed Head Codes of Account as applicable

Form IN – 1

_____ Name of the ULB

INVESTMENT LEDGER / REGISTER

Sr. No.	No. and date of resolution authorising investment	Date of invest-ment	Particulars of investment quoting no. and date of Govt. Paper or FDR no. of the Bank	Purchase Price (Rs.)	Face Value (Rs.)	Due date of receipt of interest	Amount of interest due on	Initials of Authorised Officer	Amount of interest recovered (Rs.)	Date on which interest recovered	Date / month in which adjusted in accounts	Amount realised either on sale or maturity of investment (Rs.)	Date on which proceeds were realised	Date / month of adjustment in accounts	Initials of Authorised Officer	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17

Seal/Signature of authorised officer

Note:

1. Separate folio would be allotted to each type of investment.
2. Separate ledger / register for each type of fund investment should preferably be maintained. For example, separate ledger may be maintained for General Fund Investment, GPF investment, Pension Fund Investment, etc.

Form IN – 2

_____ NAME OF THE ULB

CALCULATION SHEET FOR PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS FOR THE PERIOD ENDING _____

S No	Name of the investment	No of units	Cost per unit	Cost of the investment	Book value as of the previous closing period	Market rate/NAV (refer notes)	Market value as on the reporting date	Accumulated Provision as of the previous period	Accumulated Provision to be made as of current reporting date	Additional provision to be made or reversed
			(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Col 1	Col 2	Col 3	Col 4	Col 5 (Col 3 x 4)	Col 6	Col 7	Col 8(Col 3x7)	Col 9	Col 10	Col 11 (10-9)
a)										
b)										
c)										
d)										
	Total									

Notes

1. Market rate is applicable for only the quoted shares (normally classified as ' short term' investments)
2. NAV (net assets value) is applicable to unquoted investments which are generally intended to be held for more than twelve months and these are classified as ' long-term investments'

CHAPTER 21

FIXED ASSETS

INTRODUCTION

21.1 This chapter contains the recommended accounting system for transactions relating to fixed assets for Urban Local Bodies (ULBs).

21.2 Fixed Assets represent those assets of the ULBs, which are meant for use over an extended period. These are the assets held for providing services and are not held for resale in the normal course of operations of the ULBs.

21.3 Fixed Assets may be constructed or acquired by or may be gifted or donated to the ULBs either for its own use or for public benefit. The accounting treatment in respect of Fixed Assets constructed by the ULBs has been described in Chapter 12 on "Public Works", reference to which is invited.

21.4 This chapter covers the accounting procedures in respect of purchase/acquisition and disposal of Fixed Assets, including acquisition by way of gift or donation. This chapter also covers the accounting for revaluation of the assets and Depreciation on all the Fixed Assets of the ULBs including those covered by Chapter 12 on "Public Works" and Chapter 24 on "Special Transactions". The accounting principles and procedures given in this chapter is based on specific references taken from Indian Accounting Standards (AS) 10 on 'Accounting for Fixed Assets' issued by the Institute of Chartered Accountants of India. In case of any other guidance/ clarifications, the same shall be obtained by referring to AS 10.

21.5 The Fixed Assets described in this chapter could be broadly classified as Infrastructure assets and Other assets and the list of these assets illustratively include:

A. <u>Infrastructure Assets</u>

- Roads and Bridges;
  - Bridges,
  - Causeways, etc.
- Water Works;
  - Bore Wells,
  - Laboratory Equipment, etc.
- Sewerage and drainage;
  - Open Drains,
  - Underground Drains, etc.
- Public Lighting;
  - Lamp Posts,
  - Luminary & Electrical Fittings, etc.

B. <u>Other Assets</u>

- Land;
  - Land,
  - Grounds, etc.
- Buildings;
  - Art gallery Buildings,
  - Auditorium Buildings, etc.
- Furniture, fixtures, fittings and Electrical appliances;
  - Cabinets and cupboards,
  - Chairs, etc.
- Office & other equipments;
  - Air Conditioners,
  - Computer - Hardware, etc.
- Vehicles;
  - Ambulances,
  - Buses, etc.
- Health related assets; and
  - Cold Storage Equipment,
  - Medical Equipment, etc.
- The codes of Account for above and all other transactions are given in Part IV-chart of Accounts of this Manual.

21.6 A record shall be maintained for the immovable fixed assets in the relevant Register of Immovable Property in Form GEN-30 and for the moveable fixed assets in the Register of Moveable Property in Form GEN-31.

ACCOUNTING PRINCIPLES

21.7 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Fixed Assets:

a. All Fixed Assets shall be carried at cost less accumulated depreciation. The cost of fixed assets shall include cost incurred/money spent in acquiring or installing or constructing fixed asset, interest on borrowings directly attributable to acquisition or construction of qualifying fixed assets up to the month of commissioning of the assets and other incidental and indirect expenses incurred up to that month.

b. Any addition to or improvement to the fixed asset that results in increasing the utility or useful life of the asset shall be capitalised and included in the cost of fixed asset.

c. Any Fixed Asset, which has been acquired free of cost or in respect of which no payment has been made, shall be recorded at nominal value of Re. 1/-.

d. All assets costing less than Rs.5, 000 (Rupees five thousands) shall be expensed / charged to Income & Expenditure Account in the year of purchase.

e. An increase in net book value arising on revaluation shall be credited to a reserve account under the Municipal fund as 'Revaluation Reserve Account'. A decrease in net book value arising on revaluation of fixed assets is charged to Income and Expenditure accounts.

f. Revaluation of a class of assets shall not result in the net book value of that class being greater than the recoverable amount of the assets of that class.

g. Revaluation reserve shall be reduced by transfer of equivalent amount of depreciation charged on the revalued portion of the cost of the fixed assets.

h. Depreciation shall be provided at the rates prescribed by the State. Depreciation on all fixed assets is to be provided consistently on either Written Down Value or Straight Line Method (A task Force is being set up to prescribe life and rates of Depreciation for different type of assets of ULBs).

i. Depreciation shall be provided at full rates for assets, which are purchased/constructed before October 1 of an Accounting Year. Depreciation shall be provided at half the rates for assets, which are purchased/constructed on or after October 1 of an Accounting Year.

j. Depreciation shall be provided at full rates for assets, which are disposed on or after October 1 of an Accounting Year. Depreciation shall be provided at half the rates for assets, which are disposed before October 1 of an Accounting Year.

k. Assets recorded in the register but not physically available shall be written off after a specified period as defined by the State/Municipal act or rules governing the ULBs. The authority levels for the same shall be as defined under the respective Act or rules. However the specified period shall not exceed five years.

ACCOUNTING RECORDS AND PROCEDURES

21.8 This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Fixed Assets. For the purposes of accounting of Fixed Assets all the forms applicable, are generally applicable in respect of the transactions of the ULBs including in respect of Fixed Assets.

21.9 The procedure for accounting of fixed assets is briefly described below:

a. Earnest Money Deposit (EMD) may be received from the bidders bidding for the tender as per the principles and procedures prescribed by the ULBs. On award of contract, EMD shall be refunded to the unsuccessful bidders.

b. Contract for supply of requisite fixed asset shall be awarded to the successful supplier and a Purchase Order shall be issued to the supplier for supply of fixed assets specified therein.

c. Advance may be provided to the contractor as per the terms and procedures of the ULBs and purchase agreement entered into with the contractor.

d. On receipt of bill, the concerned department shall prepare a Payment Order in Form GEN-14 for the purchase/acquisition of the Fixed Asset and forward it to the Accounts Department to make the payment after deducting the Security Deposit and any other deduction specified in the purchase agreement.

e. As explained above in the accounting principles (Para 21.7) that all assets costing less than Rs 5,000 shall be charged to Income and Expenditure account in the period in which they were purchased.

Accounting for Earnest Money Deposit (EMD)

21.10 Earnest Money Deposit may be collected from the bidders on such basis as determined by the ULBs at the time of submitting their tenders. A Receipt in Form GEN-8 shall be issued for the amount collected. The accounting for collection of EMD from the bidders, refund of EMD to the unsuccessful bidders and conversion of EMD of successful bidder into Security Deposit and its refund shall be the same as provided in the Chapter 12 on "Public Works".

Accounting for Security Deposit

21.11 Where the terms of Agreement entered into with the supplier provide for collection of a certain percentage of Security Deposit in advance, a Receipt (Form GEN-8) shall be issued for the amount collected to the successful bidder. The procedure for accounting of Security Deposit received and refunded on successful execution of the order shall be the same as provided in Chapter 12 on "Public Works".

Accounting for Advance

21.12 As per the terms of purchase agreement, advance may be paid to the supplier. The procedure to be followed for payment and accounting in respect of advance shall be the same as provided in the Chapter 12 on "Public Works".

Accounting for Acquisition/Purchase of Fixed Assets

21.13 Recording of purchase of Fixed Assets. The department which purchases/acquires the Fixed Asset shall prepare a Payment Order in Form GEN-14 for the purchase/acquisition of the Fixed Asset and forward it to the Accounts Department. To record the purchase of the Fixed Asset, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410- (b)	Fixed Assets	Dr.	1,00,000		Journal Book, Ledger
350-10-(a)	To Creditors -Suppliers Account	Cr.		90,000	
340- 10- (a)	To From Contractors / Suppliers –Security Deposit	Cr.		5,000	
460- 40- (a)	To Advance to Suppliers and contractors	Cr.		5,000	

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable.

Note 1: All the fixed assets belonging to a class of assets shall be accounted under that asset class. For instance, the acquisition of a building for any purpose shall be accounted under the asset head of Buildings.

Note 2: The Cost of the fixed assets shall also include installation, duties, taxes and other incidental expenses for eg, transport charges, port dues, etc incurred towards acquisition of an asset.

Note 3: The postings in the Ledger Accounts of "Fixed Asset" Account, "Suppliers" Account, "Security Deposit" Account and "Advance to Supplier" Account shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book.

21.14 Recording of payment made. After obtaining approval of the concerned authority, the Accounts Department shall prepare a Bank Payment Voucher in Form GEN-5 and draw a cheque in accordance with the procedure provided in the Chapter 5 on General Accounting Procedures. On payment, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a) 450-21- (a)	Creditors –Suppliers Account To Main Bank Account*	Dr. Cr.	90,000	 90,000	Cash Book, Ledger

** Specify name of the Bank and account number*
(a) Insert detailed head codes of account as applicable

21.15 Any addition or improvement to the Fixed Asset that results in increasing the utility or useful life of the asset shall be capitalised and included in the cost of Fixed Asset. The procedure to be followed for accounting of any addition or improvement to Fixed Asset shall be the same as provided earlier in this chapter.

Depreciation on Fixed Assets

21.16 At the end of the accounting year, depreciation shall be provided on each class of Fixed Asset at the prescribed rates. The amount of depreciation to be provided each year shall be computed by applying the depreciation rate to the cost or written down value of Fixed Asset as per the accounting principles of the ULB. An example of computation of depreciation is provided in Table 21.1 below. .

21.17 For Depreciation on Fixed Asset. For providing depreciation (refer e.g. in Table 21.1 below), the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
272- (a) 411- (a)	Depreciation on ____ To Accumulated Depreciation	Dr. Cr.	2,100	 2,100	Journal Book, Ledger

(a) Insert Minor & Detailed Head Codes of account as applicable
Note: Separate depreciation entry shall be passed for each class of fixed assets, such as Buildings, Vehicles, etc.

Table 21.1
Computation of Depreciation at Year-end on an asset class

Sr. No	Particulars	Amount (Rs.)
a.	Original Cost of Fixed Asset at the beginning of the year	10,000
b.	Less: Original Cost of fixed asset sold during the accounting year*	2,000
c.	**Original Cost of the fixed asset held at year-end**	**8,000**
d.	Annual Depreciation provision (@ 20%) for the financial year	1,600
	Depreciation on fixed assets purchased during the year**	
e.	Depreciation on the fixed asset purchased before October 1 of an accounting year (at full rate of 20% on Rs. 2,000/-)	400
f.	Depreciation on the fixed asset purchased after October 1 of an accounting year (at half the rate of 20% i.e. 10% on Rs. 1,000/-)	100
g.	**Total Depreciation charge for the year (d+e+f)**	**2,100**

* Refer sale of fixed asset worth Rs 2000 in para 21.24 under section 'Sale/Disposal of Fixed Assets' below.

** It is assumed that fixed assets worth Rs. 2,000 purchased before October 1 of an accounting year and fixed assets worth Rs. 1,000 purchased after October 1 of an accounting year.

21.18 Register of Immovable Property maintained in Form GEN-30, Register of Moveable Property maintained in Form GEN-31, and Register of Public Lighting System in Form GEN-36 shall be updated in respect of the depreciation provision made during an accounting year annually.

Maintenance of Sinking Fund

21.19 ULBs may maintain sinking funds to invest the replacement of assets. In such cases the following procedures shall be adopted.

21.20 Recording of transfer of funds from Main Bank Account to Asset Replacement Bank Account. Immediately after the approval of Financial Statements by the ULBs, an amount equivalent to depreciation provision for the year shall be transferred from the Main Bank Account to Asset Replacement Bank Account for which the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a) 450- 21- (a)	Designated Bank Account* To Bank Account*	Dr. Cr.	2,100	 2,100	Cash Book, Ledger

** Specify name of the Bank and account number*

(a) Insert detailed head codes of account as applicable

21.21 The amount so set aside shall be utilised only for the purpose of purchase or acquisition of the fixed assets pertaining to the asset class in respect of which the above depreciation has been provided.

21.22 Asset Replacement Register in Form GEN-35 shall be maintained asset class-wise to record the money set aside and shall be updated for deposits made to Asset Replacement Bank Account in respect of annual depreciation provision made during the accounting year and for utilisation of proceeds from the Asset Replacement Bank Account for the purpose of replacement by way of purchase / acquisition / construction of fixed asset.

21.23 Recording of transfer of funds from Asset Replacement Bank Account to Main Bank Account. In case, where the payment in respect of any such fixed assets is made through the Main Bank Account, the Accounts Department shall transfer an amount equivalent to the cost of acquisition from the Asset Replacement Bank Account to the Main Bank Account and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 450- 41- (a)	Main Bank Account * To Asset Replacement Bank Account*	Dr. Cr.	200	200	Cash Book, Ledger

(a) Insert detailed head code of accounts

Sale/Disposal of Fixed Asset

21.24 The Fixed Assets may be transferred by way of sale either through auction or otherwise. The procedure for accounting of receipt of EMD from the bidders, refund of EMD to the unsuccessful bidders, conversion of EMD of successful bidder into Security Deposit and its adjustment shall be the same as provided in Chapter 12 on Public Works.

21.25 Recording of Depreciation on disposal of Fixed Asset. Depreciation shall be provided at the prescribed rates on the asset class (in respect of fixed asset sold). The amount of depreciation to be provided shall be computed by applying the depreciation rate to the cost of fixed asset upto the month of sale. For providing depreciation, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
272- (b) 411- (b)	Depreciation on _____ (please specify) To Accumulated Depreciation	Dr. Cr.	100	100	Journal Book, Ledger

(a) Insert Minor & detailed Head Codes of Account as applicable

21.26 Recording of disposal of Fixed Asset. In respect of the Fixed Asset to be sold, the Accounts Department shall compute the Written Down Value for that Fixed Asset. Written Down Value of an asset is calculated as Cost of the Fixed Asset – Accumulated Depreciation provided till the previous year - Provision for Depreciation made during the year till the month of disposal (computed in Table 21.2 below). The Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410- 90- (a)	Fixed Assets -Assets under Disposal #	Dr.	1,500		Journal Book, Ledger
411- (b)	Accumulated Depreciation	Dr.	500		
410- (b)	To Fixed Assets	Cr.		2,000	

This would be the same figure as the Written-Down Value of the Fixed Asset computed in Table 21.2 below as an example.
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

21.27 Recording of receipt of money on disposal of Fixed Asset. On receipt of money, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450- 21- (a)	Bank Account *	Dr.	2,000		Cash Book, Ledger
350-90-(a)	To Sale Proceeds from Assets	Cr.		2,000	

* *Specify name of Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable
Note: This entry would be passed for the consideration amount at which the Fixed Asset is disposed.

21.28 Recording of refund of Security Deposit. After the completion of the disposal of the fixed asset, Security Deposit (if any) received shall be refunded for which the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340- 10- (a)	From Suppliers/ Contractors – Security Deposit	Dr.	500		Cash Book, Ledger
450- 21- (a)	To Bank Account *	Cr.		500	

* *Specify name of Bank and account number*
(a) Insert detailed head code of accounts as applicable

21.29 The concerned Fixed Asset may be transferred at a loss or profit in comparison to its written down value, as provided in Table 21.2 which shall be calculated by applying the rate of depreciation (prescribed for the asset class) to the cost of fixed asset sold. The cost of Fixed Asset sold shall be obtained from Register of Immovable Property (GEN-30).

Table 21.2
Computation of Profit or Loss on Disposal of Fixed Asset

Sr. No.	Particulars	Profit scenario Amount (Rs.)	Loss scenario Amount (Rs.)
a.	Original Cost of Fixed Asset	2000	2000
b.	Add: Cost of improvement/addition	0	0
c.	**Total cost of Fixed Asset (a+b)**	**2000**	**2000**
d.	Less: Depreciation provided from the year of acquisition till the previous financial year	400	400
e.	Less: Depreciation provided for the current financial year till the month of disposal	100	100
f.	**Total Depreciation provided on the Fixed Asset Disposed (d+e)**	**500**	**500**
g.	**Written down Value of the Fixed Asset at the time of transfer (c– f)**	**1500**	**1500**
h.	Less: Disposal value realised	2000	500
i.	**Profit or (loss) on transfer of Fixed Asset (h-g)**	**500**	**(1000)**

21.30 Recording profit on disposal of Fixed Asset. In case of profit on disposal of Fixed Asset (as per the example given above), the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-90-(a)	Sale Proceeds from Assets	Dr.	2,000		Journal Book, Ledger
410- 90- (a)	To Fixed Assets -Assets under Disposal	Cr.		1,500	
180- 30- (a)	To Profit on disposal of Fixed Assets	Cr.		500	

(a) Insert detailed head code of accounts as applicable

21.31 Recording loss on disposal of Fixed Asset. In case the asset is disposed at Rs. 500, i.e., a loss of Rs. 1,000 is incurred on disposal of fixed asset, the Accounts Department shall pass the entry referred to in para. 21.29 for Rs. 500 for recording, the money realised on disposal of fixed asset. For loss incurred on disposal of fixed asset, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-90-(a) 271-10- (a) 410-10- (a)	Sale Proceeds from Assets Loss on disposal of fixed asset To Fixed Assets -Assets under Disposal	Dr. Dr. Cr.	500 1,000 	 1,500	Journal Book, Ledger

Note: In practice, only one of the above two situations could happen.
(a) Insert detailed head code of accounts as applicable

REVALUATION OF FIXED ASSETS

21.32 Fixed assets may be revalued under the following circumstances such as:

a) Commercial development of the fixed assets are taken up after the land use and architectural control have been approved by the competent authority;

b) At the time of lease; or

c) At the time of issue of municipal bonds.

21.33 The procedure for accounting of revaluation of fixed assets are briefly described below:

- Recording for increase or decrease of the values of the Fixed Assets;
- Recording of amortisation of revaluation reserve;
- Recording of disposal of revalued assets.

a) Recording of increase in the value of assets: Increase in values arising on account of revaluation of the fixed asses shall be credited to a reserve account under General fund. The accounting entry for recording the increase shall be as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410 – (b) 312- 60- (a)	Fixed Assets To Reserves – Revaluation Reserve	Dr. Cr.	10,000	 10,000	Journal Book, Ledger and Fixed Assets Register

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

b) Recording of decrease in the value of assets: Decrease in the value of fixed assets because revaluation shall be charged off in the Income and Expenditure Account. The accounting entry for recording the decrease shall be as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270-40-(a)	Assets Written Off/ Decline in value of Assets on Revaluation	Dr.	10,000		Journal Book, Ledger and Fixed Assets Register
410- (b)	To Fixed Assets	Cr.		10,000	

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

c) Recording of adjustment of depreciation against revaluation reserve: Revaluation reserve shall be adjusted /reduced by an amount equivalent to the depreciation charge on the revalued portion of the fixed assets. The accounting entry for recording the adjustment is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
312- 60- (a)	Revaluation Reserve	Dr.	3,000		Journal book, Ledger and Fixed Assets Register
272- (b)	To Depreciation on Fixed Assets	Cr.		3,000	

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

d) Recording of disposal of assets revalued: In case the assets revalued have been disposed off or written off, the revaluation reserve if any relating to those assets shall also be reversed.

21.34 The concerned Fixed Asset may be transferred at a loss or profit in comparison to its written down value, as provided in Table 21.3 which shall be calculated by applying the rate of depreciation (prescribed for the asset class) to the cost of fixed asset sold. The cost of Fixed Asset sold shall be obtained from Register of Immovable Property (GEN-30).

Table 21.3
Computation of Profit or Loss on Disposal of Fixed Asset

Sr. No.	Particulars	Profit scenario Amount (Rs.)
a.	Original Cost of Fixed Asset	5,000
b.	Add: Increased on account of revaluation	2,500
c.	**Total vlalue of the Fixed Asset (a+b)**	**7,500**
d.	Less: Depreciation provided from the year of acquisition till the previous financial year	3,500
e.	Less: Depreciation provided for the current financial year till the month of disposal	200
f.	**Total Depreciation provided on the Fixed Asset Disposed (d+e)**	**3,700**
g.	**Written down Value of the Fixed Asset at the time of transfer (a– f)**	**1,300**
h.	Less: Disposal value realised	6,000
i.	**Profit or (loss) on transfer of Fixed Asset (h-g)**	**4,700**

* The accumulated depreciation at the beginning of the period and depreciation for the current period includes the depreciation provision on the portion of increase in the value of assets on revaluation. (i.e. Rs 2000)

i. Recording of transfer of assets and reversal of revaluation on disposal: In respect of the Fixed Asset to be sold, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410- 90- (a)	Fixed Assets -Assets under Disposal #	Dr.	1,300		Journal Book, Ledger
312- 60- (a)	Revaluation Reserve	Dr.	2,500		
411- (b)	Accumulated Depreciation	Dr.	3,700		
410- (b)	To Fixed Assets	Cr.		7,500	

This would be the same figure as the Written-Down Value of the Fixed Asset computed in Table 21.3 above as an example.
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

ii. Recording of profit or loss on disposal of revalued assets: The scheme of entries shall be same as explained in paras 21.30 & 21.31 for profit or loss respectively.

INVESTMENT FROM ASSET REPLACEMENT BANK ACCOUNT

21.35 Investments made from Asset Replacement Bank Account shall be entered in the Investment Register (Form IN-1) (provided in Chapter 20 on Investments). The accounting procedures to be followed, the accounting entries to be recorded and accounting records to be updated in respect of investments of such funds are similar to those followed in respect of investments. They relate to investments, maturity of investment, recording of interest, profit/loss on sale/maturity of investments, etc. These have been described in Chapter 20 on Investments.

TREATMENT OF CERTAIN TYPE OF ASSETS

Assets under dispute/litigation

21.36 All the fixed assets accounted in the books of ULBs which are under dispute or litigation shall be disclosed in the financial statements along with notes/remarks that these are under dispute and also the status of the legal case as at the reporting date of the financial statements.

Assets in Register not yet physically identified

21.37 The details of assets, which are in the register but not yet physically identified/traced, shall be disclosed in the financial statements in the form of a note. However, the assets were which are not traced within a specific period of time, shall be written off. The State Acts/rules governing the ULBs shall define the period and authorisation for writes off. However it is recommended that the maximum period shall not exceed beyond five years. Accounts Department shall pass the following entry for recording of write off.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270- 40- (a)	Assets written off –Fixed Assets	Dr.	2,000		Journal Book, Ledger
411- (b)	Accumulated Depreciation	Dr.	3,000		
410- (b)	To Fixed Assets	Cr.		5,000	

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

PERIOD END PROCEDURES

21.38 Recording of liability for fixed assets purchased for which payment has not been made. At period end, the concerned departments shall ensure that for bills in respect of all the fixed assets received before the last date of the accounting period are processed and sent to the Accounts Department for accounting and payment within 15 days from the end of the accounting period. Based on the bills received, the Accounts Department shall pass the same entry as what is described in para. 21.13 above.

21.39 Provision for Depreciation: Provision for depreciation on fixed assets shall be calculated for the full year and accounted on pro-rata basis at the period ends. For example if the total depreciation for full year is Rs. 1,000, the depreciation provision for the current year for the 3 months ended 30th June shall be Rs.250. However, the depreciation calculation sheet shall be updated for all additions and deletions during the period under reporting and accordingly the additional provisions for subsequent periods are accounted.

21.40 For Fixed Assets purchased in terms of any financial assistance or grant received or the cost of which is met from funds set aside in a Special Fund, period-end entries as described in Chapter 17 on "Grants" and Chapter 19 on "Special Funds" respectively, shall be recorded.

INTERNAL CONTROLS

21.41 The following internal controls shall be observed by the ULBs:

a. At the time of award of new contract, the concerned department shall ensure the availability of adequate budget allocation after considering all commitments made against that budget allocation before purchasing any new fixed asset.

b. The Head of the Accounts Department shall carry out quarterly reconciliation of the balance as per the Deposit Register maintained at the concerned department with the Deposit Ledger accounts.

c. The Head of the Accounts Department shall have a system of conducting physical verification of fixed assets throughout the year so that each fixed asset is verified at least once during the year. Any discrepancies with the Fixed Assets Register should be reconciled.

d. The Head of the Accounts Department shall ensure that the amount set aside in the Asset Replacement Bank Account consequent to depreciation provision made, is utilised only for the purpose of purchase or acquisition of fixed asset for which depreciation has been provided.

e. Before releasing payment to the supplier, the Head of the Accounts Department shall ensure that the fixed assets acquired are recorded in the Register of Immovable Properties. Further, it shall be ensured that the Payment Order provides reference to the Register of Immovable Properties where the entry for receipt of fixed assets is recorded.

f. At the time of computing depreciation provision for the period, the Head of the Accounts Department shall ensure that the accumulated depreciation (including current period' s depreciation provision) provided on any fixed asset does not exceed its cost of acquisition.

g. Chief Financial Officer / Head of the Departments of ULBs may specify appropriate MIS reports for monitoring.

21.42 All Reconciliation Statements shall be certified by the Head of the Accounts Department

PRESENTATION IN FINANCIAL STATEMENTS

21.43 The various heads of account used for the accounting of Fixed Assets shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the ULBs. All such Financial statements and schedules shall be affixed with signature/seal of authorised officer.

21.44 The schedules of Income and Expenditure Statement in respect of Fixed Assets are provided below.

Schedule I-9: Schedule of Other Income

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
180-30-(a)	Profit on Disposal of Fixed asses		
Total of Income of Fixed Assets to be shown as part of Other Income Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-17: Miscellaneous Expenses

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
271-10-(a)	Loss on disposal of Assets		
271-30-(a)	Decline in the Value of Fixed Assets on Revaluation		
Total of Expense of Fixed Assets to be shown as part of Miscellaneous expenses Schedule			

(a) Insert Detailed Head Codes of Account as applicable

21.45 The Balance Sheet abstract in respect of Fixed Assets is provided below.

Schedule B-3: Reserves

Code No.	Particulars	Opening balance (Rs.)	Additions during the year (Rs.)	Total (Rs.)	Deductions during the year (Rs.)	Balance at the end of the current year (Rs.)
1	**2**	**3**	**4**	**5 (3+4)**	**6**	**7 (5-6)**
312-60-(a)	Revaluation Reserve					
	Total					

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-7: Deposits Received

Amount in Rs.

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	**2**	**3**	**4**
340-10-(a)	From Contractors & Suppliers- EMD		
340-10-(a)	From Contractors & Suppliers- Security Deposits		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-9: Other Liabilities (Sundry Creditors)

Amount in Rs.

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	**2**	**3**	**4**
350-10-(a)	Suppliers Account- Fixed Assets		
350-90-(a)	Sale Proceeds of Fixed Assets		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-11: Fixed Assets

Amount in Rs.

Code No	Particulars	Gross Block (410)				Accumulated Depreciation (411)				Net Block	
		Opening Balance	Additions during the period $	Deductions during the period	Cost at the end of the year	Opening Balance	Additions during the period	Deductions during the period	Total at the end of the year	At the end of current year	At the end of the previous year
1	2	3	4	5	6	7	8	9	10	11	12
410-10	Land										
410-20	Buildings										
	Infrastructure Assets										
410-30	Roads and Bridges										
410-31	Sewerage and drainage										
410-32	Water ways										
410-33	Public Lighting										
	Other assets										
410-40	Plants & Machinery										
410-50	Vehicles										
410-60	Office & other equipment										
410-70	Furniture, fixtures, fittings and electrical appliances										
410-80	Other fixed assets										
	Total										

$ - Additions include fixed assets created out of Earmarked Funds and Grants transferred to Urban Local Body' s fixed block as referred to in Schedule B-2 and B-4 in Chapter 31.

Additional disclosures to the Schedule

(1) Value of fixed assets under dispute or litigation shall be provided. The status of the legal case as at the reporting date of the financial statements shall also be mentioned.
(2) The details & value of assets, which are not yet physically identified/traced, shall be disclosed separately.
(3) Details and value of assets under leases and hire purchase needs to be disclosed as a note

Note:
i. Gross Block means cost of acquisition of fixed asset. Opening Balance in Gross Block as on the first day of the year represents the closing balance of the previous year. For instance, the opening balance as on 1st April 2004 shall be equal to the closing asset balance as on 31st March 2004.
ii. Land includes areas used as and for the purpose of public places such as parks, squares, gardens, lakes, museums, libraries, godowns etc.
iii. Buildings include office and works buildings, commercial buildings, residential buildings, school and college buildings, hospital building, public buildings temporary structures and sheds, etc.
iv. Roads and bridges include roads and streets, pavements, pathways, bridges, culverts and subways.
v. Sewerage and drainage include sewerage lines, storm water drainage lines and other similar drainage system.
vi. Waterworks include water storage tank, water wells, bore wells, Water pumping station, Water transmission & distribution system, etc.
vii. No depreciation is to be charged on "Land"(01)

Schedules B-17: Schedule of Cash & Bank Balances

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	**2**	**3**	**4**
450-10-(a) 450-21-(a)	Cash Account Bank Account		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-18: Schedule Loans, advances and deposits

Code No.	Particulars	Opening Balance at the beginning of the year (Rs.)	Paid during the current year (Rs.)	Recovered during the year (Rs.)	Balance outstanding at the end of the year (Rs.)
1	**2**	**3**	**4**	**5**	**6**
460-40-(a) 461-(b)	Advance to Suppliers and Contractors **Sub –Total** Less: Accumulated Provisions against Loans, Advances and Deposits				
	Net Total Loans, advances, and deposits				

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

CHAPTER 22

LEASE & HIRE PURCHASE

INTRODUCTION

22.1 This chapter contains the recommended accounting system for transactions relating to fixed assets purchased or sold under hire purchase and leases by Urban Local Bodies (ULBs). The accounting principles and procedures given in this chapter is based on specific references taken from Indian Accounting Standard (AS) 19 on 'Accounting for Leases' issued by the Institute of Chartered Accountants of India. In case of any other guidance/ clarifications the same shall be obtained by referring to AS 19.

22.2 A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

22.3 A lease is classified as a finance lease if it transfers substantially all risks and rewards incident to ownership. All other leases are classified as operating leases. Classification is made at the inception of the lease. Whether a lease is finance lease or an operating lease depends on the substance of the transaction rather than the form. Contextually under finance lease agreement the ownership passes on to the lessee on completion of the lease and in the case of an operating lease the ownership always remains with the Lessor.

22.4 Hire purchase agreement is a contract, more fully called contract of hire with an option of purchase, in which a person hires goods for a specified period and at a fixed rent, with the added condition that if he retains the goods for the full period and pay all the installments of rent as they become due the contract shall determine and the title vest absolutely in him.

22.5 Accounting of leases and hire purchase transactions shall be divided into the following situations:

- Finance lease in the books of lessee.
- Operating lease in the books of lessor.
- Finance lease in the books of lessor
- Operating lease in the books of Lessee
- Hire Purchase in the books of buyer.
- Hire Purchase in the books of seller.

22.6 Considering the general position ULB as lessee in the case of Finance leases and lessor in the case of Operating lease are provided in this manual. While both situations are covered in respect of Hire Purchase.

ACCOUNTING RECORDS AND PROCEDURES

22.7 This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Fixed Assets under lease and hire purchase. For the purposes of accounting of Fixed Assets under a lease or hire purchase all the forms applicable, are generally applicable in respect of the transactions of the ULBs including in respect of Fixed Assets.

ACCOUNTING PRINCIPLES:

22.8 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Fixed Assets acquired/given under Lease and Hire Purchase:

a. Finance lease in the books of lessee

- At the commencement of the lease term, finance leases shall be recorded as an asset and a liability. Such recognition shall be at an amount equal to the cost. .
- Finance lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance

charge shall be allocated as to produce a constant periodic rate of interest on the remaining balance of the liability for each of the period.

- Depreciation on such assets shall be provided at the same rates as in case of owned assets.

b. Operating lease in the books of Lessor

- Assets given under operating lease shall be accounted as its assets in the same manner similar to any other fixed assets owned and used by the ULB.
- Lease income from operating leases shall be recognised as income on a straight-line basis over the lease term. Lease income shall be accrued on the respective due dates.
- Any amount incurred that results in improvement or increase of the useful life of the assets under operating lease shall be capitalised as like any other asset used by the ULB for its own operations;
- Depreciation on such assets shall be provided at the same rates as in case of owned assets.

c. Hire purchase in the books of buyer

- The purchase price shall be capitalised as the cost of fixed assets
- Hire Purchase (HP) installments shall be apportioned between the finance charge and the reduction of the principal outstanding. The finance charge shall be allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability;
- The total amount of interest portion out of the 'HP Payable' shall be accounted by debiting to a control account under current assets. This amount will be adjusted on accounting of finance charges
- The depreciation principle for assets purchased under HP should be consistent with that for owned assets.

d. Hire purchase in the books of seller

- The sale price (including the interest portion) shall be accounted as receivable from HP agreement;
- HP installments shall be apportioned between the interest income and the reduction of the principal amount receivable (the finance income to be allocated so as to produce a constant periodic rate of interest on the remaining balance of the receivable);

- The total amount of interest portion out of the 'HP Receivable' shall be accounted by crediting to a control account under current assets. This amount will be adjusted while accounting for finance charges

ACCOUNTING FOR FINANCE LEASE IN THE BOOKS OF LESSEE

Accounting for Acquisition/Purchase of Fixed Assets

22.9 Recording of purchase of Fixed Assets: Delivery / installation of fixed assets purchased under a 'Finance Lease' shall be as per the agreement. To record the purchase of the fixed assets under a finance lease (for example at a cost Rs.25,00,000), the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410-+(a)	Fixed Assets (please specify the type) *	Dr.	2,500,000		Journal Book, Ledger, Register of Movable/Immovable Assets
470-30-(b)	Interest control payable – Leases	Dr.	250,000		
350-80-(b)	To Lease Charges payable	Cr.		27,50,000	

(a) Insert Minor Head Codes as applicable
(b) Insert detailed head codes as applicable.

** All the fixed assets belonging to a class of assets shall be accounted under that asset class. For instance, the acquisition of a building for any purpose shall be accounted under the asset head of Buildings.*

Note: The postings in the Ledger Accounts of "Fixed Asset" Account, " Lease Charges Payable", "Interest Control Payable" Account shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book.

22.10 'Interest control payable – Leases account' is in the nature of a control account, which represents an equivalent amount of unpaid interest portion included in the 'Lease Charges Payable'. The balance in this account gets reduced at the period ends by accounting for the finance charges portion of the lease payments dues for the period.

Lease payments

22.11 The periodical lease payments shall be accounted as per the lease agreement, the accounting entry for periodical lease payment (for example if the annual lease payment inclusive of interest is Rs 2,75,000) is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-80-(a) 450-21-(a)	Lease Charges Payable To Bank Account*	Dr. Cr.	2,75,000	 2,75,000	Cash Book, Ledger

** Specify names of the Bank and Account number*
(a) Include Detailed Head Codes of Account as applicable

Finance Charges

22.12 The portion of finance charges out of the lease payments due for the current period shall be identified at the period ends and accounted as finance charges for the period. The accounting entry for recording the finance charges is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
240-60-(a) 470-30-(a)	Interest on Leases To Interest control payable – Leases	Dr. Cr.	25,000	 25,000	Journal Book, Ledger

(a) Include Detailed Head Codes of Account as applicable

Depreciation Charge

22.13 At the end of the accounting year, depreciation shall be provided on each class of fixed assets under finance lease at the prescribed rates. The amount of depreciation to be provided each year shall be computed by applying the depreciation rate to the cost of acquisition or written down values as the case may be. The calculation and accounting of depreciation shall be same as explained in para 21.16 of Chapter 21 on Fixed Assets.

ACCOUNTING FOR OPERATING LEASES IN THE BOOKS OF LESSOR

Lease rental income

22.14 Recording of accrual of lease rental: The lease rentals due for the period shall be accrued in accordance with the lease agreement. For example, if there is an agreement for rental of Furniture under an operating lease for a monthly rental of Rs.5,000 it shall be accounted on a monthly basis. The accounting entry for this is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-40-(a) 130-80-(a)	Receivables from other sources – Lease rental To Other rent - Lease Rental	Dr. Cr.	5,000	 5,000	Cash Book, Ledger

(a) Include Detailed Head Codes of Account as applicable

22.15 Recordings of receipt of lease rentals: The lease rentals shall be received in accordance with the lease agreement. The accounting entry for this is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 431-40-(a)	Bank Account * To Receivables from Other Sources – Lease rental	Dr. Cr.	5,000	 5,000	Cash Book, Ledger

* *Specify name of the Bank and Account number*

(a) Insert Detailed Minor Head Codes of account as applicable

22.16 Accounting of Fixed assets and depreciation: Accounting treatments for the Fixed assets given under an operating lease and depreciation on those assets shall follow the same principles and procedures as laid down in Chapter 21 on Fixed Assets.

Period end procedures:

22.17 Accrual of lease rentals: The Accounts Department shall identify the total lease rentals due for the period under reporting and compare the same with the lease rental income recognised till date in the books and account for differences if any.

ACCOUNTING OF HIRE PURCHASE (HP) IN THE BOOKS OF BUYER

Down payment against purchase of Asset under Hire purchase agreement

22.18 The HP agreement may have clauses for down payments either before or after delivery or receipt of the asset depending on the terms of the HP agreement.

22.19 To record the down payment made, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-40-(a) 450-21-(a)	Advance for HP Assets To Bank Account*		25,000	25,000	Cash Book, Register of Advances, Ledger Accounts

** Specify Name of the Bank and Account number*
(a) Insert Detailed Head Codes as applicable.

Accounting for Acquisition/Purchase of Fixed Assets

22.20 Recording of purchase of Fixed Assets: To record the purchase of the Fixed Asset under a hire purchase agreement, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410-(a)	Fixed Assets (please specify the type)	Dr.	2,50,000		Journal Book, Ledger, Register of Movable/Immovable Assets and Register of Advances
470-30-(a)	Interest control payable - HP	Dr.	50,000		
330-60-(a)	To Other Term Loans- HP	Cr.		2,75,000	
460-40-(a)	To Advance for HP Assets	Cr.		25,000	

(a) Insert Minor Head Codes of Account as applicable
(b) Insert Detailed Head Codes of account as applicable.

HP Installments

22.21 Assuming that in the example given in the previous para carries an annual installment repayment of Rs.27, 500. The accounting entry for the payment of installment is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
330-60-(a) 450-21-(a)	Other Term Loans- HP To Bank Account*	Dr. Cr.	27,500	27,500	Cash Book, Ledger

** Specify names of the Bank and Account number*
(a) Include detailed Head Codes of Account as applicable

Finance Charges

22.22 The portion of interest out of the 'HP payable' due for the period under reporting shall be identified at the period ends and accounted as 'finance charges for that period. Assuming that in the annual repayment of Rs.27,500 includes interest charge of Rs 5,000, the accounting entry for recording the interest charges are as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
240-60-(a) 470-30-(a)	Other Interest - HP To Interest control payable - HP	Dr. Cr.	5,000	5,000	Journal Book, Ledger

(a) Include Detailed Head Codes of Account as applicable

Depreciation Charge

22.23 At the end of the accounting year, depreciation shall be provided on each class of Fixed Asset purchased under HP at the prescribed rates. The amount of depreciation to be provided each year shall be computed by applying the depreciation rate to the cost or written down values of the Fixed Assets as the case may be. The calculation and accounting entries for Depreciation on Fixed Assets purchased under HP shall be same as explained in para 21.16 of Chapter 21 on Fixed Assets.

Period end procedures:

22.24 Recording of interest portion of the installments due appropriately: The Accounts Department shall identify the interest portion of the installments payable for the period under reporting and accordingly account for the Interest Charges for the period.

ACCOUNTING OF HIRE PURCHASE (HP) IN THE BOOKS OF SELLER

Down payment received under Hire purchase agreement

22.25 The HP agreement may have clauses for down payments to be received from the buyer up-front either before or after delivery of the asset depending on the terms of the HP agreement.

22.26 For example, the accounting entry for 10% down payment received on the sale of assets costing Rs 250,000 is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 350-80-(a)	Bank Account* To Other Liabilities- HP Advance received	Dr. Cr.	25,000	25,000	Cash Book, Register of Advances, Ledger Accounts

** Specify Name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

Sale of Assets under HP

22.27 To record the sale of the assets under an HP agreement and adjust the 'down payment' received, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350- 80-(a)	Other Liabilities - HP Advance received	Dr.	25,000		Journal Book, Ledger, Register of Movable/Immovable Assets
460-80-(a)	Other Current assets – HP Installments receivable	Dr.	2,75,000		
410-(b)	To Fixed Assets (please specify the type)	Cr.		275,000	
350-80-(a)	To Other Liabilities- Interest control receivables – HP	Cr.		25,000	

(a) Insert Detailed Head code of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

Installment receipts

22.28 The periodical hire purchase installments due shall be received as per the HP agreement. Assuming that in the example given in the previous para carries an annual installment repayment of Rs.27, 500. The accounting entry for receipt of the installment is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 460-80-(a)	Bank Account* To Other Current assets - HP Installments Receivable	Dr. Cr.	27,500	27,500	Cash Book, Ledger

** Specify names of the Bank and Account number*
(a) Include Detailed Head Codes of Account as applicable

Interest Income

22.29 The portion of interest income out of the 'Receivables - HP' due for the period under reporting shall be identified at the period ends and accounted as 'Interest Income for that period. Assuming that in the annual repayment of Rs.27,500 includes interest charge of Rs 5,000, the accounting entry for recording the interest is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-80-(a)	Interest control receivables – HP	Dr.	5,000		Journal Book, Ledger
171-80-(a)	To Other Interest Income - HP	Cr.		5,000	

(a) Include Detailed Head Codes of Account as applicable

Period end procedures:

22.30 Recording of interest portion of the installments due appropriately: The Accounts Department shall identify the interest portion of the installment receivable for the period under reporting and accordingly account for the Interest Charges for the period.

INTERNAL CONTROLS

22.31 The following internal controls shall be observed by the ULB:

a. For Finance lease /Hire purchase in the books of lessee /buyer:

- The Head of the Accounts Department shall ensure that the 'purchase of fixed assets' under a finance lease or HP and the terms (lease/HP rentals, lease/HP periods and interest rate) of the lease/HP agreement is approved before recording the capitalisation.
- The Head of the Accounts Department shall ensure that the interest charges included in the Lease Charges/HP Payable for the period under reporting are accounted appropriately.
- The Head of the Accounts Department shall ensure that penalties or additional interests on account of delay in installment dues are provided as per the Lease /HP agreement

b. For Operating Leases in the books of Lessor

- The Head of the Accounts Department shall ensure that lending the 'fixed assets' under a operating lease and the terms (lease rentals, lease periods) of the lease agreement are approved before recording of any lease rental income.
- The Head of the Accounts Department shall ensure that penalties or additional interests on account of delay in installment dues are raised timely and accounted as per the Lease agreement.
- The Head of the Accounts Department shall have a system of conducting physical verification of fixed assets throughout the year so that each fixed asset is verified at least once during the year. Alternatively, a periodical confirmation of the assets held under operating lease from the lessee shall also be obtained. Any discrepancies with the Fixed Assets Register and the physical verification sheets or confirmation shall be reconciled.
- The Head of the Accounts Department shall ensure that the fixed assets given under operating leases are updated in the Register of Immovable Properties with the name of the lessee and location.

c. For Hire Purchase in the books of Seller

- The Head of the Accounts Department shall ensure that 'sale of fixed assets' under a hire purchase agreement and the terms (HP installments, periods and interests) of the agreement are approved before recording the sale of assets.
- The Head of the Accounts Department shall ensure that the interest income included in the HP Installments due for the period under reporting are accounted appropriately.
- The Head of the Accounts Department shall ensure that penalties or additional interests on account of delay in installment dues are levied and accounted as per the HP agreement.

Presentation in financial statements

22.32 The various heads of account used for the accounting of Fixed Assets shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the ULBs. All such Financial statements and schedules shall be affixed with signature/seal of authorised officer.

22.33 The schedule of Income and Expenditure Statement in respect of Fixed Assets under a finance lease is provided below.

Schedule I-3: Schedule of Rental income from Municipal Properties

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
130-80- (a)	Other rents – Lease Rental		
Total Income from HP, Lease to be shown as part of Rental Income Schedule			

(a) Include Detailed Head Codes of Account as applicable

Schedule I-8: Schedule of Interest Earned

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
171-80	Other Interest Income - HP		
Total Income from HP, Lease to be shown as part of Interest Earned Schedule			

(a) Include Detailed Head Codes of Account as applicable

Schedule I-13: Schedule of Interest & Finance Expenses

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
240-60-(a) 240-60-(a)	Other Interest - Leases Other Interest - HP		
Total Expense of HP, Lease to be shown as part of Interest Earned Schedule			

(a) Include Detailed Head Codes of Account as applicable

22.34 The Balance Sheet abstract in respect of Fixed Assets provided below.

Schedule B-5: Schedule of Secured Loans

Amount in Rs.

Code No.	Particulars	Original amount of loan	Rate of interest	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4	5	6
330-60-(a)	Other Loans – HP				
	Total				

(a) Include Detailed Head Codes of Account as applicable

Notes

1. The nature of the Security shall be specified;
2. Particulars of any guarantees given shall be disclosed
3. Rate of Interest and Original Amount of loan and outstanding can be provided for every Loan separately;

Schedule B-9: Schedule of Other Liabilities (Sundry Creditors)

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
	Current Liabilities		
350-80--(a) 350-80-(a) 350-80-(a)	Others- Lease Charges payable Others- HP Advance Interest control Receivables – HP		
	Total		

(a) Include Detailed Head Codes of Account as applicable

Schedule B-15: Sundry Debtors (Receivables)

Code No.	Particulars	Gross Amount (Rs.)	Provision for Outstanding revenues (Rs.)	Net amount (Rs.)	Previous year Net amount (Rs.)
	2	3	4 432	5 = 3 – 4	6
431-40-(a)	Receivables from Other sources- HP Less than 2 years * More than 2 years*				
	Sub-total				
431-40-(a)	Receivables from Other sources – Lease Charges Less than 2 years * More than 2 years*				
	Sub-total				
	Total				

(a) Include Detailed Head Codes of Account as applicable

Schedules B-18: Schedule of Loans, advances & Deposits

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
460-40-(a)	Advance to Suppliers - HP Assets		
	Total		

(a) Include Detailed Head Codes of Account as applicable

Schedules B-17: Schedule of Cash & Bank

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	**2**	**3**	**4**
450-10-(a) 450-21-(a)	**Current Assets** Cash Account Bank Account		
	Total		

(a) Include Detailed Head Codes of Account as applicable

Schedule B-10: Fixed Assets

Amount (Rs.)

Code No	Particulars	Gross Block (410)				Accumulated Depreciation (411)				Net Block	
		Opening Balance	Additions during the period $	Deductions during the period	Cost at the end of the year	Opening Balance	Additions during the period	Deductions during the period	Total at the end of the year	At the end of current year	At the end of the previous year
1	2	3	4	5	6	7	8	9	10	11	12
410-10-(a)	Land										
410-20-(a)	Buildings										
410-30-(a)	Roads and Bridges										
410-31-(a)	Bridges & Fly –overs										
410-32-(a)	Sewerage and drainage										
410-33-(a)	Water works										
410-40-(a)	Plants & Machinery										
410-50-(a)	Vehicles										
410-60-(a)	Office & other equipment										
410-70-(a)	Furniture, fixtures, fittings and electrical appliances										
410-80-(a)	Public Lighting										
410-90-(a)	Other fixed assets										
	Total										

Additional disclosures to the Schedule

(1) Value of fixed assets under dispute or litigation shall be provided. The status of the legal case as at the reporting date of the financial statements shall also be mentioned.

(2) The details & value of assets, which are not yet physically identified/traced, shall be disclosed separately.

(3) Details and value of assets under leases and hire purchase needs to be disclosed as a note

Notes:

1. Gross Block means cost of acquisition of fixed asset. Opening Balance in Gross Block as on the first day of the year represents the closing balance of the previous year. For instance, the opening balance as on 1st April 2002 shall be equal to the closing asset balance as on 31st March 2002.
2. Land includes areas used as and for the purpose of public places such as parks, squares, gardens, lakes, museums, libraries, godowns etc. Buildings include office and works buildings, commercial buildings, residential buildings, school and college buildings, hospital building, public buildings temporary structures and sheds, etc.
3. Roads and bridges include roads and streets, pavements, pathways, bridges, culverts and subways.
4. Sewerage and drainage include sewerage lines, storm water drainage lines and other similar drainage system.
5. Waterworks include water storage tank, water wells, bore wells, Water pumping station, Water transmission & distribution system, etc.
6. No depreciation is to be charged on "Land"(01)
7. All the assets under leases and hire purchase needs to be quantified by referencing in a note

CHAPTER 23

LOANS & ADVANCES

INTRODUCTION

23.1 This chapter contains the recommended accounting system for transactions relating to loans given to others including any boards/undertakings set up by the ULB. Loans and advances provided to employees and contractors /suppliers are covered in chapter 14 and 12 respectively.

23.2 ULBs may lend loans out of general funds as per the rules and provisions of the act governing the ULBs. ULBs may also advance out of specific funds / grants received for a long-term projects if the terms and conditions of the fund/grant provide for the same. In such cases, interests earned on the loans and advances lent out of the specific project fund/grant shall be credited to these funds/grants account.

ACCOUNTING PRINCIPLES

23.3 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to loans provided by ULBs

a. Interest on loans shall be recognised as and when due. At period-ends, interest shall be accrued up to the date of the period-end.

b. Interest earned on loans given out of specific fund/grant shall be directly credited to the specific fund/grant account.

c. Penal interests if any either on loans given out of Municipal fund or out of specific fund/grant shall be accounted on actual receipt.

d. Provision against bad and doubtful loans shall be made according to the provisioning principle of the ULB based on norms or guidelines issued by the state government in this regard.

e. Any additional provision for loans outstanding (net on overall basis) required to be made during the year shall be recognised as expenditure and any excess provision written back during the year shall be recognised as income of the ULB.

f. Write-offs of bad and doubtful loans shall be adjusted against the provisions made and to that extent, loan outstanding get reduced. In case of inadequate provisions, the write off shall be recognised as expenditure.

ACCOUNTING FOR LOANS TO OTHERS

23.4 The amount of loans granted to external organisations and undertakings shall be entered in the Register of 'loans to others' in Form LA–1 maintained by the Accounts Department of the ULB.

a. Recording of disbursement of loans. On disbursement of loan, the Accounts Department shall pass the following entries:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-30-(a) 450-21-(a)	Loans to Others To Bank Account*	Dr. Cr.	100,000	 100,000	Cash Book, Ledger, Register of loans to Others, Register of Specific funds/grants

** Specify name of the Bank and Account number*

(a) Insert Detailed Head Codes of Account as applicable

Note: The postings in the Ledger Accounts of "Loans to Others" Account shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever the cash or the bank account is involved, there will be no entry in the Journal Book.

b. Recording of recovery of loan installments:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 460-30-(a)	Bank Account* To Loans to Others	Dr. Cr.	20,000	 20,000	Cash Book, Ledger, Register of loans to Others, Register of Specific funds/ grants

* *Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

c. Recording of interest due on loans to external organisations/ undertakings

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-40-(a) 171-30-(a)	Receivables from other sources – Interest Accrued To Interest on Loans to Others	Dr. Cr.	2,000	 2,000	Journal Book, Ledger, Register of loans to Others, Register of Specific funds/grants

(a) Insert Detailed Head Codes of Account as applicable

d. Recording of receipt of interest on loans:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 431-40-(a)	Bank Account* To Receivables from other sources – Interest Accrued	Dr. Cr.	2,000	 2,000	Cash Book, Ledger, Register of loans to Others, Register of Specific funds/grants

* *Specify name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

LOANS TO TRANSPORT UNDERTAKINGS / SCHOOL BOARDS

23.5 ULBs may provide loans to other undertaking/boards depending on the governing acts and Rules applicable to the ULB. The accounting entries and procedures relating to loans given to other Undertakings setup by the ULBs are same as explained in Para 23.4 above.

PROVISIONING AGAINST BAD AND DOUBTFUL 'LOANS TO OTHERS'

23.6 The Accounts department shall review recoverability status of all Loans to Others on periodical basis and based on the review and in accordance with the provisioning principle laid down by the state, appropriate amount of provisioning or write off needs to determined and accounted after obtaining the requisite approvals. The accounting entries for provisioning or write off of Loans and Advances are detailed below:

a. Recording of provision against doubtful loans to Others as at the period end:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270-20-(a)	Provision for Other Assets	Dr.	6,000		Journal Book, Ledger,
461-10-(a)	To Provision for Outstanding Loans to Others	Cr.		6,000	

(a) Insert Detailed Head Codes of Account as applicable

b. Recording of write off doubtful and bad loans for which provisioning was made in the previous years:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270-20-(a)	Provision for Other Assets	Dr.	4,000		Journal Book, Ledger,
460-30-(a)	To Loans to Others	Cr.		4,000	

(a) Insert Detailed Head Codes of Account as applicable

c. Recording of write off of doubtful or bad loans for which no provisioning was made in the previous years:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270-40-(a)	Assets Written off – Loans & Advances	Dr.	4,000		Journal Book, Ledger, Register of loans to Others
460-30-(a)	To Loans to Others	Cr.		4,000	

(a) Insert Detailed Head Codes of Account as applicable

d. Recording of write back of provision against doubtful loans to the extent of the amount recovered:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
461-10-(a)	Accumulated Provision for Loans to Others	Dr.	1,000		Journal Book, Ledger
180-60-(a)	To Other income – Excess Provisions Written back	Cr.		1,000	

(a) Insert Detailed Head Codes of Account as applicable

INTERNAL CONTROLS

23.7 The ULBs in respect of Loans lent to others shall observe the following internal controls:

a. The loans to Others shall be entered in the 'Loans to Others register' in Form LA – 1 and on a monthly basis, the amount as per the register shall be reconciled with the amounts as per the ledger accounts.

b. Also the interest accrued at the period ends shall be entered in the registers referred above and the interest on loans as per the registers shall be reconciled with the amount as per Interest ledger.

c. At the end of the year, an abstract of 'Loans to Others' has to be made showing the loans outstanding at the beginning of the year, loans lent during the year, total interests accrued during the year and total amount of recoveries/ adjustments during the year.

d. The Chief Executive Officer/Head of the ULB shall specify such appropriate calendar of returns /reports for monitoring.

23.8 All the reconciliation statements shall be certified by the Head of the Accounts Department.

PRESENTATION IN FINANCIAL STATEMENTS

23.9 The various heads of accounts used for the accounting of Loans to Others shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the ULB. All such statements and schedules should be affixed with signature and seal of designated authorities.

23.10 The schedule of Income and Expenditure Statement in respect of Loans is provided below:

Schedule I-8: Schedule of Interest Earned

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
171-30-(a)	Interest on loans to others		
Total Income of Loans & advances to be shown as part of Interest Earned Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-9: Schedule of Other Income

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
180-10-(a) 180-60-(a)	Deposits Forfeited Excess Provisions written back		
Total Income of Loans & advances to be shown as part of Other Income Schedule			

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-16: Schedule of Provisions & Write off

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
270-20-(a) 270-40-(a)	Provision for other Assets Assets written off		
Total Expense of Loans & advances to be shown as part of Provisions & Write off Schedule			

(a) Insert Detailed Head Codes of Account as applicable

23.11 The Balance Sheet abstract in respect of Loans and advances is provided below:

Schedule B-15: Schedule of Sundry Debtors (Receivables)

Code No.	Particulars	Gross Amount (Rs.)	Provision for Outstanding revenues (Rs.)	Net amount (Rs.)	Previous year Net amount (Rs.)
1	2	3	4 432	5 = 3 – 4	6
431-40-(a)	Receivables from Other Sources				
	Total of Sundry Debtors (Receivables)				

** Break up for provision for outstanding revenues are given in Column 4*

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-18: Schedule of Loans, advances and deposits

Code No.	Particulars	Opening Balance at the beginning of the year (Rs.)	Paid during the current year (Rs.)	Recovered during the year (Rs.)	Balance outstanding at the end of the year (Rs.)
1	2	3	4	5	6
460-30-(a) 461-(b)	Loans to Others Less: Provision for Outstanding				
	Net total of Loans, advances, and deposits				

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

Schedule B-18 (a): Accumulated Provisions against Loans, Advances, and Deposits

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
461-10-(a)	Loans to Others		
	Total Accumulated Provision		

(a) Insert Detailed Head Codes of Account as applicable

Form LA – 1

_____ *Name of the ULB*

REGISTER OF LOANS TO OTHERS

1.Name of the borrower _____
2.Purpose of Loan _____
3.No. & date of resolution / orders sanctioning the loan _____
4.Amount of Loan sanctioned _____
5. Rate of Interest _____
6. No. of installment _____
[whether monthly, quarterly, half-yearly or yearly]
7. Amount of each installment _____
8. Name of the Specific fund/grant used for lending_____

Disbursement of Loan			Amount due for repayment				Initials of the officer	Amount Repaid				Balance			Remarks
Date of Disbursement	Amount Disbursed	Total Amount Disbursed	Due Date of Repayment	Amount of Principal	Amount of Interest	Total Amount due to repayment		Date of Repayment	Principal Amount	Interest	Total	Principal Amount	Interest	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

Note:

1. Separate folio shall be allotted to each loan.
1. Pages of ledger / register would be numbered.
2. In case of more than one loan, summary of all loans shall be drawn suitably in the register.
3. For each entry made, record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry

CHAPTER 24

SPECIAL TRANSACTIONS

INTRODUCTION

24.1 Often ULBs have transactions which are not of usual nature. These are referred to as Special Transactions. These could include:

i. Fixed assets created on behalf of ULBs by an executing agency, from the funds directly disbursed to them by the Government, or;

ii. Grants given by ULBs to the School Boards or other undertakings established under an ULB.

iii. Contributions made by ULBs in creation of assets not owned by it;

iv. Joint Venture Investments

24.2 This chapter contains recommended accounting system for each of the above transactions.

ACCOUNTING PRINCIPLES

24.3 The Accounting Principles governing the recording, accounting and treatment of transactions coming under Special Transactions are similar to those prescribed in similar situations in the other chapters of this Accounts Manual. For instance:

- Accounting Principles relating to construction of fixed assets and their repairs and maintenance shall be the same as what is described in ***Chapter 12 on Public Works***;

- Accounting Principles in respect of procurement and consumption of Stores shall be the same as what is described in ***Chapter 13 on Stores***;

- ❑ Accounting Principles in respect of grants received shall be the same as what is described in ***Chapter 17 on Grants***;
- ❑ Accounting Principles in respect of Borrowings (Loans Received) shall be the same as what is described in ***Chapter 18 Borrowings (Loans Received)***;
- ❑ Accounting Principles in respect of Investments and accrual of interest shall be the same as what is described in ***Chapter 20 on Investments;***
- ❑ Accounting Principles in respect of fixed assets and depreciation provisioning shall be the same as what is described in ***Chapter 21 on Fixed Assets***;
- ❑ Accounting Principles in respect of loans and advances shall be the same as what is described in ***Chapter 23 on Loans and advances***;

ACCOUNTING RECORDS AND PROCEDURES

24.4 This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Special Transactions. For the purpose of accounting the Form SPL-1 is specific to Grants provided to the School Boards or other undertakings established by the ULBs. This is annexed to this chapter

24.5 The Accounts Department shall maintain a Register in Form SPL-1 for Grants provided to Schools/other undertakings. The details of the grants sanctioned shall be recorded in the Grants to Schools/other undertakings register. This Register shall be updated for each payment of the grant.

Creation of Fixed Assets by an Executing Agency

24.6 Under certain schemes sanctioned by the State Government, the ULBs may have assets created by an executing agency, on their behalf. These projects may be funded by one or more of the following sources:

a. Loans;

b. Grants from State Government; or

c. Own contribution, i.e., contribution by the ULBs. In accordance with a scheme sanctioned, the ULBs may raise a loan for the purpose of execution of an approved project. The loan may either be disbursed to the ULBs, which will then utilise it for execution of the scheme (accounting procedure and accounting entries in respect of which has been described in Chapter 18 on Borrowings (Loans Received), or may be disbursed directly to an executing agency. Likewise, Grants may be either disbursed to the ULBs (accounting procedure and accounting entries in respect of which has been described in Chapter 17 on Grants) or may be disbursed directly to an executing agency.

24.7 This section describes the accounting procedures and entries in situations in which loans and grants are disbursed directly to an executing agency on behalf of an ULB. There could be situations in which a large project is executed by an executing agency for the common benefit of more than one ULB. In this Chapter the accounting entries in respect of a particular ULB's share in such situation is also explained.

24.8 This is explained with the help of an illustration. Suppose a Water Works Scheme for Rs. 1.5 crores is sanctioned of which Rs. 1 crore would be receivable as loan and Rs. 40 lakhs as grant from State Government and the balance would be contributed by the ULB. The said scheme would be executed by an independent organisation i.e. the executing agency, on behalf of the ULB. The amount of loan and grant would be directly disbursed to the executing agency and the ULB would also remit its own contribution to the executive agency. The scheme of entries outlined below shall be passed for all projects executed by an executing agency in respect of which funds are directly disbursed to the executing agency.

24.9 Recording of direct disbursement of Loan. On receipt of intimation of disbursement of loan to an executing agency, the Accounts Department shall pass the following entry:

Code of Account	**Accounting Entry**	**Dr./ Cr.**	**Debit Amount (Rs.) Illustrative figures**	**Credit Amount (Rs.) Illustrative figures**	**Books to be entered into**
460-50-(a) 331-(b)	Advance against Project* To Loans **	Dr. Cr.	1,00,00,000	 1,00,00,000	Journal Book, Ledger,

** Specify name of the Project under execution and the Executing Agency executing it.*
*** Specify the institution from which the funds have been borrowed or any other distinguishing feature of* the loan raised for easy identification. *In the case of Secured loans the code to be used is 330 instead of 331.*
(a) Insert Minor Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

Note: The postings in the Ledger Accounts of "Advance against Project Account and " Loan " Account shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book.

24.10 Recording of direct disbursement of Grant. For grants disbursed directly to the executing agency, on receipt of intimation from the government or executing agency, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-50- (a) 320-20-(a)	Advance against Project* To Grants for Specific Purposes	Dr. Cr.	40,00,000	 40,00,000	Journal Book, Ledger,

* Specify name of the Project under execution and the Executing Agency executing it.
(a) Insert Detailed Head Codes of Account as applicable

24.11 Recording of remittance of ULBs own contribution. In accordance with the terms of a sanctioned scheme, funds may be remitted by the ULBs as their contribution to executing agency. On transfer of funds, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-50-(a) 450-21-(a)	Advance against Project* To Bank Account**	Dr. Cr.	10,00,000	 10,00,000	Cash Book, Ledger,

** Specify name of the Project under execution and the Executing Agency executing it.*
*** Specify name of the bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

24.12 Recording of accrual and payment of interest. Interest on funds borrowed shall be accrued and paid as per the terms of the agreement. In such cases, the interest amount is paid to the executing agency, which in turn would pay to the lender. For accounting of interest accrued and its subsequent payment, the Accounts Department shall pass the following entries:

a. On accrual of interest:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-50-(a) 350-12-(a)	Advance against Project* To Interest Liability on Projects	Dr. Cr.	10,00,000	 10,00,000	Journal Book, Ledger,

** Specify name of the Project under execution and the Executing Agency executing it.*
(a) Specify the Detailed Head Code of Account as applicable

b. On payment of interest:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-12-(a) 450-21-(a)	Interest Liability on Projects To Main BankAccount*	Dr. Cr.	10,00,000	 10,00,000	Cash Book, Ledger,

** Specify name of the bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

24.13 Recording of repayment of loan. In such cases, loan instalments may be paid to the executing agency for further payment to the lender. On payment of loan instalment, the Accounts Department shall pass the following entries:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
331-(a) 450-21-(b)	Loans* To Bank Account**	Dr. Cr.	10,00,000	 10,00,000	Cash Book, Ledger

** Specify the institution from which the funds have been borrowed or any other distinguishing \feature of the loan raised for easy identification.*
** *Specify name of the bank and Account number*
(a) Insert Minor and Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

24.14 Recording of capitalisation of asset under construction. On completion of construction and on receipt of Work Completion Certificate from the executing agency, for capitalisation of the work executed, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410-(a) 460-50-(b)	Fixed Assets To Advance against Project*	Dr. Cr.	1,60,00,000	 1,60,00,000	Journal Book, Ledger,

** Specify name of the Project under execution and the Executing Agency executing it.*
(a) Insert Minor and Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

24.15 Recording of completion of construction and capitalisation: On completion of construction and on capitalisation of the fixed asset, the amount received as Grant shall be transferred to the Grant Fund. For this the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
320-20-(a) 312-10-(a)	Grants for Specific Purposes To Capital Contribution	Dr. Cr.	40,00,000	 40,00,000	Journal Book, Ledger, Grant to Schools/other undertakings register

(a) Insert Detailed Head Codes of Account as applicable

Revolving Fund

24.16 ULBs maybe required to open a separate designated bank account for depositing funds (usually both loans, grants), received from State Government, both loans and grants, aimed towards development of ULBs through creation of fixed assets. Further, the ULBs may be required to contribute certain percentage of the project cost towards the scheme sanctioned, which shall be deposited in the designated bank account.

24.17 The amount deposited in the designated bank account shall be utilised only for the purposes specified in the scheme sanctioned. Interest on loan and repayment of loan instalment shall be made from the Designated Revolving Fund Bank Account. The deficit in the designated bank account, if any, shall be met from the ULBs Main Bank Account.

24.18 This is explained with the help of an illustration. Suppose a Scheme has been formulated under a special programme approved by the Government for construction of a public facility. The cost of the project is Rs. 1 crore of which Rs. 25 lakhs would be received as loan and Rs. 15 lakhs as grant from State Government. The ULBs shall contribute the balance. The amount received as loan and grant together with ULBs own contribution shall be deposited in a separate designated bank account. The scheme of entries outlined below shall be passed for any other project executed under any other Revolving Fund.

24.19 Recording of receipt of Loan. The accounting procedures in relation to loan received from the State Government, payment of interest accrued on loan and repayment of loan has been described in Chapter 18 on Borrowings (Loans Raised). On receipt of loan, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a) 331-(b)	Bank Account * To Loans**	Dr. Cr.	25,00,000	 25,00,000	Cash Book, Ledger, Special Fund Register, Register of Loans

**Specify name of the bank and Account number*
***Specify the institution from which the funds have been borrowed or any other distinguishing feature of* the loan raised for easy identification. Also specify the name of the project.
(a) Insert Detailed Head Codes of Account under as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

24.20 Recording of receipt of Grant. On receipt of grant from the Government, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a) 311-(b)	Designated Revolving Fund Bank Account* To Revolving Fund**	Dr. Cr.	15,00,000	 15,00,000	Cash Book, Ledger, Special Fund Register

**Specify name of the bank and Account number*
*** Specify the name of the Fund*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert the Minor and detailed Head as applicable

24.21 Recording of remittance of ULB' s own contributionContribution of the ULBs shall be transferred from the Main Bank Account to the Designated Revolving Fund Bank Account. On transfer of funds, the Accounts Department shall pass the following entries:

a. For transfer of funds from Municipal Fund to Revolving Fund:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
310-(a) 311-(a)	Municipal Fund To Revolving Fund	Dr. Cr.	60,00,000	 60,00,000	Cash Book, Ledger, Special Fund Register

(a) Insert Minor & Detailed Head Codes of Account as applicable

b. For recording transfer of money:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a) 450-21-(a)	Designated Revolving Fund Bank Account* To Bank Account *	Dr. Cr.	60,00,000	 60,00,000	Cash Book, Ledger, Special Fund Register

**Specify name of the bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

24.22 ULBs may execute/operate the scheme by employing its own resources or outsourcing through tender. The accounting procedures and accounting entries in relation to following have been described in Chapter 19 on Special Funds read with Chapter 12 on Public Works:

a. Receipt of Earnest Money Deposit (EMD) from the bidders and its refund to unsuccessful bidders;

b. Conversion of EMD of successful bidder into Security Deposit and receipt of Security Deposit in advance;

c. Provision of Advance to the contractor;

d. Bills raised by the contractor for work executed and recording of capital work-in-progress;

e. Payment of bills raised by the contractor after deducting Security Deposit; and

f. Refund of Security Deposit received/deducted from the running account bills.

24.23 Any money received, including Security Deposits received from the tenants, from the properties constructed under the scheme shall be deposited in the Designated Revolving Fund Bank Account. If any revenue earned is credited to the Main Bank Account, the Accounts Department shall, at the end of every month, identify the transactions pertaining to the Revolving Fund and transfer the equivalent amount from the Main Bank Account to the Designated Revolving Fund Bank Account. Correspondingly, an equivalent amount shall be transferred from Municipal Fund to Revolving Fund. The accounting procedure and accounting entry with reference to these has been described in Chapter 19 on Special Funds.

24.24 Recording of payment of interest and repayment of loan. Interest up to the date of completion of construction of the qualifying fixed asset shall be capitalised and added to the cost of fixed asset. Both the payment of interest and repayment of loan shall be made from the Designated Revolving Fund Bank Account. In case of deficit in the designated bank account, payment shall be made from the Main Bank Account. The Accounts Department shall pass the following entries:

a. Payment of Interest

i. For recording interest accrued:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
412-(a) 350-12-(b)	Capital Work in Progress To Interest payable on Revolving Fund Loan	Dr. Cr.	1,50,000	1,50,000	Cash Book, Ledger, Special Fund Register

(a) Insert the Minor & detailed Head as applicable
(b) Insert Detailed Head Codes of Account as applicable

ii. For recording payment of interest:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-12-(a) 450-41--(a)	Interest payable on Revolving fund Loan To Designated Revolving Fund Bank Account	Dr. Cr.	1,50,000	 1,50,000	Cash Book, Ledger, Special Fund Register

**Specify name of the bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

b. Repayment of Loan

i. Recording repayment of loan made from Designated Revolving Fund Bank Account:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
331-(a) 450-41-(b)	Loans To Designated Revolving Fund Bank Account*	Dr. Cr.	5,00,000	 5,00,000	Cash Book, Ledger, Special Fund Register, Register of Loans

**Specify name of the bank and Account number*
(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

ii. Recording of repayment of loan made from Main Bank Account in case of deficit in Designated Revolving Fund Bank Account:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a) 450-21-(b)	Loans To Bank Account*	Dr. Cr.	1,00,000	 1,00,000	Cash Book, Ledger, Register of Loans

**Specify name of the bank and Account number*
(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

24.25 Recording of capitalisation of capital work-in-progress. On completion of construction and on capitalisation of capital work-in-progress account, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410-(a)	Fixed Assets (Name of the Fixed Asset)	Dr.	1,01,50,000		Journal Book, Ledger,
412-(a)	To Capital Work in Progress	Cr.		1,01,50,000	

(a) Insert Minor & Detailed Head Codes of Account as applicable

Notes:
Fixed Assets of a particular class shall be accounted under; one broad fixed asset account head. For instance, ULBs may have more than one hospital building, then all the hospital buildings shall be recorded under one broad head of Buildings – Hospitals (Code of Account 4-10-(a)). Any new hospital building constructed, while it shall be recorded in a separate folio in the Register of Buildings, it shall be incorporated under the account head "Buildings – Hospitals".

24.26 Recording of transfer to Special Fund (Utilised) and Grant Fund. On completion of construction and on capitalisation of capital work-in-progress account, the Accounts Department shall transfer an amount equivalent to the amount of ULB' s contribution and loans repaid from the Designated Revolving Fund Bank Account from Revolving Fund to Special Fund (Utilised) and grant to Grant Fund for which the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a)	Revolving Fund	Dr.	75,00,000		Journal Book, Ledger, Register of Loans
312-10-(b)	To Capital Contribution	Cr.		15,00,000	
312-30-(b)	To Special Fund (Utilised)	Cr.		60,00,000	

(a) Insert Minor and Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

Note: ULBs own contribution of Rs. 60 lakhs shall be transferred to Municipal Fund and Grant received Rs. 15 lakhs to Grant Fund.

Investment of revolving funds

24.27 Investments made from Revolving Fund shall be entered in Special Funds Register maintained in SF-1 (provided in Chapter 19 on Special Funds) and in a Special Fund Investment Register to be maintained in Form IN-1 (provided in Chapter 20 on Investments). The accounting procedures to be followed and the accounting entries to be passed in respect of investments of such funds are similar to those followed in respect of other investments. They relate to investments, maturity of investment, recording of interest, profit/loss on sale/maturity of investments, etc. These have been discussed in Chapter 19 on Investments.

24.28 Where the ULBs are required to furnish any Statement of Utilisation to the concerned authorities, the requisite details shall be collated from the books of accounts maintained by the Accounts Department.

GRANTS GIVEN TO SCHOOL BOARDS OR OTHER UNDERTAKINGS:

24.29 ULBs may provide grants to The Municipal School Board or any other undertaking. ULB may provide the following recurring and non-recurring grants

a. Revenue grant in the form of reimbursement of monthly expenses of the School Board or other undertakings;

b. Revenue grant for any other revenue expenditure of the Board or other undertakings, etc.

c. Capital grant for purchase/construction/modifications of any assets of the schools or undertakings;

24.30 The accounting entries in the books of the ULBs relating to the grants given are as follows:

i. Recording of revenue grants either as reimbursement of the monthly expenses or towards any other revenue expenses:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
260-10-(a)	Grant to School Board or other undertaking *	Dr.	45,000		Cash book, Ledger, Register of Grants to Schools/other undertakings
450-21-(a)	To Bank account**	Cr.		45,000	

** Specify the name of the School Board or other undertaking*
*** Specify name of the Bank and Account Number*
(a) Insert Minor Head Codes of Account as applicable

24.31 The accounting entries for recording of capital grants given for the purchase/construction/modification of the School Boards or other undertakings shall be the same as explained above.

CONTRIBUTIONS MADE ULBs IN CREATION OF ASSETS NOT OWNED BY THE ULBs

24.32 ULBs may contribute as its share in some projects, which are created by external agencies. For e.g. contribution in any infrastructure projects like multi-modal transport. In such cases ULB does not have any ownership rights on the assets.

24.33 Recording of remittance of ULB' s own contributionIn accordance with the terms of understanding, funds may be remitted by the ULBs as their contribution to the executing agency.

24.34 With regard to the payment made the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
260-20-(a) 450-21-(a)	Contributions to Projects To Bank Account*	Dr. Cr.	25,000	 25,000	Cash Book, Ledger

* *Specify the name of Account Number of the Bank*
(a) Insert Detailed Head Codes of Account as applicable

JOINT VENTURE

24.35 ULBs may also be involved in Joint venture projects. The investment in a joint venture shall be treated as an investment of the ULB. If investments are in kind like contribution land for development, the accounting treatment to be adopted will depend on agreement between parties. Public private partnerships are one form of joint ventures.

24.36 The Accounting procedures and principles for joint venture investments shall be same as explained in Chapter 20 on Investments.

24.37 Public Private Partnership (PPP) is an effective means of establishing cooperation between public and private actors and to bundle financial resources, know-how and expertise to address these urban environmental needs. PPPs offer alternatives to full privatisation, combining the advantages of both the public and the private sector. Public Private Partnership is evolved for development of various projects.

24.38 Some of the areas in which PPPs are evolved are listed below:

- Solid Waste Management
- Water supply
- Street Lighting
- Maintenance of Roads & Bridges
- Sewerage
- Parks
- Commercial complexes
- Markets
- Bus Shelters

24.39 A brief of a notable PPP initiative of ULBs is provided below:

Alandur Municipality

Alandur Municipality is situated on the southern boundary of the City of Chennai. Alandur has been the first municipality in the country where initiative has been taken to finance, develop and implement the sewerage project on commercially viable basis by using Public Private Partnership (PPP) as an option.

The major components of the project are:

- Sewerage network consisting of a main sewer line, branch sewer lines and manholes
- Sewerage pumping station and
- Sewerage treatment plant

The work of the proposed project was carried out in two phases.

First Phase: A sewage treatment plant was commissioned

Second Phase: A sewage collection system was introduced and operated through a Contractor for a defined period as per the contract entered into. The sewerage treatment plant was on build, operate and transfer (BOT) basis. The BOT operator is expected to make capital investment for the treatment plant and recover it over a period of 15-20 years. The collection of tariff and provision of new connections during O&M phase would be undertaken by the municipality directly.

PERIOD END PROCEDURES

24.40 The period end procedure for work executed but in respect of which bills have not been paid shall be the same as described in Chapter 12 on Public Works.

24.41 The period end procedure for materials received but in respect of which bills have not been paid and valuation of closing stock shall be the same as described in Chapter 13 on Stores.

24.42 At the end of the accounting period, for work executed relating to Grants, the Accounts Department shall pass the entries referred to in Chapter 17 on Grants.

24.43 At the end of the accounting period, the Accounts Department shall, for the interest accrued on loans raised, pass the accounting entries referred to in Chapter 18 on Borrowings (Loans Raised).

24.44 At the end of the accounting period, for the value of work executed pertaining to special fund/revolving fund, the accounts department shall pass the accounting entries referred to in chapter 19 on special funds.

INTERNAL CONTROLS

24.45 The following internal controls shall be observed by the ULBs:

a. At the end of the financial year, the Head of the Accounts Department shall send a balance confirmation statement to the executing agency stating therein the amount paid by the ULBs towards repayment of loan and payment of interest. Further, the Statement shall state the balance amount of loan repayable as per the ULB's records. On the basis of reply received, the Accounts Department shall reconcile the difference, if any, as reported by the executing agency.

b. The Head of the Accounts Department shall ensure that the balance in the Designated Revolving Fund Bank Account is utilised for the purpose specified in the scheme. He shall also ensure that any revenue derived from the properties constructed under the scheme is deposited in the Designated Revolving Fund Bank Account.

c. At the end of every month, the Head of the Accounts Department or other officer designated in this behalf shall reconcile the ledger balance of the Revolving Fund Account with the records maintained in Special Fund Register and the Revolving Fund Bank Account balance.

d. The Head of the Accounts Department shall, at all times, ensure that the balances in the Designated Revolving Fund Bank Account is adequate to discharge the Security Deposit liability when due for payment.

e. In case of deficit in the Designated Revolving Fund Bank Account, ULBs shall ensure that the same is made good from the Main Bank Account at the earliest.

f. The Head of the Accounts Department shall ensure deposit of any revenue received from the properties constructed under the terms of Revolving Fund in the Designated Revolving Fund Bank Account. In case any such sum is erroneously deposited in any other bank account, the same shall, immediately on knowledge of such error, be transferred to the designated bank account from that bank account.

g. The Chief Executive Officer/Head of the ULB shall specify such appropriate calendar of returns /reports for monitoring.

24.46 All the reconciliation statements shall be certified by the Head of the Accounts Department.

PRESENTATION IN FINANCIAL STATEMENTS

24.47 The various heads of accounts used for the accounting of Special Transactions shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the ULBs. All such Financial Statements and schedules should be affixed with signature and seal of designated authorities.

24.48 The schedule of Income and Expenditure Statement in respect of Special Transactions is provided below.

Schedule I-13: Schedule of Interest & Finance Charges

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
240-10-(a) 240-20-(a) 240-30-(a) 240-40-(a) 240-50-(a) 240-60-(a) 240-70-(a) 240-80-(a)	Interest on Loans from Central Government Interest on Loans from State Government Interest on Loans from Government Bodies & associations Interest on Loans from International Agencies Interest on Loans from Banks & Other Financial Institutions Other Interest Bank Charges Other Finance Expenses		
	Total Interest & Finance expenses		

(a) Insert Detailed Head Codes of Account as applicable

* Details of any other interest and financial charges incurred, which has not been disclosed specifically, shall be collated and disclosed under Other Charges, provided the amount does not exceed the disclosure limits prescribed in the Accounts Manual.

Schedule I – 15 Schedule of Revenue Grants, Contributions and Subsidies –Expenses

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
260-10-(a) 260-20-(a) 260-30-(a)	Grants (give details) Contributions (give details) Subsidies (give details)		
	Total.		

(a) Insert Detailed Head Codes of Account as applicable

24.49 The Balance Sheet abstract in respect of Special Transactions is provided below.

Schedule B-2: Revolving Fund

Particulars	Revolving Fund 1	Revolving Fund 2	Revolving Fund 3
Code No.			
(a) Opening Balance (b) Additions to the Revolving Funds (i) Transfer from Municipal Funds (ii) Interest/Dividend earned on Revolving Fund Investments (iii) Profit on disposal of Revolving Fund Investments (iv) Appreciation in Value of Revolving Fund Investments (v) Other addition (Specify nature)			
Total (b)			
Total (a+b)			
(c) Payments out of funds **(i) Capital expenditure on** Fixed Assets* Others			
Total			
(ii) Revenue Expenditure on Salary, Wages and allowances etc. Rent Other administrative charges			
Total			
(iii) Other: Loss on disposal of Revolving Fund Investments Diminution in Value of Revolving Fund Investments Transferred to Municipal Fund			
Total			
Total (c)			
Net balance at the year end – (a)+(b)-(c)			

Schedule B-4: Grants & Contributions for Specific Purposes

Particulars	Grants from Central Government	Grants from State Government	Grants from Other Government Agencies	Grants from Financial Institutions	Grants from Welfare Bodies	Grants from International Organisation	Others
Code No.							
(a) Opening Balance (b) Additions to the Grants (i) Grant received during the year (ii) Interest/Dividend earned on Grant Investments (iii) Profit on disposal of Grant Investments (iv) Appreciation in Value of Grant Investments (v) Other addition (Specify nature)							
Total (b)							
Total (a+b)							
(c) Payments out of funds **(i) Capital expenditure on** Fixed Assets* Others							
Total							
(ii) Revenue Expenditure on Salary, Wages and allowances etc. Rent Other administrative charges							
Total							
(iii) Other: Loss on disposal of Grant Investments Diminution in Value of Grant Investments Grants Refunded							
Total							
Total (c)							
Net balance at the year end – (a)+(b)-(c)							

Note: Grants received in respect of Fixed assets created on behalf of the ULBs by an executing agency, from the funds directly disbursed to them by the Government shall be presented separately in above schedule.

Schedule B-3: Reserves

Code No.	Particulars	Opening Balance at the beginning of the year (Rs.)	Additions (Rs.)	Total (Rs.)	Deductions (Rs.)	Balance outstanding at the end of the current year (Rs.)
1	2	3	4	5	6	7
312-10-(a) 312-30-(a)	Capital Contribution Special Fund (Utilised)					
	Total					

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-5: Secured & Unsecured Loans [Code No 330/331]

Amount in Rs.

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
330/31-10 330/31-20 330/31-30 330/31-40 330/31-50 330/31-60 330/31-70 330/31-80	Loans from Central Government Loans from State government Loans from Govt. bodies & Associations Loans from international agencies Loans from banks & other financial institutions Other Term Loans Bonds & debentures Other Loans		
	Total Secured/Un Secured Loans		

Note:

1. The nature of the Security shall be specified in each of these categories
2. Particulars of any guarantees given shall be disclosed
3. Terms of redemption (if any) of bonds/debentures issued shall be stated, together with the earliest date of redemption
4. Rate of Interest and Original Amount of loan and outstanding can be provided for every Loan under each of these categories separately;
5. For loans disbursed directly to an Executing Agency, please specify the name of the Project for which such loan is raised.

Schedules B-17: Schedule of Cash & Bank Balances

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
450-10-(a) 450-21-(a) 450-41-(a)	Cash Account Bank Account Designated Bank Account	 XX	
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedules B-18: Schedule of Other Loans, Advances & Deposits

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	**2**	**3**	**4**
460-30-(a) 460-50-(a)	Loans to Others Advance for Projects		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Form SPL-1
Name of the ULB

REGISTER OF GRANTS TO SCHOOLS/OTHER UNDERTAKINGS

Sr. No.	Date	Name and nature of the Grant given	Name of the School Board/Other Undertaking receiving the grant	Period of the Grant	Sanctioned Amount (Rs.)	Sanctioned by	Date of release of the grant	Key Conditions attached to the Grant	Remarks
1	2	3	4	5	6	7	8	9	10

Note:

For each entry made; record the Name, Designation and Signature of the person making the entry in the register and the person checking the entry.

CHAPTER 25

ADDITION / MERGER OF LOCAL BODIES

INTRODUCTION

25.1 This chapter explains accounting principles and procedures to be followed by the ULBs for the merger of ULBs/Undertakings.

25.2 Additions or merger in ULBs can happen under the following circumstances.

i. Merger between two or more local bodies for up-gradation or for some administrative reasons

ii. Merger of any undertaking / Boards (para-statal agencies) which performs some of the functions assigned to the Local Bodies.

25.3 The ULB/Undertaking into which other ULBs/Undertakings are to be merged shall be called as 'Ultimate ULB/Undertaking'.

ACCOUNTING PRINCIPLES

25.4 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Addition / Merger of Local Bodies/undertakings:

a) The financial statements of the merging local bodies/undertakings shall be consolidated at the cut-off dates under the pooling of interest method. The assets, liabilities, reserves and fund balances of the merging local bodies are recorded at their existing carrying amounts. However it must be ensured that accounting principles adopted for preparation of financial statements of merging local bodies should be same.

b) The financial statements prepared on consolidation shall disclose

- Names of the local bodies merged
- Authority under which the merger has taken place
- Effective date of merger
- Principles adopted for consolidation

ACCOUNTING RECORDS AND PROCEDURES

25.5 This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Merger. There is no specific form applicable to this chapter.

INCORPORATION OF BALANCES OF THE MERGED UNITS IN THE BOOKS OF ULTIMATE ULB/UNDERTAKING

25.6 The financial statements of the individual ULBs / undertakings under the merger shall be prepared at the cut off dates and finalised.

25.7 Once the financial statements are finalised, the closing balances as at the cut off date shall be carried over to the ultimate ULB accounts to which the operations are merged.

25.8 The following accounting entries shall be passed in the books of the ultimate ULB/Undertaking for incorporating the assets and liabilities of individual ULBs/Undertakings to be merged in the books of the Ultimate ULB/Undertaking selected for consolidation:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410-(a)	Fixed assets	Dr.	120,000		Journal Book,
412-(a)	Capital work in progress	Dr.	53,000		Ledger
431- (a)	Sundry Debtors	Dr.	210,000		The following
450-21-(b)	Municipal Fund Bank	Dr.	25,000		Registers will be updated:
311-10-(b)	To Special fund Cyclone	Cr.		60,000	i. Fixed Assets
330- (a)	To Secured Loans	Cr.		80,000	ii. Capital Work in
340 -(a)	To Deposits received	Cr.		40,000	progress
350- (a)	To Other liabilities	Cr.		97,000	iii. Special
360-10- (b)	To Provision for expenses	Cr.		16,000	Funds
411 – (a)	To Accumulated Depreciation	Cr.		45,000	iv. Loans
432 – (a)	To Accumulated Provision for Receivables	Cr.		20,000	v. Deposits received
310 – (a)	To Municipal fund	Cr.		50,000	vi. Provision for expenses

(a) Insert Minor & Detailed Head Codes of accounts as applicable
(b) Insert Detailed Head Codes of accounts as applicable
Note: Since the incorporation of account balances is made under the line by line method, the account balances are incorporated without netting off. For e.g., Sundry Debtors and Provision for doubtful receivables.

25.9 The financial statements of the Ultimate ULB/Undertaking after the merger shall be treated as the opening balance sheet for the subsequent year.

Negative Municipal Fund Account balances

25.10 In case of Municipal fund account balances of one or more ULBs under the merger is negative, these negative balances will get adjusted on incorporation of the account balances of the individual ULBs into the Municipal fund account balance of the Ultimate ULB.

25.11 Further, the 'General/Municipal' fund account schedule shall be disclosed under liabilities and as a separate line item in the financial statements of the ULBs irrespective of the nature of balance it carries.

ADJUSTMENT OF INTER ULB/UNDERTAKING TRANSACTIONS

25.12 Inter-ULB/Undertaking transactions shall be those transactions where in the services /goods of one ULB are availed by other ULBs/Undertakings. Examples of inter ULB/Undertaking transactions are as follows:

a. Supply of water by 'Town Municipality' to 'School boards and primary education societies'

b. Loans and advances between the local bodies/undertakings;

c. Interest on loans and advances between the local bodies/undertakings;

25.13 Adjustment entries in respect of inter ULB/Undertaking transactions: Inter ULB / Undertaking balances, if any, will have to be first matched. If there are any differences, it has to be reconciled. Once the balances are matched, the accounting entries that are to be passed in the books of Ultimate ULB/Undertaking for the adjustments are explained with the following example.

- Adjustment of Loans' received amounting to Rs 100,000 from the Ultimate ULB/Undertaking by other ULBs/Undertakings under merger;
- Adjustment of an amount totaling to Rs.23,000 receivable by the Ultimate ULB/Undertaking from other ULBs/Undertakings;
- Adjustment of interest on loans by Ultimate ULB/Undertaking to other ULBs/Undertakings amounting to Rs.10, 000.

25.14 For elimination of the inter ULB/Undertaking transactions:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
330 – (a)	Loans	Dr.	100,000		Journal Book,
350 – (a)	Other Liabilities	Dr.	23,000		Ledger
360 – 20 -(b)	Provision for Interest	Dr.	10,000		Register of Loans,
460 – (a)	To Loans and Advances	Cr.		100,000	Register of Provisions
431 – (a)	To Sundry Debtors	Cr.		23,000	
460 – 80 –(b)	To Interest receivable – Loans and advances	Cr.		10,000	

(a) Insert Minor & Detailed Head Codes of accounts as applicable
(b) Insert Detailed Head Codes of accounts as applicable

DIFFERING ACCOUNTING PRINCIPLES

25.15 In case, the accounting principles adopted by ULBs/Undertakings differ, a uniform set of accounting principles are to be adopted following the merger. The effect of the changes to the accounting principle shall be reported as 'Prior period and extraordinary items and changes in accounting principles' in the first year of merged accounts.

INTERNAL CONTROLS

25.16 The following internal controls shall be observed by the ULB in respect of Merger of two or more ULB and its related transactions:

a. The account balances of the financial statements of the individual ULBs/Undertakings under merger should be verified by the Head of Accounts Department before incorporation of their balances in the books of the Ultimate ULB/Undertaking.

b. The Head of the accounts department of the Ultimate ULB/Undertaking should compare the inter-unit/ULBs/Undertaking balances and differences if any identified has to be reconciled and rectified before incorporating the balances in the books of Ultimate ULB/Undertaking.

c. All the inter-ULB/undertakings transactions shall be identified and ensured that these are appropriately adjusted in the books of ultimate ULB/undertaking.

d. The Chief Executive Officer/Head of the ULB shall specify such appropriate calendar of returns /reports for monitoring.

CHAPTER 26

INTER UNIT TRANSACTIONS

INTRODUCTION

26.1 This chapter contains the recommended accounting systems for transactions between various accounting units within the ULB.

26.2 Some ULBs may have decentralised accounting set up. This may result in more than one accounting unit (AU) within the ULB and each of these accounting units maintains separate books of account and prepares their Trial balance. The accounting unit, as defined by the ULB (e.g. Zone, Circle, etc.), shall maintain all the primary records and shall prepare Trial Balance in respect of the transactions relating to the AU.

26.3 These accounting units may also enter into accounting transactions with each other. A transaction occurring between any two accounting units shall be called 'Inter Unit Transaction' (IUT). IUTs are defined as transactions/ transfers between any two accounting units (AUs) of the ULB. Given below is an illustrative list of IUTs that may occur between accounting units in an ULB:

- ❑ Transfer of funds between the AUs
- ❑ Transfer of payments/ receipts from one AU to another for payments/ collections made on behalf of another AU
- ❑ Transfer of assets/ liabilities from one AU to another AU.

26.4 The AUs involved in any transactions are classified as Originating unit and Responding by virtue of origin of transactions.

- ❑ 'Originating AU' - unit, in which the transaction occurs and which raises the document for IUTs, called 'Advice of Transfer'.
- ❑ 'Responding AU' - means the accounting unit, on which the Originating Unit raises the 'Advice of Transfer'.

26.5 Advice of Transfer is called Advice Transfer Debit (ATD) when the originating unit debits the other Accounting unit. Advice of transfer is called Advice Transfer Credit (ATC) when the originating unit credits the other Accounting Unit.

26.6 Final Accounts may be prepared at every AU and then consolidated at H.O. or prepared directly at HO based on Trail Balance sent from every AU. This chapter covers recording of the primary transactions between the Accounting Units. Procedure relating to Final Accounts preparation and consolidation is described in Chapter 31 on Financial Statements.

ACCOUNTING PRINCIPLES

26.7 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to **Inter Unit Transactions (IUTs)**:

a. All IUTs shall be recorded on cost basis and no mark up shall be included in IUTs.

b. At the year-end, the inter-unit accounts are knocked off / adjusted in the consolidated accounts of the ULB.

ACCOUNTING RECORDS & PROCEDURES

26.8 This section describes the records, registers, documents, forms, accounting entries, etc in respect of accounting for transactions related to IUTs between AUs of the ULB. For the purpose of accounting, there are certain forms, registers, etc., e.g. Advice of Transfer (IUT-01), specific to IUTs which hare annexed to this chapter and are prefixed "IUT".

INTER UNIT TRANSACTIONS

26.9 All the AUs shall first record the transactions related to Inter Units (IUTs) in its books of accounts. This shall then be intimated to the concerned unit through an Advice. Transfer Advice Debit/ Credit in Form IUT-01 shall be used for raising all debits or credits to another AU. The 'Responding AU' shall accept the advice and make entry in its books of accounts based on the advice and intimate the same to the 'Originating AU'.

26.10 Register of Inter unit Advice shall be maintained to record the raising, acceptance and modifications of all advices at the originating and responding AU. This Register shall be maintained in the format specified in Form IUT-02.

ACCOUNTING FOR TRANSFER OF FUNDS BETWEEN AUs

26.11 Funds may be transferred from one AU to another AU. The AU, which transfers the fund originates the transaction and hence is called as 'Originating AU'. The AU, which receives the funds, is called 'Responding AU'. The accounting entries to be passed by the AUs are given below:

a. Recording of transfer of funds in the books of 'Originating AU':

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
470-20-(a) 450-21-(a)	Inter Unit Account – AU* To Bank Account**	Dr. Cr.	5,000	 5,000	Cash book , Ledger, Register of Transfer Advice

**Specify name of the accounting unit*
*** Specify name of the Bank and account number*
(a) Insert Detailed Head Code of Account as applicable

Note: The postings in the Ledger Accounts of "Inter Unit account " shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book.

b. Recording of receipt of funds in the books of 'Responding AU':

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 470-20-(a)	Bank Account* To Inter Unit Account–AU **	Dr. Cr.	5,000	5,000	Cash book, Ledger, Register of Transfer Advice

** Specify name of the Bank and account number*
*** Specify name of the AU*
(a) Insert Detailed Head Codes of Account as applicable

ACCOUNTING FOR TRANSFER OF RECEIPTS AND PAYMENTS OF AUs

26.12 As per the provisions and rules governing the ULB, one AU can accept collections relating to another AU and make payments on behalf of another AU. In order to account for these transactions, the 'Originating AU' shall raise an Advice of Transfer (IUT-01) on the 'Responding AU'.

a. Recording of Receipt of collections of another AU: This type of collection generally happens only in case of Accrued Income e.g. Property Taxes, License Fees etc. At the time of recording the collection, the collection is first entered in the consolidated Debtors account and later transferred to the respective account based on the statement of head-wise collection as stated in Chapter 6 on Property and Other taxes. The accounting entries to be passed by the AUs are given below:

i) In the books of the 'Originating AU': Based on the details of break-up of collection, the amount collected by the originating AU in respect of another AU is recorded as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-80-(a) 470-20-(a)	Receivable Control Accounts ------* To Inter Unit Account –AU**	Dr. Cr.	10,000	 10,000	Journal Register, Ledger, Register of Transfer Advice

** Specify the head of receivable e.g. Property Tax, License Fees etc*
*** Specify name of the AU*

(a) Insert Detailed Head Codes of Account as applicable

ii) <u>In the books of 'Responding AU'</u>

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
470-20-(a) 431-(b)	Inter Unit Account – AU * To Receivables for ------ **	Dr. Cr.	10,000	 10,000	Journal, Ledger, Register of Transfer Advice

** Specify name of the AU.*
*** Specify name of the receivable e.g. Property Tax Year ----*

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

b. <u>Recording of payments made for another AU:</u> This type of payments normally happens at HO on behalf of another AU. Such payments are made only after receipt of duly authorised pass orders.

i. <u>In the books of the 'Originating AU':</u> At the time of making the payment, the accounting entry to be passed is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
470-20-(a) 450-21-(a)	Inter Unit Account – AU * To Bank Account **	Dr. Cr.	10,000	 10,000	Cash Book, Ledger, Register of Transfer Advice

** Specify the name of the AU*
*** Specify name of the Bank and account number*
(a) Insert Detailed Head Codes of Account as applicable

ii). In the books of the 'Responding AU': On receipt of the Transfer Advice the relevant liability account will be debited if the expenditure is already accrued in the books of AU. Else it will be debited to the relevant expense account. The accounting entry to be passed is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a) 2-(b) 470-20-(a)	Other Liabilities - Creditors - * Or ------ Expense ** To Inter Unit Account – AU ***	Dr. Cr.	10,000	 10,000	Journal, Ledger, Register of Transfer Advice

** Type of payable if the liability is accrued*
*** Name of expense head if the expense is not accrued*
**** Specify name of the AU*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Major, Minor & Detailed Head Codes of Account as applicable

ACCOUNTING FOR TRANSFER OF ASSETS/LIABILITIES BETWEEN AUs

26.13 Similar to collections and payments in Para 26.12 above, the ULBs may also be allowed to transfer assets and liabilities from one AU to another AU for various purposes. In order to account for these transactions, the 'Originating AU' shall raise an Advice of Transfer (IUT-01) on the 'Responding AU'.

a. Recording of Transfer of Assets: The 'Originating AU' shall raise the Advice for Transfer – Debit (ATD) when there is a transfer of fixed assets/ stocks/other assets. The accounting entry for the ATD raised is as follows:

i. In the books of the 'Originating AU' is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
470-20-(a)	Inter Unit Account -AU *	Dr.	100,000		Journal, Ledger, Register of Transfer Advice, Register of fixed assets and Register of Stocks
470-20-(a)	Inter Unit Account - AU *	Dr.	20,000		
410-(b)	To Fixed assets ------**	Cr.		100,000	
430-(b)	To Stock in Hand -----	Cr.		20,000	

** Specify name of the AU as a detailed head code*
*** Specify name of the assets*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor Head Codes of account as applicable

ii. In the books of the 'Responding AU' is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410 – (b)	Fixed Assets --------*	Dr.	1,00,000		Journal, Ledger, Register of Transfer Advice, Register of fixed assets and Register of Closing Stocks
430 – (b)	Stock in Hand	Dr.	20,000		
470-20-(a)	To Inter Unit Account - AU **	Cr.		100,000	
470-20-(a)	To Inter Unit Account - AU **	Cr.		20,000	

** Specify name of the assets*
*** Specify name of the AU as detailed head code*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

b. Recording of Transfer of Liability: The 'Originating AU' shall raise the Advice for Transfer – Credit (ATC) when there is a transfer of liabilities. The accounting entry for the ATD raised is as follows:

i. In the books of the 'Originating AU' is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
3 – (b) 470-20-(a)	_____ Liability Account** To Inter Unit Account - AU*	Dr. Cr.	1,00,000	 1,00,000	Journal, Ledger, Register of Transfer Advice

** Specify name of the assets*
*** Specify name of the AU as detailed head code*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

ii. In the books of the 'Responding AU' is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
470-20-(a) 3 – (b)	Inter Unit Account - AU * To _____ Liability Account**	Dr. Cr.	100,000	 100,000	Journal, Ledger, Register of Transfer Advice

** Specify name of the AU as detailed head code*
*** Specify name of the liability*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Major, Minor & Detailed Head codes of account as applicable

ACCOUNTING FOR NON – ACCEPTANCE OF ATD/ ATC RAISED

26.14 If the 'Responding AU' finds the ATD/ATC is not acceptable, it shall return the ATD/ATC to the 'Originating AU' giving reasons and supporting documents for non-acceptance of the ATD/ATC. The examples of reasons for non-acceptance may be that the ATD/ ATC has been raised on the wrong AU or for an incorrect value. The 'Originating AU' may, after analysing the reasons given for non-acceptance, either cancel the ATD/ATC or modify the same.

26.15 Recording of Cancellation of ATD/ ATC: If the reasons claimed in the ATD/ ATC are justifiable, then the AU's accounts department shall cancel the ATD/ATC. On cancellation, Accounts department of the 'original AU' shall reverse the entry passed by it on raising the ATDs/ ATCs in its books.

26.16 The 'Originating AU' shall update the Register of IUT Advice for the reversal entry made above with the reasons for cancellation.

PART ACCEPTANCE OF THE ATD/ATCS

26.17 There are chances that the 'Responding AU' might accept part amounts of ATDs/ ATCs instead of non-acceptance of the whole document. In such circumstances, the 'Responding AU' may account for debits and credits to the extent it has accepted and intimates the 'Originating AU' accordingly.

26.18 The 'Originating AU', in such circumstances, shall follow the following accounting procedure if the reasons for rejection claimed by the 'Responding AU' found justified in order to rectify the accounting records of its books:

a. Step 1: Cancel the original ATD/ ATC: For cancellation of the ATD or ATC, which is being modified, the accounts department of the 'Originating AU' shall follow the procedure described in Para 26.15.

b. Step 2: Raising of revised ATD/ ATC: For raising a revised ATD/ ATC, the 'Originating AUs' accounts department shall follow the procedure described in Paras 26.11/26.12/26.13.

26.19 The 'Originating AU's' accounts department shall update the Register of IUT Advice for the same along with the reasons for modification.

INTERNAL CONTROLS

26.20 The following internal controls shall be observed by the ULB in respect of IUT within the ULB:

a. All the AUs shall generate monthly statement of accounts of other AUs accounts for circulation. Competent authority before forwarding to other AUs shall verify these statements. Each AU shall then reconcile their records based on the statement of accounts received from other AU for the differences if any.

b. Originals of all the cancelled ATDs/ATCs shall be filed in the 'office file' with approval and reasons with justification for cancellation.

c. On a half yearly basis, the reconciliation statements of individual AUs shall be submitted at the Head Office of the ULB and the Head of the Accounts Department shall ensure that the combined balance under all IUT account heads are tallied with the balance appearing in the ATDC.

d. In case of any disputed IUTs identified during the reconciliation process, the ULB's Accounts department shall take appropriate action in resolving the disputed IUTs.

e. At the period end, based on the review of reconciliation of AU account balances referred above, the Head of the ULB's Accounts Department shall ensure that the balance of all IUT Account heads is nullified in the consolidated accounting statement of the ULB.

PRESENTATION IN FINANCIAL STATEMENTS

26.21 The various heads of accounts used for the accounting of IUT shall not be reflected in the Consolidated Financial Statements of the ULB as they should have a nil balance after adjustments. However if Financial Statement is prepared at the AU level, then IUT balances will appear in the financial statements. All such Financial Statements and schedules should be affixed with signature and seal of designated authorities.

IUT - 01

Name of the ULB

Name of the Accounting Unit (AU)

Advice of Inter Unit Transfer - Debit/ Credit (ATD/ ATC)
(Tick the appropriate)

Date:……

PART -I

ATD/ ATC No……..

To
…….
……

Please note that your account has been debited/ credited in our books with Rs. ____ (rupees in words) on account of following transactions. Copies of supporting documents are enclosed. Kindly acknowledge the balance with you also which is appearing in our books of account. Kindly send the duplicate copy of this ATD/ ATC as your acceptance at the earliest:

Sl. No.	Particulars	Account head	Account code	Debit (Rs.)	Credit (Rs.)	Closing balance after this ATD/ATC (Rs.)		Remarks
						(Dr.)	(Cr.)	

List of documents attached:
1
2
3

Prepared by **Checked by** **Approved by**

IUT-02

_____Name of the ULB

Register of Inter Unit Transfer Advice (RIUTDC)

(To be used by originating as well as responding AU)
Register Folio No.:

AU name……..

Year ……..

ATD/ ATC No. and Date	Voucher No. and Date	Particulars	Debit Amount (Rs.)	Credit Amount (Rs.)	Closing Balance Amount (Rs.)		Acceptance date	Remarks *
					(Dr.)	(Cr.)		
		Op. Bal.						

* Reasons for cancellation / modification needs to be filled in

CHAPTER 27

TRANSACTIONS RELATING TO MUNICIPAL SCHOOL BOARD

INTRODUCTION

27.1 Education is one of the services of the ULB and is carried out by ULBs directly or through separate boards set up as per the applicable acts. However in some cases, ULBs may not have a direct role and separate boards may be set up. This chapter contains the recommended accounting system for transactions relating to the municipal school board. School Boards shall maintain independent books of accounts for recording the transactions relating to the school board.

GENERAL APPROACH TO ACCOUNTING FOR SCHOOL BOARDS

27.2 The transactions relating to School Board and education are similar to those relating to other functions/departments of an ULB.

27.3 This is particularly so in case of:

a. fees received;

b. expenditure on stores & consumables;

c. expenditure on rent and electricity;

d. expenditure on repairs & maintenance;

e. expenditure on salaries and other employee dues;

f. expenditure on purchase, acquisition and construction of fixed assets; etc.

27.4 In addition, the treatment of grants, loans, investments, etc., in the books of the School Board would also be similar to those of the ULBs itself.

27.5 Since the accounting entries for all the above have been discussed in the concerned chapters of this manual, and are applicable in the case of the School Board they are not repeated here. Reference is invited to concerned chapters as specified hereafter. The transactions, which are peculiar to the School Board, however, been described in this chapter.

ACCOUNTING PRINCIPLES

27.6 The following accounting principles shall govern the recording, accounting and treatment of peculiar transactions relating to municipal school board:

a. Fees and fines received from primary schools shall be recognised on actual receipt.

b. Contribution receivable from Other ULBs /Municipalities shall be recognised in the period in which they become due.

ACCOUNTING RECORDS AND PROCEDURES

27.7 This section describes the Records, Registers, Documents, Forms, Accounting Entries, etc., in respect of accounting for transactions related to Municipal School Boards.

ACCOUNTING FOR FEES AND FINES RECEIVED FROM PRIMARY SCHOOLS

27.8 The fees and fines received from primary schools shall be recognised on actual receipt basis.

27.9 Recording of fees and fines received from primary schools. In respect of fees and fines received from primary schools, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 140-40-(a)	Bank Account* To Fees & Charges-Other fees – Tuition Fees	Dr. Cr.	10,000	10,000	Cash Book, Ledger,

** Specify the name of the bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

Note: The postings in the Ledger Account of "Fees and fines from Primary Schools" Account shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever the cash or the bank account is involved, there will be no entry in the Journal Book.

CONTRIBUTIONS FROM OTHER LOCAL BODIES/ MUNICIPALITIES

27.10 Contributions may be received from other local bodies/municipalities and the contribution receivable from them shall be recognised in the period in which they become due.

27.11 The contributions are receivable during the financial year in various installments as per the governing provisions and rules.

27.12 Recording of periodical installment receivable from other local bodies/municipalities. For example if the contributions are received quarterly, the accounting entry for installments receivable from the other local bodies/municipalities, are as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-40-(a)	Receivable from Other Sources - Contribution from Other ULBs /Municipalities	Dr.	50,000		Journal Book, Ledger,
160-30-(a)	To Contribution towards schemes - from Other ULBs /Municipalities	Cr.		50,000	

(a) Insert Detailed Head Codes of Account as applicable

27.13 Recording of quarterly instalments received from Other ULBs /Municipalities. On receipt of quarterly instalments from the Other ULBs /Municipalities, the Accounts Department shall pass the following accounting entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Bank Account*	Dr.	50,000		Cash Book, Ledger,
431-40-(a)	To Receivable from Other Sources – Contribution from Other ULBs /Municipalities	Cr.		50,000	

** Specify the name of the bank and Account number*

(a) Insert Detailed Head Codes of Account as applicable

ACCOUNTING OF OTHER INCOMES

27.14 School Boards may earn income from tuition fees, special training course charges, renting of School playgrounds, sale of scrap, etc. All these income shall be accounted on the actual receipt basis. The accounting principles, procedure for accounting of these incomes and the accounting entries shall be the same as described in Chapter 11 – Rental, Fees and Other Incomes.

ACCOUNTING FOR STORES

27.15 The Municipal School Board may purchase uniforms, books, slates, etc., for students of primary schools. It may also purchase forms and stationery for administrative use.

27.16 The accounting principles, procedure for accounting of stores and the accounting entries shall be the same as what has been described in Chapter 13 on Stores, to which reference is invited.

ACCOUNTING FOR EMPLOYEE RELATED TRANSACTIONS

27.17 The Municipal School Board may pay salaries and allowances, gratuity, leave encashment, etc., to primary school teachers and administrative staff of the Board. It may also handle their pension and provident fund related issues.

27.18 The accounting principles, procedure for accounting of employee related transactions and the accounting entries shall be the same as what has been described in Chapter 14 on Employee Related Transactions, to which reference is invited.

ACCOUNTING FOR OTHER REVENUE EXPENDITURE

27.19 The Municipal School Board may incur the following other revenue expenditure:

a. Meeting allowance, travelling allowance and other allowances to Board members;

b. Grants to municipal schools towards general school expenditure;

c. Grant-in-aid to approved private schools;

d. Payment in respect of books, slates and uniforms to students;

e. Expenditure on sports and cultural programs in schools;

f. Payment in respect of postage & stationery, photocopying charges, telephone charges, electricity charges, water charges, vehicle fuel, vehicle repairs & maintenance, etc.

27.20 The accounting principles, procedure for accounting of other revenue expenditures and the accounting entries shall be the same as what has been described in Chapter 16 on Other Revenue Expenditures, to which reference is invited.

ACCOUNTING FOR GRANTS

27.21 The Municipal School Board may receive the following recurring and non-recurring grants from the State Government or other ULBs:

a. Revenue grant for municipal schools;

b. Revenue grant for private aided schools;

c. Capital grant for purchase/construction/modifications of primary schools;

d. Revenue grants for administrative expenses of the Board, etc.

27.22 The accounting principles, procedure for accounting of grants and the accounting entries in the books of a School Board shall be the same as what has been described in Chapter 17 on Grants to which reference is invited.

27.23 The accounting principles, procedures for accounting of the grants in the books of the ULB sanctioning the grant to the school board is described in Chapter 24 on Special transactions to which reference is invited.

ACCOUNTING FOR LOANS RAISED

27.24 The Municipal School Board may receive building loans from the Government.

27.25 The accounting principles, procedure for accounting of loans and the accounting entries shall be the same as what has been described in Chapter 18 on Borrowings, to which reference is invited.

ACCOUNTING FOR FIXED ASSETS

27.26 The Municipal School Board may incur the following capital expenditure:

a. Purchase of plots for school premises;

b. Construction/modification to school property;

c. Purchase of furniture & fixtures for schools like benches, chairs, blackboards, cupboards, etc.

27.27 The accounting principles, procedure for accounting of construction of fixed assets and their repairs & maintenance and the accounting entries shall be the same as what has been described in Chapter 12 on Public Works, to which reference is invited.

27.28 The accounting principles, procedure for accounting of purchase of fixed assets and the accounting entries shall be the same as what has been described in Chapter 21 on Fixed Assets, to which reference is invited.

ACCOUNTING FOR INVESTMENTS

27.29 The Municipal School Board may invest its surplus funds in specified securities.

27.30 The accounting principles, procedure for accounting of investments and the accounting entries shall be the same as what has been described in Chapter 20 on Investments, to which reference is invited.

PERIOD END PROCEDURES

27.31 All the period end procedures followed by an ULB also followed as period-end procedure by the School Boards.

FINANCIAL STATEMENTS OF A MUNICIPAL SCHOOL BOARD

27.32 At the end of every accounting period, the Municipal School Board shall prepare Financial Statements including:

a. Income and Expenditure Statement (illustrated in Table 27.1); and

b. Balance Sheet (illustrated in Table 27.2).

c. Receipts and Payments Statement (illustrated in Table 27.3)

d. Cash flow Statement (illustrated in Table 27.4)

27.33 The manner in which the Financial Statements of a Municipal School Board are drawn shall be the same as what has been described in Chapter 31 on Financial Statements, to which reference is invited.

Table 27.1
Income and Expenditure Statement for the period from_____ to_____

Code No.	Item/ Head of Account	Schedule No	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	**2**	**3**	**4**	**5**
	INCOME			
1-10	Tax Revenue	I-1		
1-20	Assigned Revenues & Compensation	I-2		
1-30	Rental Income from Municipal Properties	I-3		
1-40	Fees & User Charges	I-4		
1-50	Sale & Hire Charges	I-5		
1-60	Revenue Grants, Contributions & Subsidies	I-6		
1-70	Income from Investments	I-7		
1-71	Interest Earned	I-8		
1-80	Other Income	I-9		
A	**Total – INCOME**	5.1		
	EXPENDITURE			
2-10	Establishment Expenses	I-10		
2-20	Administrative Expenses	I-11		
2-30	Operations & Maintenance	I-12		
2-40	Interest & Finance Charges	I-13		
2-50	Programme Expenses	I-14		
2-60	Revenue Grants, Contributions & subsidies	I-15		
2-70	Provisions & Write off	I-16		
2-71	Miscellaneous Expenses	I-17		
2-72	Depreciation			
B	**Total – EXPENDITURE**			
A-B	*Gross surplus/ (deficit) of income over expenditure before Prior Period Items*			
2-80	Add: Prior period Items (Net)	1-18		
	Gross surplus/ (deficit) of income over expenditure after Prior Period Items			
2-90	**Less:** Transfer to Reserve Funds Net balance being surplus/ deficit carried over to Municipal Fund			

Table 27.2
Balance Sheet of _____ ULB as on _____

Code of Account	Description of items	Schedule No.	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
	LIABILITIES			
	Reserve & Surplus			
3-10	Municipal (General) Fund	B-1		
3-11	Earmarked Funds	B-2		
3-12	Reserves	B-3		
	Total Reserves & Surplus			
3-20	**Grants, Contributions for specific purposes**	B-4		
	Loans			
3-30	Secured Loans	B-5		
3-31	Unsecured Loans	B-6		
	Total Loans			
	Current Liabilities and Provisions			
3-40	Deposits Received	B-7		
3-41	Deposit works	B-8		
3-50	Other Liabilities	B-9		
3-60	Provisions	B-10		
	Total Current Liabilities and Provisions			
	TOTAL LIABILITIES			
	ASSETS			
4-10	**Fixed Assets**	B-11		
	Gross Block			
4-11	Less: Accumulated Depreciation			
	Net Block			
4-12	Capital Work-in-Progress			
	Total Fixed Assets			
	Investments			
4-20	Investment – General Fund	B-12		
4-21	Investments – Other Funds	B-13		
	Total Investments			
	Current Assets, Loans and Advances			
4-30	Stock in Hand (Inventories)	B-14		
	Sundry Debtors (Receivables)			
4-31	Gross amount outstanding	B-15		
4-32	Less: Accumulated provision against bad and doubtful Sundry Debtors			
	Net amount outstanding			
4-40	Prepaid Expenses	B-16		
4-50	Cash and Bank Balances	B-17		
4-60	Loans, advances and deposits	B-18		
4- 61	Less: Accumulated Provision against Loans			
	Net Amount outstanding			
	Total Current Assets, Loans & Advances			
4-70	Other Assets	B-19		
4-80	**Miscellaneous Expenditure (to the extent not written off)**	B-20		
	TOTAL ASSETS			

Table 27.3
Receipts and Payments Account for the period from _____ to _____

Code No.	Head of Account	Current Period Amount (Rs.)	Corresponding Previous Period Amount (Rs.)	Code No.	Head of Account	Current Period Amount (Rs.)	Corresponding Previous Period Amount (Rs.)
	Opening Balances Cash balances including Imprest Balances with Banks/Treasury (including balances in designated bank accounts)						
	Operating Receipts				***Operating Payments***		
1-10	Tax Revenue			2-10	Establishment Expenses		
1-20	Assigned Revenues & Compensations			2-20	Administrative Expenses		
1-30	Rental income from Municipal Properties			2-30	Operations and Maintenance		
1-40	Fees & User Charges			2-40	Interest & Finance Charges		
1-50	Sale & Hire Charges			2-50	Program Expenses		
1-60	Revenue Grants, Contributions & Subsidies			2-60	Revenue Grants, Contributions & Subsidies		
1-70	Income from Investments			2-71	Miscellaneous Expenses		
1-71	Interest Earned			4-30	Purchase of Stores		
1-80	Other Income				Other Collections on behalf of State and Central Government		
	Non-Operating Receipts				***Non-Operating Payments***		
3-30/31	Loans Received			3-50	Other Payables		
3-40	Deposits Received			3-50	Refunds Payable		
3-20	Grants and contribution for specific purposes			**	Repayment of Loans		
*	Sale proceeds from Assets			**	Refund of Deposits		
*	Realisation of Investment – General Fund			4-10	Acquisition / Purchase of Fixed Assets		
*	Realisation of Investment – Other Funds			4-12	Capital Work – in – Progress		
3-41	Deposit works			3-41	Deposit works		
3-50	Revenue Collected in Advance			4-20	Investments – General Fund		
*	Loans & Advances to Employees (recovery)			4-21	Investments – Other Funds		
*	Other Loans & Advances (recovery)			4-60	Loans & Advances to Employees		
*	Deposits with External Agencies (recovery)			4-40	Prepaid Expenses		
				4-60	Other Loans & Advances		

Code No.	Head of Account	Current Period Amount (Rs.)	Corresponding Previous Period Amount (Rs.)	Code No.	Head of Account	Current Period Amount (Rs.)	Corresponding Previous Period Amount (Rs.)
	Other Receipts [specify]			4-60	Deposits with External Agencies		
	Transfer to Municipal Fund from Special Funds						
					Other Payments [specify]		
					Transfer to Special Funds from Municipal Fund		
					Closing Balances Cash balances including Imprest Balances with Banks/Treasury (including balances in designated bank accounts)		
	GRAND TOTAL				**GRAND TOTAL**		

** Details in respect of these items will be available in the corresponding asset ledger accounts.*
*** Details in respect of these items will be available in the corresponding liability ledger accounts.*

Table 27.4
Statement of Cash Flow

	Previous Year (Rs.)		Current Year (Rs.)	
a. Cash flows from operating activities				
Gross surplus/ (deficit) over expenditure				
Adjustments for				
Add:				
Depreciation				
Interest & finance expenses				
Less:				
Profit on disposal of assets				
Dividend Income				
Investment income				
Adjusted income over expenditure before effecting changes in current assets and current liabilities and extra ordinary items.				
Changes in current assets and current liabilities				
(Increase) / decrease in Sundry debtors				
(Increase) / decrease in Stock in hand				
(Increase) / decrease in prepaid expenses				
(Increase) / decrease in other current assets				
(Decrease)/ increase in Deposits received				
(Decrease)/ increase in Deposits works				
(Decrease)/ increase in other current liabilities				
(Decrease)/ increase in provisions				
Extra ordinary items (Specify)				
Net cash generated from/ (used in) operating activities (a)				
b. Cash flows from investing activities				
(Purchase) of fixed assets & CWIP				
(Increase) / Decrease in Special funds/grants				
(Increase) / Decrease in Earmarked funds				
(Purchase) of Investments				
Add:				
Proceeds from disposal of assets				
Proceeds from disposal of investments				
Investment income received				
Interest income received				

	Previous Year (Rs.)		**Current Year (Rs.)**	
Net cash generated from/ (used in) investing activities (b)				
c. Cash flows from financing activities				
Add:				
Loans from banks/others received				
Less:				
Loans repaid during the period				
Loans & advances to employees				
Loans to others				
Finance expenses				
Net cash generated from (used in) financing activities (c)				
Net increase/ (decrease) in cash and cash equivalents (a + b + c)				
Cash and cash equivalents at beginning of period				
Cash and cash equivalents at end of period				
Cash and Cash equivalents at the end of the year comprises of the following account balances at the end of the year:				
i. Cash Balances				
ii. Bank Balances				
iii. Scheduled co-operative banks				
iv. Balances with Post offices				
v. Balances with other banks				
Total				

Note: items in () brackets denote as that they are to be deducted

CHAPTER 28

TRANSACTIONS RELATING TO TRANSPORT UNDERTAKING

INTRODUCTION

28.1 Some ULBs provide transportation services. This may be carried on by a department within the Local Body or by setting up a separate undertaking for this purpose. Separate Books of Accounts shall be maintained for recording the transactions relating to the Transport Undertaking if a separate fund is formed for this purpose. This chapter contains the recommended accounting system for transactions relating to the transport undertakings. Transport undertakings shall maintain independent books of accounts for recording the transactions relating to the transport undertaking.

ACCOUNTING PRINCIPLES

28.2 The following Accounting Principles shall govern the recording, accounting and treatment of peculiar transactions relating to Transport Undertaking:

a. Revenue in respect of ticket charges and monthly passes shall be recognised on actual receipt.
b. The liability towards dues to the State Government for collections on its behalf, i.e., Child Welfare Surcharge, shall be recognised as and when it is collected.

c. Revenue in respect of Rebate from State Government for collection made on their behalf, i.e., Child Welfare Surcharge, shall be recognised at the rates prescribed by the State Government at the time of creating the liability to the state government.

d. Payments to be made by the Transport Undertaking to the Municipal Fund shall be accounted on actual payment.

GENERAL APPROACH TO ACCOUNTING FOR TRANSPORT UNDERTAKING

28.3 The transactions relating to Transport Undertaking are similar to those relating to other functions/departments of a ULBs.

28.4 This is particularly so in case of:

i. Incomes;

a. from luggage charges;

b. from renting of buses;

c. from advertisement charges for advertisements on buses, sheds, tickets;

d. from tender form fees;

e. from investments, etc.;

ii. Expenditures:

a. on salaries and other employee dues;

b. on stores & consumables;

c. on repairs & maintenance;

d. on general administration, etc.;

iii. Fixed Assets:

a. on purchase and acquisition of buses, general office equipment, specific equipment for workshops;

b. on purchase of land and construction of depots, sheds and bus stops, etc.

28.5 In addition, the treatment of grants loans, investments, etc., and period end procedures would also be similar to those in respect of the ULBs itself.

28.6 Since the accounting entries for all the above have been discussed in the concerned chapters of this manual, and are applicable in the case of the Transport Undertaking also, they are not repeated here. Reference is invited to concerned chapters as specified hereafter. The transactions, which are peculiar to the Transport Undertaking, have, however, been described below.

ACCOUNTING OF COLLECTIONS FROM SALE OF TICKETS

28.7 Recording of collections. For collections made, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 140-50-(a)	Bank Account * To Ticket Income	Dr. Cr.	10,00,000	 10,00,000	Cash Book, Ledger

* Specify name of bank

(a) Insert Detailed Head Codes of Account as applicable

Note: The postings in the Ledger (Form GEN-3) of "Ticket Income" Account, shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book (Form GEN-2).

Rebate on collections made on behalf of State Government

28.8 Recording of amount due from State Government in respect of rebate. The Transport Undertakings are entitled to a rebate at the prescribed rates for the collections made on behalf of the State Government. The revenue in respect of rebate shall be recognised on creation of liability to the Government. To recognise the income, the Accounts Department shall pass the following entry after effecting the entry referred in Para 28.6 above:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-30-(a) 140-70-(a)	Government Dues Payable –Child Welfare Surcharge To Rebate on Child Welfare Surcharge collection from State Government	Dr. Cr.	1,000	 1,000	Journal Book, Ledger

(a) Insert Detailed Head Codes of Account as applicable

28.9 Payment of State Government dues. For recording the payment made to State Government, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-30-(a) 450-21-(a)	Government Dues Payable – Child Welfare Surcharge To Bank Account*	Dr. Cr.	45,000	 45,000	Cash Book, Ledger

** Specify the name of the Bank and Account number*

(a) Insert Detailed Head Codes of Account as applicable

ACCOUNTING OF OTHER INCOMES

28.10 Transport Undertaking may earn income from luggage charges; renting of buses; advertisement charges for advertisement on buses, tickets, bus-stops etc.; fines and penalties for travel without ticket; fines from employees; sale of scrap; tender form fees; etc. All these income shall be accounted on actual receipt basis.

28.11 The accounting principles, procedure for accounting of these incomes and the accounting entries shall be the same as described in Chapter 11 – Rentals, Fees and other incomes.

ACCOUNTING OF STORES

28.12 The Transport Undertaking purchases stores and spares like tyres & tubes, battery, tools, etc., for recurring maintenance of transport facilities. It purchases diesel, oil and lubricants for operating the buses. It also purchases stationery and other general administrative stores.

28.13 The accounting principles, procedure for accounting of stores and the accounting entries shall be the same as described in Chapter 13 on Stores.

ACCOUNTING OF EMPLOYEE RELATED TRANSACTIONS

28.14 The Transport Undertaking pays salaries and allowances, gratuity, leave encashment, etc., to the employees of the Transport Undertaking. It handles their pension and provident fund. It also gives loans and advances to the employees of the Transport Undertaking.

28.15 The accounting principles, procedure for accounting of employee related transactions and the accounting entries shall be the same as described in Chapter 14 - Employee Related Transactions.

ACCOUNTING OF OTHER REVENUE EXPENDITURE

28.16 The Transport Undertaking incurs the following other revenue expenditure:

a. Payment of Passenger Tax and Tax under Motor Vehicle Act to the State Government;
b. Repairs and maintenance of vehicles, electrical equipments, etc.;
c. Vehicle registration and renewal expenses, vehicle insurance, etc.;
d. Ticket printing;
e. Payment for general insurance, accident claims and medical expenses of injured employees;
f. Legal fees;

g. Payment of meeting allowance, honorarium to Transport Committee members;

h. Payment in respect of postage & stationery, photocopying charges, telephone charges, electricity charges, water charges and other general administrative expenses; etc.

28.17 The accounting principles, procedure for accounting of other revenue expenditures and the accounting entries shall be the same as described in Chapter 16 - Other Revenue Expenditures.

ACCOUNTING OF GRANTS

28.18 The Transport Undertaking may receive grants from the ULBs, State Government (e.g. Police Department Grant), etc.

28.19 The accounting principles, procedure for accounting of grants and the accounting entries shall be the same as described in Chapter 17 - Grants.

28.20 The accounting principles, procedure for accounting of grants to the transport undertakings by the local bodies in their books of accounts shall be the same as described in Chapter 24 – Special transactions.

ACCOUNTING OF FIXED ASSETS

28.21 The Transport Undertaking would generally acquire or construct depots, sheds and bus stops. It would purchase buses for providing transport services and specific equipment for its routine repairs and maintenance. It would also purchase furniture & fixtures and other office equipment for administrative purposes. Transport Undertaking also incurs expenses on repairs and maintenance of buses, bus stops, bus - depots & sheds, etc.

28.22 The accounting principles, procedure for accounting of construction of fixed assets and their repairs & maintenance and the accounting entries shall be the same as described in Chapter 12 - Public Works.

28.23 The accounting principles, procedure for accounting of purchase of fixed assets and the accounting entries shall be the same as described in Chapter 21 - Fixed Assets.

ACCOUNTING OF INVESTMENTS

28.24 The Transport Undertaking may invest surplus funds in the specified securities as per the provisions and rules of the act governing the transport undertaking

28.25 The accounting principles, procedure for accounting of investments and the accounting entries shall be the same as described in Chapter 20 - Investments.

ACCOUNTING OF LOANS

28.26 Transport Undertaking may receive loans from State Government and other agencies.

28.27 The accounting principles, procedure for accounting of loans and the accounting entries shall be the same as described in Chapter 18 - Borrowings.

28.28 Sometimes loans may also be advanced by Local Body to meet out any deficit in the Transport undertaking account. The accounting principles, procedure for accounting of loans to the transport undertakings by the local bodies in their books of accounts shall be the same as described in Chapter 24 – Loans and Advances.

ACCOUNTING OF FIXED ANNUAL PAYMENT TO ULBs

28.29 The provisions and rules of the act governing the transport undertaking normally requires the Transport Undertaking to make a fixed annual payment to the ULBs, when the services are carried as a separate undertaking On making such payment to Municipal Fund, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
260-20-(a)	Fixed Contribution to Municipal Fund	Dr.	2,00,000		Cash Book, Ledger
450-21-(a)	To Bank Account*	Cr.		2,00,000	

** Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

28.30 If there is a deficit in the Revenue Account for making the fixed payment to the Municipal Fund, it shall be made good from the Revenue Reserve Fund. For making payment to the Municipal Fund from the Revenue Reserve Fund, the Accounts Department shall pass the following entries:

a. For payment from Revenue Reserve Fund:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
260-20-(a)	Fixed Contribution to Municipal Fund	Dr.	1,00,000		Cash Book, Ledger
450-41-(a)	To Designated Bank Account *	Cr.		1,00,000	

** Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable

b. For transfer of equivalent funds from Revenue Reserve Fund to Transport Fund:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a)	Revenue Reserve Fund	Dr.	1,00,000		Journal Book,
311-(a)	To Transport Fund	Cr.		1,00,000	Ledger,

(a) Insert Minor & Detailed Head Codes of Account as applicable

ACCOUNTING FOR DISPOSAL OF SURPLUS

28.31 Any surplus in the Revenue Account of the Transport under taking, after making the fixed payment to the ULBs, shall be disposed as provided in the relevant governing Act. Transfer of surplus may be made to reserve funds, Betterment Fund, Welfare Fund etc. This is illustrated with an example given below:

28.32 Transfer to of surplus to

- Revenue Reserve Fund: 30%
- Transport Betterment Fund: 30%
- Welfare Fund maintained with Local Body: 25%
- Contribution to Municipal Fund: 15%

28.33 For transfers as explained above, Accounts Department shall pass the following entries:

a. For transfer of funds from Transport Fund

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a)	Special Funds -Transport Fund	Dr.	1,00,000		Journal Book, Ledger,
311-(a)	To Reserves –Revenue Reserve Fund	Cr.		30,000	
311-(a)	To Reserves -Transport Betterment Fund	Cr.		30,000	
350-80-(b)	To Other Payables -Liability for contribution to Welfare Fund	Cr.		25,000	
350-80-(b)	To Other Payables -Dues to ULBs	Cr.		15,000	

(a) Insert Minor & Detailed Head Codes of Account as applicable
(b) Insert Detailed Head Codes of Account as applicable

b. For transfer of money from Designated Transport Bank Account to respective Designated Special Fund Bank Accounts:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-(a)	Revenue Reserve Fund Bank Account*	Dr.	30,000		Cash Book
450-(a)	Transport Betterment Fund Bank Account*	Dr.	30,000		
450-(a)	To Designated Transport Bank Account*	Cr.		60,000	

** Specify the name of the Bank and Account number*
(a) Insert Minor & Detailed Head Codes of Account as applicable

c. On payment of amount equal to 25% of surplus to ULBs for credit to the Welfare Fund:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-80-(a)	Others –Liability for contribution to Welfare Fund	Dr.	25,000		Cash Book, Ledger
450-(b)	To Designated Transport Bank Account*	Cr.		25,000	

** Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

d. On payment of amount equal to 15% of surplus to Municipal Fund.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-80-(a)	Other Payables -Dues to ULBs	Dr.	15,000		Cash Book, Ledger
450-(b)	To Designated Transport Bank Account*	Cr.		15,000	

** Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

28.34 In respect of accounts of the ULBs, the above receipts shall be accounted as follows:

28.35 Recording the receipt of 25% of the surplus received from the Transport Undertaking for credit to the Welfare Fund the Accounts Department of the ULBs shall record the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-(a)	Bank Account*	Dr.	25,000		Cash Book, Ledger
311-(a)	To Welfare Fund	Cr.		25,000	

** Specify the name of the Bank and Account number*
(a) Insert Minor & Detailed Head Codes of Account as applicable

28.36 Recording the receipt of 15% of the surplus being a contribution to the Municipal Fund the Accounts Department of the ULBs shall record the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a) 310-(b)	Bank Account* To Municipal Fund	Dr. Cr.	15,000	 15,000	Cash Book, Ledger

** Specify the name of the Bank and Account number*
(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Minor & Detailed Head Codes of Account as applicable

PERIOD END PROCEDURES

28.37 All the period end procedures followed by an Urban Local Body are also to be followed as period end procedure by the School Boards;

FINACIAL STATEMENTS OF A TRANSPORT UNDERTAKING

28.38 At the end of every accounting period, the Transport Undertaking shall prepare Financial Statements including:

i. Income and Expenditure Statement (illustrated in Table 28.1); and
ii. Balance Sheet (illustrated in Table 28.2).
iii. Receipts and Payments Statement (illustrated in Table 28.3)
iv. Cash flows Statement (illustrated in Table 28.4)

28.39 The manner in which the Financial Statements of a Transport Undertaking are to be drawn shall be the same as what has been described in Chapter 31 - Financial Statements, reference to which is invited.

28.40 The amount that is due to the Municipal Body in respect of the Fixed Annual Contribution to the Municipal Fund shall be disclosed in the notes to accounts.

Table 28.1

Income and Expenditure Statement for the period from_____ to_____

Code No.	Item/ Head of Account	Schedule No	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4	5
	INCOME			
1-10	Tax Revenue	I-1		
1-20	Assigned Revenues & Compensation	I-2		
1-30	Rental Income from Municipal Properties	I-3		
1-40	Fees & User Charges	I-4		
1-50	Sale & Hire Charges	I-5		
1-60	Revenue Grants, Contributions & Subsidies	I-6		
1-70	Income from Investments	I-7		
1-71	Interest Earned	I-8		
1-80	Other Income	I-9		
A	**Total – INCOME**			
	EXPENDITURE			
2-10	Establishment Expenses	I-10		
2-20	Administrative Expenses	I-11		
2-30	Operations & Maintenance	I-12		
2-40	Interest & Finance Charges	I-13		
2-50	Programme Expenses	I-14		
2-60	Revenue Grants, Contributions & subsidies	I-15		
2-70	Provisions & Write off	I-16		
2-71	Miscellaneous Expenses	I-17		
2-72	Depreciation			
B	**Total – EXPENDITURE**			
A-B	*Gross surplus/ (deficit) of income over expenditure before Prior Period Items*			
2-80	Add: Prior period Items (Net)	1-18		
	Gross surplus/ (deficit) of income over expenditure after Prior Period Items			
2-90	**Less:** Transfer to Reserve Funds Net balance being surplus/ deficit carried over to Municipal Fund			

Table 28.2

Balance Sheet of ULB as on _____

Code No	Description of items	Schedule No.	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
	LIABILITIES			
	Reserve & Surplus			
3-10	Municipal (General) Fund	B-1		
3-11	Earmarked Funds	B-2		
3-12	Reserves	B-3		
	Total Reserves & Surplus			
3-20	**Grants, Contributions for specific purposes**	B-4		
	Loans			
3-30	Secured Loans	B-5		
3-31	Unsecured Loans	B-6		
	Total Loans			
	Current Liabilities and Provisions			
3-40	Deposits Received	B-7		
3-41	Deposit works	B-8		
3-50	Other Liabilities	B-9		
3-60	Provisions	B-10		
	Total Current Liabilities and Provisions			
	TOTAL LIABILITIES			
4-10	**ASSETS**	B-11		
	Fixed Assets			
	Gross Block			
4-11	Less: Accumulated Depreciation			
	Net Block			
4-12	Capital Work-in-Progress			
	Total Fixed Assets			
	Investments			
4-20	Investment – Municipal Fund	B-12		
4-21	Investments – Other Funds	B-13		
	Total Investments			
	Current Assets, Loans and Advances			
4-30	Stock in Hand (Inventories)	B-14		
	Sundry Debtors (Receivables)			
4-31	Gross amount outstanding	B-15		
4-32	Less: Accumulated provision against bad and doubtful Sundry Debtors			
	Net amount outstanding			
4-40	Prepaid Expenses	B-16		
4-50	Cash and Bank Balances	B-17		
4-60	Loans, advances and deposits	B-18		
4- 61	Less: Accumulated Provision against Loans			
	Net Amount outstanding			
	Total Current Assets, Loans & Advances			
4-70	Other Assets	B-19		
4-80	**Miscellaneous Expenditure (to the extent not written off)**	B-20		
	TOTAL ASSETS			

Table 28.3

Receipts and Payments Account for the period from _____ to _____

Code No.	Head of Account	Current Period Amount (Rs.)	Corresponding Previous Period Amount (Rs.)	Code No.	Head of Account	Current Period Amount (Rs.)	Corresponding Previous Period Amount (Rs.)
	Opening Balances Cash balances including Imprest Balances with Banks/Treasury (including balances in designated bank accounts)						
	Operating Receipts				***Operating Payments***		
1-10	Tax Revenue			2-10	Establishment Expenses		
1-20	Assigned Revenues & Compensations			2-20	Administrative Expenses		
1-30	Rental income from Municipal Properties			2-30	Operations and Maintenance		
1-40	Fees & User Charges			2-40	Interest & Finance Charges		
1-50	Sale & Hire Charges			2-50	Program Expenses		
1-60	Revenue Grants, Contributions & Subsidies			2-60	Revenue Grants, Contributions & Subsidies		
1-70	Income from Investments			2-71	Miscellaneous Expenses		
1-71	Interest Earned			4-30	Purchase of Stores		
1-80	Other Income				Other Collections on behalf of State and Central Government		

Code No.	Head of Account	Current Period Amount (Rs.)	Corresponding Previous Period Amount (Rs.)	Code No.	Head of Account	Current Period Amount (Rs.)	Correspondi ng Previous Period Amount (Rs.)
	Non-Operating Receipts				***Non-Operating Payments***		
3-30/31	Loans Received			3-50	Other Payables		
3-40	Deposits Received			3-50	Refunds Payable		
3-20	Grants and contribution for specific purposes			**	Repayment of Loans		
*	Sale proceeds from Assets			**	Refund of Deposits		
*	Realisation of Investment – General Fund			4-10	Acquisition / Purchase of Fixed Assets		
*	Realisation of Investment – Other Funds			4-12	Capital Work – in – Progress		
3-41	Deposit works			3-41	Deposit works		
3-50	Revenue Collected in Advance			4-20	Investments – General Fund		
*	Loans & Advances to Employees (recovery)			4-21	Investments – Other Funds		
*	Other Loans & Advances (recovery)			4-60	Loans & Advances to Employees		
*	Deposits with External Agencies (recovery)			4-40	Prepaid Expenses		
				4-60	Other Loans & Advances		
	Other Receipts [specify]			4-60	Deposits with External Agencies		
	Transfer to Municipal Fund from Special Funds						
					Other Payments [specify]		
					Transfer to Special Funds from Municipal Fund		
					Closing Balances Cash balances including Imprest		

Code No.	Head of Account	Current Period Amount (Rs.)	Corresponding Previous Period Amount (Rs.)	Code No.	Head of Account	Current Period Amount (Rs.)	Corresponding Previous Period Amount (Rs.)
					Balances with Banks/Treasury (including balances in designated bank accounts)		
	GRAND TOTAL				**GRAND TOTAL**		

* Details in respect of these items will be available in the corresponding asset ledger accounts.

** Details in respect of these items will be available in the corresponding liability ledger accounts.

Table 28.4

Statement of Cash Flow

Particulars	Previous Year (Rs.)		Current Year (Rs.)	
a. Cash flows from operating activities				
Gross surplus/ (deficit) over expenditure				
Adjustments for				
Add:				
Depreciation				
Interest & finance expenses				
Less:				
Profit on disposal of assets				
Dividend Income				
Investment income				
Adjusted income over expenditure before effecting changes in current assets and current liabilities and extra ordinary items.				
Changes in current assets and current liabilities				
(Increase) / decrease in Sundry debtors				
(Increase) / decrease in Stock in hand				
(Increase) / decrease in prepaid expenses				
(Increase) / decrease in other current assets				
(Decrease)/ increase in Deposits received				
(Decrease)/ increase in Deposits works				
(Decrease)/ increase in other current liabilities				
(Decrease)/ increase in provisions				
Extra ordinary items (Specify)				
Net cash generated from/ (used in) operating activities (a)				
b. Cash flows from investing activities				
(Purchase) of fixed assets & CWIP				
(Increase) / Decrease in Special funds/grants				
(Increase) / Decrease in Earmarked funds				
(Purchase) of Investments				
Add:				
Proceeds from disposal of assets				
Proceeds from disposal of investments				
Investment income received				
Interest income received				
Net cash generated from/ (used in) investing activities (b)				
c. Cash flows from financing activities				
Add:				
Loans from banks/others received				
Less:				
Loans repaid during the period				
Loans & advances to employees				
Loans to others				
Finance expenses				
Net cash generated from (used in) financing activities (c)				

Particulars	Previous Year (Rs.)		Current Year (Rs.)	
Net increase/ (decrease) in cash and cash equivalents (a + b + c)				
Cash and cash equivalents at beginning of period				
Cash and cash equivalents at end of period				
Cash and Cash equivalents at the end of the year comprises of the following account balances at the end of the year:				
i. Cash Balances				
ii. Bank Balances				
iii. Scheduled co-operative banks				
iv. Balances with Post offices				
v. Balances with other banks				
Total				

Note: items in () brackets denote as that they are to be deducted

CHAPTER 29

PERIOD-END PROCEDURES

INTRODUCTION

29.1 This chapter describes the procedures to be followed by an ULB to facilitate preparation of periodical accounts. Each ULB would prepare periodical accounts at quarterly or such other shorter period as may be defined by the State and this shall be in addition to the annual accounts.

29.2 It is recommended that certain reconciliations and other accounting procedures be carried out on a daily and monthly basis so that the recording of transactions is up to date. These would be in addition to quarterly and annual procedures.

29.3 The specific period-end procedures in relation to various categories of transactions have been described in the relevant chapters. The procedures to be followed on a daily, monthly, quarterly and annual basis are covered under the following heads:

i. **Daily Procedures**

   a. Closing of Cash Book

   b. Physical verification of cash balance

   c. Deposit of collections (both cash and cheque) in the bank

   d. Checking ledger accounts with the books of original entries, i.e., Cash Book and Journal Book

   e. Verification of number of receipts issued as reported by the collection office with the Collection Register

   f. Updation of Subsidiary Ledgers

ii. **Monthly Procedures**

a. Bank Reconciliation

b. Recording of expenditures incurred against permanent advance

c. Payment of provident fund dues and pension contribution in respect of employees on deputation

d. Reconciliation of Function wise Income/Expense Subsidiary Ledgers with respective TB totals.

e. Compilation of details of closing stock for recording the consumption of stores at the end of the months.

f. Closing of ledger accounts

iii. **Quarterly Procedures**

a. Reconciliation of deposits, advances, receivables and incomes

b. Provision for period-end expenses

c. Transfer of revenue grant received in advance for specific purpose to grant income

d. Recognition of grant income for revenue expenditure incurred in respect of grant receivable as reimbursement

e. Accrual of interest on borrowings

f. Recording of provision for bills remaining unpaid in respect of Special Fund expenditure

g. Accrual of interest on investments

h. Accrual of interest on loans to employees

i. Reconciliation of Capital Work in Progress

j. Reconciliation of Inter Unit Balances

k. Passing of adjustment entries

l. Closing of ledger accounts

iv. **Annual Procedures**

a. Physical verification of stores

b. Physical verification of fixed assets

c. Transfer of funds from special funds to Special Funds (Utilised)

d. Confirmation of all categories of advances

e. Provision for unrealised revenue

f. Accounting of prepaid expenses

g. Contribution of difference in interest to the provident fund

h. Expenditure for the benefit of Backward classes or similar other welfare schemes

i. Confirmation from Government/Quasi-government and Government owned agencies

j. Closing of ledger accounts

29.4 Each of the above procedures has been described in detail as follows:

Daily Procedures

29.5 Balancing of Cash Book: The Cash Book shall be totalled and balanced daily. The posting of the day's transactions shall be made in the respective Ledger Accounts by the end of the day. The closing cash and bank balance of the day shall be carried forward to the next day as opening balance for that day.

29.6 Physical verification of cash balance: Cash available with the Accounts Department shall be physically verified by the Cashier. The values and denominations of the cash physically verified shall be noted in the Cash Book itself. This shall be certified by the Cashier and the Head of the Accounts Department. The cash balance as physically verified should match with the closing cash balance as per the Cash Book.

29.7 Deposit of collections (both cash and cheque) in the Bank: The cash and cheque collection shall be remitted to the Accounts Department or deposited with the Bank (Main Bank or Designated Banks) in the manner and in accordance with the procedure provided for in Chapter 5 - General Accounting Procedures. Care has to be taken that the money is remitted or deposited either on the same day or by the next working day. Further, it shall be ensured that the funds are transferred from the Designated Bank Accounts to the Main Bank Account at such periodicity as may be prescribed by the states.

29.8 Checking of ledger accounts with the books of original entries, i.e., Cash Book and Journal Book: The daily postings of the entries in the Ledger Accounts from the Cash Book and the Journal Book shall be checked and certified by the Head of the Accounts Department or other designated officer. The employee making the concerned posting shall also certify the posting of each transaction recorded in the books of original entries. Necessary rectification entries shall be passed immediately in respect of differences or errors in posting.

29.9 Verification of number of receipts issued as reported by the collection office with the Collection Register: On receipt of Chalan for Remittance of Money from the Collection Office, the Head of the Department supervising the functioning of the Collection Office shall verify the duplicate copies of the receipts issued with the entries made in the Collection Register and in the Chalan for Remittance of Money. The number of receipts cancelled shall be reported in the Chalan for Remittance of Money.

29.10 Updation of Subsidiary Ledger: The Accounts Department shall update the following Subsidiary Registers at the end of each day:

a. Functions wise Income Subsidiary Ledger in respect of all major heads of Income during the day;

b. Functions wise Expense Subsidiary Ledger in respect of all major heads of Expenses during the day;

Monthly Procedures

29.11 Bank Reconciliation: Bank Reconciliation shall be carried out for each of the Banks either on a monthly basis or for such shorter time interval as the ULB may decide. The procedure for bank reconciliation has been provided in Chapter 30 - Reconciliation Procedures.

29.12 Recording of expenditure incurred against permanent advance: At the end of each month, the Head of the Department, to whom permanent advance has been disbursed, shall prepare and submit a payment order for expenses incurred against the permanent advance. The Register of Permanent Advance maintained at the Departments shall be updated on a daily basis for the expenses incurred and updated for payment order prepared and sent to the Accounts Department.

29.13 Payment of provident fund dues and pension contribution in respect of employees on deputation. The Accounts Department shall ensure that the provident fund deducted from the salaries of the employees on deputation and the pension contribution payable for their benefit have been paid on time to the Government.

29.14 Reconciliation of Function wise Income/Expense Subsidiary Ledgers with respective ledger accounts: Subsidiary ledgers of all Function wise Income and Expense shall be reconciled. The following is an illustrative list of Subsidiary Ledgers for which the Accounts Department shall prepare reconciliation statements on a monthly basis:

a. Functions wise Income Subsidiary Ledger in respect of all major heads of Income during the day;

b. Functions wise Expense Subsidiary Ledger in respect of all major heads of Expenses during the day.

29.15 Compilation of details of closing stock for preparation of financial statements at the end of the month: At the end of each month, the Stores-in-charge shall prepare a Statement of Closing Stock in Form ST – 3 for the stocks held in the Stores and issues made for various purposes from the entries made in the Stores Ledger. The procedure for preparation of such statement and valuation of the closing stock has been outlined in Chapter 13 - Stores.

29.16 Closing of ledger accounts: The ledger accounts shall be totalled and balanced at the end of each month or such shorter period as the ULB may decide. The closing balances for each of ledger accounts shall be determined and posted in the Trial Balance prepared for that period. The procedures for preparation of Trial Balance have been outlined in Chapter 31- Financial Statements.

Quarterly Procedures

29.17 Reconciliation of deposits, advances, receivables and income: The deposits received from contractor/supplier or any other deposit; advances provided to contractor/supplier or to the departments or employees of the ULB; receivables in respect of various sources of income and money received from various sources of income shall be reconciled at the end of each quarter. The procedure for reconciliation has been described in Chapter 30 - Reconciliation Procedures.

29.18 Provision for period-end expenses: At the end of an accounting period (quarter), all the departments of the ULB shall prepare a Statement of Outstanding Liability for Expenses in Form GEN – 28. The procedures for making period-end provision entries has been outlined in the relevant chapters and are briefly described below:

a. Provision for expenses incurred on original work/ operations or maintenance work being executed by the Public Works Department for which either no payment has been made, or part payment has been made against the bills received, shall be made in accordance with the procedures outlined in Chapter 12 - Public Works.

b. Provision for materials purchased for which either no payment has been made, or part payment has been made against the bills received, by the Stores, shall be made in accordance with the procedures outlined in Chapter 13 - Stores. Provision shall also be made for materials received for which bills are not received at the values indicated in the Purchase Order.

c. Provision for revenue expenditures other than those described above for which either no payment has been made, or part payment has been made against the bills received, shall be made in accordance with the procedures outlined in Chapter 16 - Other Revenue Expenditures.

d. Provision for interest accrued but not due on the money borrowed through loans or debentures shall be made in accordance with the procedures outlined in Chapter 18 – Borrowings (Loans Received).

e. Provision for fixed assets purchased, for which either no payment has been made, or part payment has been made against the bills received, shall be made in accordance with the procedures outlined in Chapter 21 - Fixed Assets.

f. Provision for Depreciation on Fixed assets shall be calculated in accordance with the procedures outlined in the Chapter 21 – Fixed Assets.

29.19 Transfer of revenue grant received in advance for specific purpose to grant income. The balance in the Revenue Grant Account received in advance, to the extent utilised during the period shall be transferred to the respective Grant Income Account. Where such transfer has not been made, the Accounts Department shall pass the relevant entries in accordance with the procedures outlined in Chapter 17 - Grants.

29.20 Recognition of grant income for revenue expenditure incurred in respect of grant receivable as reimbursement. The revenue expenditure incurred during the period towards specific projects/schemes under a grant receivable, as a reimbursement shall be recognised as income at the end of each quarter. Where such income has not been recognised, the Accounts Department shall pass the relevant entries in accordance with the procedures outlined in Chapter 17 - Grants.

29.21 Accrual of interest on borrowings: Interest charges on loans received, which is not due shall be accrued, in accordance with the procedures outlined in Chapter 18 – Borrowings (Loans received).

29.22 Recording of provision for bills remaining unpaid in respect of Special Fund expenditure: Provision shall be made for the revenue expenditure incurred under Special Fund during the period in accordance with the procedures outlined in Chapter 19 – Special Funds.

29.23 Accrual of interest on investments. Interest accrued but not due on investments made shall be accrued in accordance with the procedures outlined in Chapter 20 - Investments.

29.24 Accrual of interest on loans advanced to employees. The amount of interest accrued in respect of loans provided to employees shall be determined and accrued in accordance with the procedures outlined in Chapter 14 - Employee Related Transactions.

29.25 Reconciliation of Capital Work in Progress: Expenditure incurred on cumulative total of several Capital Work-in-Progress Ledger Accounts should be reconciled at the end of each quarter with the Summary Statement of Status on Capital Work-in-Progress received from the department. The Accounts Department shall ensure that total expenditure incurred as stated in the Statement tallies with the cumulative total of several Capital Work-in-Progress Ledger Accounts.

29.26 Reconciliation of Inter unit Account balances: At the end of each period reconciliation of inter unit transactions is intended to identify the disputed / unaccepted inter unit transactions between an 'originating AU' and the 'responding AU' and take appropriate action for rectification. Further, reconciliation of inter unit account is necessary in the process of consolidation of ULB at the head office level as the balances of inter unit account balances shall be nullified.

29.27 Passing of adjustment entries: At the period-end, the Accounts Department shall verify whether proper distinction has been maintained between revenue and capital transactions and between the transactions having effect in two accounting periods. In case, any income or expenditure for the previous periods or the subsequent periods has been accounted for as income or expenditure of the current period, the rectification entries as outlined in Chapter 5 - General Accounting Procedures shall be made by the Accounts Department.

29.28 Closing of ledger accounts: The ledger accounts shall be totalled and balanced at the end of each quarter or such shorter period as the ULB may decide for preparation of Financial Statements. The closing balances for each of ledger accounts shall be determined and posted in the Trial Balance prepared for that period. The procedures for preparation of Trial Balance, and, from it, the Financial Statements, have been outlined in Chapter 31- Financial Statements. The closing balance in the assets and liabilities ledger accounts of the period shall be carried forward as opening balance of the next period.

Annual Procedures

29.29 All the period-end procedures, including the passing of adjustment entries performed at the end of each quarter, as explained above, shall also be performed at the end of each accounting year. In addition to that, further period-end procedures required to be performed at the year-end have been described below.

29.30 Physical verification of stores: The physical verification of stores and consumables shall be carried out at least once in a year on the last day of the accounting year and at such time intervals as the ULB may decide. The verification shall be carried out by the Stores-in-charge in presence of the personnel of the Audit Department, who shall certify the stock sheet. The physically verified stores shall be reconciled with the balances as per the stores records. The value of physically verified closing stock would be incorporated in the Financial Statements. The procedure for valuation of closing stock has been outlined in Chapter 13 - Stores.

29.31 Physical verification of fixed assets: A Committee consisting of Municipal Commissioner, Head of the Accounts Department, Head of the Public Works Department and such other representatives as the ULB's Statutory Authority resolves, shall be formed. The Committee shall ensure the existence of a system of conducting physical verification of fixed assets throughout the year so that each fixed asset is verified at least once during the year.

Any discrepancies with the Fixed Assets Register should be reconciled and brought to the attention of the Statutory Authority. For this, the Committee shall prepare a plan of action for physical verification of its fixed assets. The Accounts Department together with the Public Works Department shall carry out physical verification as per the procedures provided in the verification plan. The details recorded in the verification sheets shall be checked with the relevant Fixed Assets Registers and suitable remedial steps shall be taken in case of discrepancies identified.

29.32 Transfer of funds from special funds: The balance in the Special Fund shall be transferred to the Special Fund (Utilised) on construction or purchase or acquisition of fixed asset at the time of capitalisation of the relevant expenditures into fixed asset. The procedure for transfer has been provided in Chapter 19 - Special Funds. A control shall be kept on the projects executed under any Special Fund for effecting transfer of balance.

29.33 Confirmation of all categories of advances. At the end of the year, the Accounts Department shall obtain a confirmation from all the persons to whom the advances have been provided including the Head of the Department for Permanent Advance and employees of the ULB for miscellaneous advance provided.

29.34 Provision for unrealised revenue: A provision shall be made for the demands raised during the accounting period but remaining outstanding. The procedure for provisioning, the amount to be provided and the accounting entries have been outlined in the respective chapters on incomes. The arrears of Receivable shall be carried forward year-wise up to two years or five years depending on the provision norm applicable to that Income. On completion of the last year the amount outstanding in the specific year-wise receivable account shall be transferred to a general arrears account i.e. Receivable (Others) Account. Further, the Accounts Department shall make a provision based on the provisioning principle suggested for various types of Income.

29.35 Accounting of prepaid expenses. At the year-end, all the expenses shall be scrutinised to identify those expenses whose benefit is likely to accrue in the next year and a prepaid entry shall be passed in accordance with the procedures outlined in Chapter 16 - Other Revenue Expenditures.

29.36 Contribution of difference in interest to the provident fund. The difference between the interest earned on Provident Fund investment and interest payable on Provident Fund contribution to the employees shall be contributed by the ULB and an amount equivalent to the difference shall be transferred from the Main Bank Account to the Provident Fund Bank Account.

29.37 Expenditure for the benefit of Backward Classes Welfare or similar other benefit schemes of the ULBs. At the year-end, the Accounts Department shall collate the expenditure incurred for the benefit of Backward Classes Welfare or similar other benefit schemes from the records maintained there. The difference between the amount spent and the amount

required to be spent as per the Government's instruction shall be transferred from the Main Bank Account to Backward Classes Welfare Fund Bank Account or other similar benefit fund Bank Account with a corresponding creation of/addition to Backward Classes Welfare Fund.

29.38 Confirmation from Government/Quasi-government and Government owned agencies. At the end of each accounting year, the Accounts Department shall prepare and forward a balance confirmation statement to Government and Quasi-government and various government owned agencies in the format as prescribed in Chapter 30 - Reconciliation Procedures. Based on replies received, the Accounts Department shall undertake appropriate remedial action, including passing of necessary rectification entries, for reconciling the balances.

29.39 Closing of ledger accounts. In addition to closing of ledger accounts at the end of each quarter, the ledger accounts shall be balanced and totalled at the end of each accounting year, i.e., on 31st March, for preparation of Financial Statements. The closing balances for each of the ledger accounts shall be posted in the Trial Balance from which Financial Statements shall be prepared in accordance with the procedures outlined in Chapter 31- Financial Statements.

29.40 After the Annual Financial Statements have been prepared, the Accounts Department shall pass the following entries for transfer of income and expenditure ledger balances to the Income & Expenditure Account. Let us assume that total income earned (from property and other taxes, water supply, cess and any other income) by the ULB for the Financial Year 2003-04 is Rs. 23,75,50,000 and total expenditure incurred (on salaries and wages paid to the employees, on repairs and maintenance of roads, buildings and other structures, on stores consumed and other such expenditure) for the same Financial Year is Rs. 21,50,00,000.

i. For transfer of income ledger balances to income side of Income and Expenditure Statement:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
110-(a)	Tax Income – PTD	Dr.	10,00,00,000		Journal Book
110-(a)	Cess Income	Dr.	2,00,00,000		, Ledger
110-(a)	Water Taxes	Dr.	4,00,00,000		
120-(a)	Rebate from State Government	Dr.	20,00,000		
140-(a)	Property Transfer Charges	Dr.	15,00,000		
	.	Dr.	.		
	.	Dr.	.		
	.	Dr.	.		
	.	Dr.	.		
	.	Dr.	.		
	To Income & Expenditure Account	Cr.		23,75,50,000	

Note: Balances of the income ledger accounts shall be posted on the right hand side of the Income and Expenditure Statement under the column heading "Income".
(a) Insert Minor & Detailed Head Codes of Account

ii. <u>For transfer of expenditure ledger balances to expenditure side of Income and Expenditure Statement:</u>

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
210-(a)	Income & Expenditure Account	Dr.	21,50,00,000		Journal Book, Ledger
	To Establishment				
220-(a)	Expenditure	Cr.		7,00,00,000	
	To Rent, Rates & Taxes				
220-(a)	To Printing	Cr.		50,00,000	
230-(a)	To Repairs & Maintenance	Cr.		25,00,000	
230-(a)	– Building	Cr.		2,50,00,000	
	To Repairs & Maintenance				
230-(a)	– Roads & Bridges	Cr.		1,00,00,000	
	To Central Stores				
230-(a)	Consumed	Cr.		75,00,000	
	To Engineering Stores				
	Consumed	Cr.		50,00,000	
	To				
	To	Cr.		.	
	To	Cr.		.	
	To	Cr.		.	
	To	Cr.		.	
	To	Cr.		.	
		Cr.		.	

Note: Balances of the expense ledger accounts shall be posted on the left-hand side of the Income and Expenditure Statement under the column heading "Expenditure".
(a) Insert Minor & Detailed Head Codes of Account

29.41 The closing ledger balance in the assets and liabilities ledger accounts of the accounting year shall be carried forward as opening balance of the next accounting year.

CHAPTER 30

RECONCILIATION PROCEDURES

INTRODUCTION

30.1 This chapter describes the reconciliation procedures to be carried out periodically in respect of accounts by the Urban Local Body (ULB).

30.2 The objective of the reconciliation procedures is to ensure that if an accounting information is recorded at more than one place, there are no discrepancies between the different sets of records. For example, property tax transactions are recorded both at the Tax Department and at the Accounts Department. The recommended reconciliation procedures will ensure that the receivables figure is the same at both the locations and in both the sets of records. In case of differences, necessary adjustments may need to be carried out either by the Accounts Department or the Tax Department.

30.3 The reconciliation procedures are to be carried out by the Accounts Department, Audit Department and the concerned departments.

30.4 The procedures will include the following:

a. Bank Reconciliation,

b. Inter-unit reconciliation,

c. Reconciliation of deposits,

d. Reconciliation of receivables and collections in respect of:

   i. Water supply;

   ii. Property and other taxes;

   iii. Cess;

   iv. Other heads of revenues.

e. Reconciliation of advances to:

   i. Contractors/suppliers;

   ii. Departments of the ULB; and

   iii. Employees of the ULB.

f. Reconciliation of loans received (borrowings) ,

g. Reconciliation of payables including contractors' payables,

h. Reconciliation of balances with Government, quasi-Government agencies, Government Corporations, and

i. Reconciliation of loans given to others

j. Reconciliation of the accounts for the income and expense heads falling under the following categories with the Function wise Income / Expense Subsidiary Ledgers maintained at the Accounts Department in respect of those categories:

   i. Fees & User Charges,

   ii. Sale & Hire Charges,

   iii. Establishment Expenses,

   iv. Administrative Expenses, and

   v. Repairs & Maintenance Expenses.

BANK RECONCILIATION

30.5 Bank Reconciliation is a procedure which aims at reconciling the bank balance as shown in the Cash Book (Form GEN - 1) of the ULB with the bank balance as per the pass book/statement received from the bank. The Bank Reconciliation shall be carried out on a monthly basis or such other shorter time intervals as the ULB may decide for each of the bank accounts maintained by the ULB.

30.6 The bank balances as per the Cash Book and the Pass Book may not tally for the reasons listed in Table 30.1.

Table 30.1

Factors necessitating Bank Reconciliation

Reconciliation factors	Effect on Cash Book bank balance	Effect on bank balance as per Pass Book
Cheques issued but not presented for payment	Bank balance reduces by that amount	No effect
Cheques deposited but not cleared	Bank balance increases by that amount	No effect
Cheques received but not deposited	Bank balance increases to the extent of cheque received but not deposited	No effect
Debit of charges by bank for any services rendered	No effect	Bank balance reduces to the extent of charges levied
Direct deposit of amount in the bank account	No effect	Bank balance increases to the extent of deposit
Interest allowed and credited by the Bank	No effect	Bank balance increases to the extent of interest credited
Payment by the bank in respect of standing instructions given to the bank	No effect	Bank balance reduces to the extent of the payment made
Fixed Deposit or any other sum directly credited by bank to the account	No effect	Bank balance increases to the extent of money credited
Any other reason which may result in difference between bank balance as per Cash Book and Pass Book		

30.7 The procedure to be followed for reconciling the bank balance as per the Cash Book with the balance as per the Pass Book/Bank Statement is as under:

a. The Bank Reconciliation shall be carried out on a monthly basis or at such shorter time intervals as the ULB may decide. In case the Bank Reconciliation is carried out monthly, it shall be completed within the first week of the next month.

Receipt entries in the Cash Book

b. The credit entries in the Bank Pass Book shall be compared with the entries in the Receipt Register (Form GEN-9) and the entries appearing in both shall be ticked (✔). The date when the cheques have been realised shall also be recorded in the Cheque Receipt Register.

c. The daily total of cheques realised in the bank shall be derived from the Cheque Receipt Register and the total shall be tallied with the entry in the Cash Book.

d. The unticked items represent the cheques received and deposited in the bank but not cleared for payment by the bank. Likewise, they may also represent those cases wherein cheques have been received but may not have been deposited with the bank.

e. The unticked items shall appear in the Bank Reconciliation Statement (BRS) of that period. The entries appearing in the BRS shall be examined for credit in the subsequent period's Bank Pass Book and those items, which do not reconcile shall be carried forward to the next period's BRS.

Payment entries in the Cash Book

f. The debit entries in the Bank Pass Book shall be compared with the entries in the Cheque Issue Register (Form GEN-15) and the Cash Book and the entries appearing in both shall be ticked (✔).

g. The unticked item represents the cheques issued by the ULB but not presented to the bank for payment. Likewise, it may also represent those cases wherein cheques have been drawn and entered in the Cheque Issue Register but have not been issued to the payee.

h. The unticked items in the Cash Book shall appear in the Bank Reconciliation Statement of that period. The entries appearing in the statement shall be traced for payment in subsequent period's Pass Book/Bank Statement and those which are not reconciled shall be carried forward to the next period's Bank Reconciliation Statement.

i. All the cheques issued but not presented for payment within six months from their date of issue (or such shorter period as decided by the ULB) will become stale and shall be re-debited to the relevant bank account with a corresponding credit entry in the Stale Cheques Account.

Other Entries in the Bank Pass Book/Bank Statement

j. There may be instances of bank charging service charges/commission or making payment against the standing instructions issued by the ULB. Likewise, there may be instances of direct deposit with the bank by the debtor (e.g. property tax) or credit of interest by the bank. These entries in the first instance are recorded only in the Pass Book and later incorporated in the Cash Book. Care should be taken for identifying such items at the time of reconciliation and subsequently recording them in the Cash Book. Identification of bank charges entries in the Pass book is more important as these are identified only from the process of Bank reconciliation. Further, any unduly high bank charges shall also be identified and corresponded with the Bank for clarifications. It is to be ensured that all the Bank Charges entry identified in the process of reconciliation, shall be supported with the Bank's debit advice.

Bank Reconciliation Statement

k. The unticked items both in the Pass Book and the Cash Book shall be extracted for reconciliation in the following format classified according to their nature:

Table 30.2

Bank Reconciliation Statement for _____ Bank as on _____

Particulars	Amount (Rs.)	Amount (Rs.)
Bank Balance as per Cash Book		
Add: Cheques issued but not presented into bank (a cheque-wise list to be appended)		
Add: Cheques drawn but not actually issued to parties (a list to be appended)		
Add: Cheque issued and payment stopped by ULB (a list to be appended)		
Add: Credits of investment proceeds in Bank (e.g. Fixed Deposits) accounted by the bank but not accounted for in Cash Book		
Add: Amount (Cash or Cheque) deposited by the depositor(s) into bank but not accounted for in Cash Book		
Add: Credit given by Bank either for interest or for any other account but not accounted for in Cash Book		
Sub-total		
Less: Cheques Deposited but not cleared		
Less: Payments directly made by the bank but not accounted for in Cash Book		
Less: Cheques deposited but dishonoured		
Less: Service Charges / Bank Charges or any other charge levied by the Bank but not accounted for in Cash Book		
Bank Balance as per Pass Book/Bank Statement		

30.8 Details of the difference shall be given under each of the broad heads depicted above with a serial listings of all the cheques deposited with the bank or issued for payment, to the extent possible. Any other factor impacting the bank balance as per the Cash Book and Pass Book should be appropriately stated. .

RECONCILIATION OF INTER – UNIT TRANSACTIONS

30.9 Reconciliation of inter unit transactions is intended to identify the disputed / unaccepted inter unit transactions between an 'originating AU' and the 'responding AU' and take appropriate action for rectification. Further, reconciliation of inter unit account is necessary in the process of consolidation of ULB at the head office level as the balances of inter unit account balances shall be nullified. The process of inter unit account reconciliation is as follows:

i. The individual units shall generate the statement of accounts of other AUs for circulation to the respective AUs on a monthly basis or such other shorter time intervals as the ULB may decide. On receipt of the statement of accounts, the individual accounting units shall compare the balances as per their books and prepares reconciliation statement in the format given below in table 30.3 for any differences.

ii. Further, on a half-yearly basis or such other shorter time intervals as the ULB may decide, the reconciliation statements prepared by the individual accounting units shall be submitted to the Head office of the ULB. Based on review of the reconciliation statements of the individual AUs, the Head of the accounts department shall ensure that the all the reconciliation items are actioned and combined balance under all IUT account heads are tallied with the balance appearing in the Register of Inter Unit Transfer. In case of any disputed inter unit transactions identified during the reconciliation process, the ULBs' accounts department shall take appropriate action in resolving the disputed IUTs.

Table 30.3

Name of Urban Local Body of _____

Name of Accounting Unit _____

Inter Accounting Unit Reconciliation Statement

for the period……

Date ……

Accounting Unit name (recipient AU):

Particulars	Amount (Rs.)		Remarks (Accepted/ Unacceptable)
	Debit	Credit	
Balance as per our books of account			
Add/ Deduct: ATCs raised by us but not accounted for by responding AU	Add in debit balance	Deduct from credit balance	
Add/ Deduct: ATDs raised by us but not accounted for by responding AU	Deduct from debit balance	Add in credit balance	
Add/ Deduct: ATCs raised by other AU but not received by us	Add in debit balance	Deduct from credit balance	
Add/ Deduct: ATDs raised by other AU but not received by us	Deduct from debit balance	Add in credit balance	
Add/ Deduct: ATDs received by us but not accounted for	Deduct from debit balance	Add in credit balance	
Add/ Deduct: ATCs received by us but not accounted for	Add in debit balance	Deduct from credit balance	
Balance as per Other AU (credit/ debit)			
Prepared by : _____ Checked by : _____ Approved by : _____			

Note: Details of the difference shall be given under each of the broad heads depicted above with a serial listings of Advise Number, Date and Description.

RECONCILIATION OF DEPOSITS

30.10 Reconciliation of Deposits aims at reconciling the balance of Earnest Money Deposit, Security Deposit and any other deposits received by the ULB. The reconciliation shall be carried out between the records maintained at other departments and those maintained at the Accounts Department.

30.11 The Deposit Reconciliation shall be carried out quarterly or at such shorter time intervals as the ULB may decide.

30.12 The Department which had received the deposits shall prepare a Reconciliation Statement of Deposits Outstanding from the Deposit Register (Form GEN-18) in the format provided in Table 30.4 below for all the deposits received by it and forward it to the Accounts Department. This statement shall be prepared for each type of deposit. In case there is a discrepancy between the records of the two, this statement may have to be prepared for each contractor/supplier.

Table 30.4

Reconciliation Statement of Deposits Outstanding with the ULB

Received by _____ Department as on ____

Particulars	Amount (Rs.)
Deposits outstanding at the beginning of the accounting period	
Add: Deposits received during the current accounting period (specify all the Statement of Collections through which deposit has been received)	
Less: Deposits returned during the current accounting period (specify all the Payment Orders through which the deposit has been refunded)	
Less : Deposits Adjusted (Give details)	
Less : Deposits Lapsed	
Deposits outstanding at the end of the accounting period	

30.13 The balances computed above would be reconciled with the balances for Deposits shown in the Ledger of the Accounts Department and the Deposit Register (Form GEN-18) maintained by the concerned departments. The reasons for differences, if any, shall be identified and rectification entries passed wherever required by the department, which has recorded the entry incorrectly.

RECONCILIATION OF RECEIVABLES AND COLLECTIONS

30.14 The receivables and collections shall be reconciled on a quarterly basis or such other shorter time intervals as the ULB may decide. The procedure for reconciling the outstanding balance of receivables and collections shall be the same for all kinds of receivables, viz.:

a. Water Supply receivables;

b. Property Tax receivables;

c. Cess receivables;

d. Receivables on account of other heads of revenues.

30.15 For instance, for reconciling water supply receivables and collections, the following shall be done:

a. The Water Supply Department based on their records, especially the Demand Register (Form WS-1) and the Collection Register (Form WS-2) shall ascertain the information required in Table 30.5 below and forward the details to Accounts Department.

Table 30.5

Reconciliation Statement of Receivables and Collection

Details for _____ Department as on _____

Sr. No.	Particulars	Amount (Rs.)	Amount (Rs.)
A	**OPENING BALANCE OF DEMAND OUTSTANDING**		
I	Demand outstanding in respect of the previous quarters/accounting periods of the current accounting year		
Ii	Demand outstanding in respect of previous accounting years (This detail should be given year-wise, wherever applicable)		
B	**Add: Demand raised during the current Quarter/Period**		
C	**TOTAL DEMAND OUTSTANDING**		
D	**COLLECTIONS DURING THE CURRENT QUARTER/PERIOD**		
i.	Collection of demand pertaining to current quarter/accounting period		
ii.	Collection of demand pertaining to previous quarters/accounting periods of the current accounting year during the current quarter/accounting period		
iii.	Collection of demand pertaining to demand for the previous accounting years collected during the current quarter/accounting period (This detail should be given year-wise, wherever applicable)		
iv.	Collection in advance pertaining to future accounting periods		

Sr. No.	Particulars	Amount (Rs.)	Amount (Rs.)
E	**Total collections during the current quarter/accounting period (i + ii + iii + iv)**		
F	**CLOSING BALANCE OF DEMAND OUTSTANDING**		
i.	Demand outstanding in respect of the current quarters/accounting periods [B – D(i)]		
ii.	Demand outstanding in respect of the previous quarters/accounting periods of the current accounting year [A(i) – D(ii)]		
iii.	Demand outstanding in respect of previous accounting years (This detail should be given year-wise, wherever applicable) [A(ii) – D(iii)]		

30.16 The Reconciliation Statement received by the Accounts Department shall be reconciled with the respective ledger accounts maintained by the Accounts Department. The reasons for differences, if any, shall be identified and rectification entries passed wherever required by the department, which has recorded the entry incorrectly.

RECONCILIATION OF ADVANCES GIVEN

30.17 This section describes the reconciliation procedure to be followed on a quarterly basis or such shorter intervals as the ULB may decide for reconciling the advances given to, namely:

a. Contractors/Suppliers;

b. Departments of the ULB; and

c. Employees of the ULB.

Reconciliation of advance given to Contractors/Suppliers

30.18 The concerned Department shall maintain a record of the advances given to each of the contractors/suppliers. The Accounts Department shall also maintain a record of the advances provided in a Register of Advances (Form GEN-16).

30.19 The Department which had initially sanctioned advance to the contractor/supplier shall prepare a Reconciliation Statement of Advance Outstanding in the format provided in Table 30.6 below for all the contractors/suppliers and forward it to the Accounts Department. In case there is a discrepancy between the records of the two departments, this statement may have to be prepared for each contractor/supplier.

Table 30.6

Reconciliation Statement of Advance Outstanding provided to Contractor/Supplier by _____ Department as on ____

Particulars	**Amount (Rs.)**
Advance outstanding at the beginning of the accounting period	
Add: Further advance given during the current accounting period (specify all the Payment Orders through which advance have been provided)	
Total Advance Provided	
Less: Advance recovered during the current accounting period (specify all the Statement of Collection through which advance had been recovered)	
Less : Advance Adjusted (Give details)	
Advance outstanding at the end of the accounting period	

30.20 The Reconciliation Statement of Advance Outstanding received by the Accounts Department shall be reconciled with the respective ledger accounts and the Register of Advances maintained by the Accounts Department. The reasons for differences, if any, shall be identified and rectification entries passed wherever required by the department, which has recorded the entry incorrectly.

Reconciliation of advances given to Departments

30.21 The departments receiving the advances from the Accounts Department shall maintain a record of the advances received by them in Register of Permanent Advance (Form GEN-17). The Accounts Department shall also maintain a record of the advances provided to the departments in a Register of Advance (Form GEN-16).

30.22 The head of the concerned department shall send to the Accounts Department a confirmation of the advances provided to his department stating the purpose for which it was provided in the format provided in Table 30.7 below. The confirmation received shall be tallied with the Register of Advances by the Accounts Department.

Table 30.7

Reconciliation Statement of Permanent Advance provided to _____ Department as on ____

Particulars	**Amount (Rs.)**
Advance outstanding at the beginning of the accounting period	
Add: Further advance given /replenished during the current accounting period (specify all the Payment Orders through which advance have been provided/replenished)	
Total Advance Provided	
Less: Expenditure incurred against the advance provided	
Advance outstanding at the end of the accounting period	

30.23 The reasons for differences, if any, shall be identified and rectification entries passed wherever required by the department, which has recorded the entry incorrectly.

Reconciliation of advance given to Employees

30.24 The employees of the ULB may be provided with two kinds of advances namely - personal advance or miscellaneous advance.

30.25 The details of the personal advances granted to the employees shall be recorded in a Register of Advances in Form ES-2. The details of recovery of advances shall also be recorded in that Register. At the end of the accounting period, a confirmation statement shall be obtained from each of the employees to whom advance has been provided in the format provided in Table 30.8 below. The confirmation statement so obtained shall be reconciled with the record of the employees maintained at the Establishment Department, where a consolidated Statement of Advance provided to Employees shall be prepared and forwarded to the Accounts Department. The Accounts Department shall reconcile the total amount of advance provided with the control ledger accounts.

Table 30.8
Reconciliation Statement of Personal Advance provided to
_____ (name of the employee) as on ____

Particulars	Amount (Rs.)
Advance outstanding at the beginning of the accounting period	
Add: Further advance given during the current accounting period (specify all the Payment Orders through which advance have been provided/replenished)	
Total Advance Provided	
Less: Advance recovered including recovery from the salary during the current accounting period	
Advance outstanding at the end of the accounting period	

30.26 In case of miscellaneous advance provided to employees for incurring expenses in the course of performing the duties of office, a confirmation statement shall be obtained from the employee for the amount advanced stating therein, the expenditure already incurred together with its details and the balance remaining in hand, in the format provided in Table 30.9 below. The statement obtained shall be confirmed with the records maintained in the Register of Advances in Form GEN-16.

Table 30.9

Reconciliation Statement of Miscellaneous Advance provided to _____ (name of the employee) as on ____

Particulars	Amount (Rs.)
Advance outstanding at the beginning of the accounting period	
Add: Further advance given during the current accounting period (specify all the Payment Orders through which advance have been provided/replenished)	
Total Advance Provided	
Less: Expenditure incurred against advance provided	
Less: Advance adjusted (Give details)	
Advance outstanding at the end of the accounting period	

30.27 In the case of any discrepancy, measures shall be taken for rectification of the discrepancies, by way of either recovery of advance or where there is an error in accounting, by passing the necessary accounting entries.

RECONCILIATION OF LOANS TAKEN

30.28 The Accounts Department shall maintain a record of all the loans borrowed in Register of Loan (Form Loan - 1). At the end of each accounting year, the Accounts Department shall prepare and forward to the lender, a Confirmation Statement for loan borrowed in the format provided in Table 30.10 stating therein, the amount borrowed or disbursed directly to Executing Agency, the amount repaid and interest accrued and paid on the loan.

Table 30.10

Confirmation Statement of Loan borrowed from _____ (name of the lending agency) as on ____

Particulars	Amounts in Rs.	
Loan outstanding at the beginning of the accounting year		
Add: Instalments received during the accounting year		
Sub-total loan outstanding		
Less: Instalments paid during the accounting year		
Net Loan outstanding at the end of the accounting year (A)		
Total Interest Payable at the beginning of the accounting year		
Add: Interest accrued during the accounting year		
Total Interest Payable		
Less: Interest paid during the accounting year		
Total Interest Payable at the end of the accounting year (B)		
Total amount due (principal plus interest) at the end of the accounting year (A+B)		

30.29 Based on the reply received, the ULB shall take steps for reconciliation of the difference, if any.

RECONCILIATION OF PAYABLES (SUPPLIERS AND CONTRACTORS)

30.30 The concerned departments and the Accounts Department maintain a Register of Bill for Payment (Form GEN – 13) in which all bills submitted for payment are recorded. The concerned department shall ascertain the information required as per Table 30.11 below and forward the details to the Accounts Department.

Table 30.11
Reconciliation Statement of Payables
Details for ____ Department as on ____

Sr. No.	Particulars	Amount (Rs.)	Amount (Rs.)
A	**OPENING BALANCE OF UNPAID BILLS**		
i.	Bill outstanding in respect of the previous quarters/accounting periods of the current accounting year		
ii.	Bill outstanding in respect of previous accounting years (This detail should be given year-wise, wherever applicable)		
B	**Add: Bills received during the current quarter/period**		
C	**GROSS TOTAL LIABILITY OUTSTANDING (A + B)**		
D	**PAYMENTS DURING THE CURRENT QUARTER/PERIOD**		
i.	Payment of bills pertaining to current quarter/accounting period of the current accounting year		
ii.	Payment of bills pertaining to previous quarters/accounting periods of the current accounting year during the current quarter/accounting period		
iii.	Payment of bills pertaining to previous accounting years during the current quarter/accounting period (This detail should be given year-wise, wherever applicable)		
E	**Total payments during the current quarter/accounting period (i + ii + iii)**		
F	**CLOSING BALANCE OF UNPAID BILLS**		

Sr. No.	Particulars	Amount (Rs.)	Amount (Rs.)
i.	Bill outstanding in respect of the current quarters/accounting periods of the current accounting year [B – D(i)]		
ii.	Bill outstanding in respect of the previous quarters/accounting periods of the current accounting year [A(i) – D(ii)]		
iii.	Bill outstanding in respect of previous accounting years (This detail should be given year-wise, wherever applicable) [A(ii) – D(iii)]		

30.31 The Reconciliation Statement received by the Accounts Department shall be reconciled with the respective ledger accounts maintained by the Accounts Department. The reasons for differences, if any, shall be identified and rectification entries passed wherever required by the department, which has recorded the entry incorrectly.

RECONCILIATION OF BALANCES WITH GOVERNMENT, QUASI-GOVERNMENT AGENCIES, GOVERNMENT CORPORATIONS, ETC.

30.32 Due to large number of transactions with various government, quasi-government and government owned agencies, it becomes imperative to reconcile the balances between the books of account of the ULB and the government/agencies.

30.33 At the end of each accounting year, the Accounts Department shall prepare and forward to the concerned authority/agency within 15 days from the end of the accounting year, a Confirmation Statement stating therein

- the amount receivable from the authority/agency in Table 30.12, or
- the amount payable to the authority/agency in Table 30.13,

depending on whether sum is receivable from or payable to the concerned authority/agency.

Table 30.12

Confirmation Statement of balances receivable from _____ as on ____

Sr. No.	Particulars	Amount (Rs.)	Amount (Rs.)
A	**AMOUNT OUTSTANDING AS AT THE BEGINNING OF THE ACCOUNTING YEAR**		
	Demand outstanding in respect of previous accounting years (This detail should be given year-wise, wherever applicable)		
B	**Add: Bills for Demand raised for Services rendered or Goods supplied during the current Accounting Year**		

Sr. No.	Particulars	Amount (Rs.)	Amount (Rs.)
C	**GROSS TOTAL DEMAND OUTSTANDING (A + B)**		
D	**COLLECTIONS RECEIVED DURING THE CURRENT ACCOUNTING YEAR**		
i.	Collections pertaining to current accounting year		
ii.	Collections pertaining to previous accounting years during the current accounting year (This detail should be given year-wise, wherever applicable)		
E	**Total collections made during the current accounting year (i + ii)**		
F	**CLOSING BALANCE OF DEMAND OUTSTANDING**		
i.	Demand outstanding in respect of the current accounting year [B – D(i)]		
ii.	Demand outstanding in respect of previous accounting years (This detail should be given year-wise, wherever applicable) [A – D(ii)]		

Table 30.13

Confirmation Statement of balances payable to _____as on ____

Sr. No.	Particulars	Amount (Rs.)	Amount (Rs.)
A	**AMOUNT OUTSTANDING AS AT THE BEGINNING OF THE ACCOUNTING YEAR**		
	Bills outstanding in respect of previous accounting years (This detail should be given year-wise, wherever applicable)		
B	**Add: Bills received for payment during the current Accounting Year**		
C	**GROSS TOTAL LIABILITY OUTSTANDING (A + B)**		
D	**PAYMENTS MADE DURING THE CURRENT ACCOUNTING YEAR**		
i.	Payments pertaining to current accounting year		
ii.	Payments pertaining to previous accounting years during the current accounting year (This detail should be given year-wise, wherever applicable)		
E	**Total payments made during the current accounting year (i + ii)**		
F	**CLOSING BALANCE OF OUTSTANDING PAYMENTS**		
i.	Bills outstanding in respect of the current accounting year [B – D(i)]		
ii.	Bills outstanding in respect of previous accounting years (This detail should be given year-wise, wherever applicable) [A – D(ii)]		

30.34 In case, where both the amount is due and payable to any authority/agency, both the Statements shall be submitted for balance confirmation to the authority/agency concerned.

30.35 Based on the reply received, the ULB shall take steps for reconciliation of the difference, if any.

RECONCILIATION OF LEDGER BALANCES IN INCOME AND EXPENSE ACCOUNTS WITH FUNCTIN WISE INCOME/EXPENSE SUBSIDIARY LEDGERS

30.36 As explained in Chapter 5 – General Accounting Procedures, Function-wise Subsidiary Ledgers are to be opened in respect of all major income and expenses. The various incomes and expense accounts are to be posted directly from the Cash Book and/or Journal to the Main Ledger in the individual ledger accounts in respect of those income and expense heads. Simultaneously, entries are to be made in the Function-wise Subsidiary Ledger so that department-wise information is also readily available.

30.37 Periodically, the two sets of records viz., those in the Main Ledger and those in the Subsidiary Ledgers should be reconciled to ensure that the totals in the respective places are matched.

CHAPTER 31

FINANCIAL STATEMENTS

INTRODUCTION

31.1 This chapter contains the recommendations relating to the Annual Accounts and Report to be prepared by the Urban Local Bodies. It also contains the recommendations regarding periodical financial statements.

31.2 The provisions and rules of the act governing the ULB stipulate for preparation of the Annual Administration Report and a Statement of Accounts by the ULB. The report shall be in such form and shall contain such information as the Standing Committee may from time to time direct.

31.3 Preparation of Financial Statements comprising of various reports as stated below are the responsibility of the Head of the Accounts Department. However, other reports such as Auditor's report and Municipal Commissioner's report on the financial statements shall be prepared by the Municipal Auditor and Municipal Commissioner respectively.

31.4 The Annual Report of the ULB shall include the following:

a. Financial Statements consisting of:

   i. Balance Sheet;

   ii. Income and Expenditure Statement;

   iii. Statement of Cash flows (a summary of an enterprise's cash flow over a given period of time);

   iv. Receipts and Payments Account (detailed as per the account heads);

   v. Notes to Accounts; and

vi. Financial Performance Indicators.

b. Report of the Municipal Chief Auditor (discussed in Chapter 32);

c. Municipal commissioner's Report on the Annual Financial Statements and the qualifications and comments made in the Report of the Municipal Chief Auditor; and

d. Standing Committee's Action Taken Report on the qualifications and comments made in the Report of the Municipal Chief Auditor and the Report of the Municipal commissioner.

31.5 In determining the accounting treatment and manner of disclosure of an item in the Income and Expenditure Statement and/or the Balance Sheet, due consideration shall be given to the materiality of the item.

31.6 The ULB shall also prepare the financial statements like the Balance Sheet, Income and Expenditure Statement, Statement of Cash flows and Receipts and Payments Account, apt the end of each quarter. Balance Sheet shall disclose figures as on a date for the current year and the previous year. Income and Expenditure Statement, Statement of Cash flows and the Receipts and Payments Account shall disclose quarterly figures, progressive year-to-date totals and the figures of the corresponding quarter of the previous year and the quarterly movements in various accounts. In addition, the Income and Expenditure Statement shall also disclose the annual budget figures. In respect of the accounting year, the ULB shall prepare all the statements and reports specified in para. 31.4.

31.7 The Financial Statements for the first 3 (three) quarters shall be placed by the Municipal commissioner before the Standing Committee within such period as specified in the applicable Acts.

31.8 The Annual Financial Statements shall be subject to audit by a Municipal Chief Auditor as prescribed in the provisions and rules governing the ULBs. The requirements of the Audit Report have been laid down in Chapter 32 on Audit Report. The Municipal Commissioner shall prepare a report on the qualifications and comments made by the Municipal Chief Auditor. This report shall be an integral part of the Annual Report. The Annual Financial Statements shall be approved by the Municipal commissioner and shall be placed along with the report of the Municipal Chief Auditor before the Standing Committee on or before such dates as may be prescribed in the applicable Acts. The Standing Committee shall prepare an Action Taken Report on the Annual Financial Statements submitted taking into consideration the qualification and comments made in the report of the Municipal Chief Auditor. The Standing Committee shall approve the Annual Financial Statements and Report

and place them before the General Body on or such date as may be specified in the applicable Acts. The General Body shall adopt the Annual Report not later than such date as may be specified in the applicable acts. The amounts in the annual financial statements and the schedules forming part of the financial statements shall be stated in Units of Rupees. It shall be disclosed in Thousands / Lakhs of Rupees if a ULB decides so with the approval of the state government.

TRIAL BALANCE

31.9 The process of preparation of the Financial Statements shall be preceded by preparation of a Trial Balance. The Trial Balance is a list of closing balances in all the accounts in the Ledger and the Cash Books. The purpose of preparing a Trial Balance is to determine the equality of posted debits and credits, and to generate a basic summary of accounts for facilitating preparation of the Financial Statements like Income and Expenditure Statement, Balance Sheet, Statement of Cash flows and Receipts and Payments account. The Financial Statements are essentially drawn from the Trial Balance.

31.10 The Trial Balance shall be prepared as shown in Table 31.1.

Table 31.1
Trial Balance for the period from _____ to _____

Code No	Particulars	Debit (Rs.)	Credit (Rs.)
		:	:
	Total		

31.11 The following points should be noted while preparing the Trial Balance:

a. The income accounts shall generally have credit balances and the expense accounts shall generally have debit balances.

b. The asset accounts shall generally have debit balances and the liability accounts and the reserve funds shall generally have credit balances.

31.12 The following are the steps involved in the preparation of a Trial Balance:

a. All the ledger accounts shall be closed at period end and the debit or credit balance shall be calculated.

b. The debit balances shall be posted in the debit column of the Trial Balance and the credit balances in the credit column of the Trial Balance.

c. The posting of Ledger Accounts in the Trial Balance shall be in the same order as shown in the Chart of Accounts.

d. The Cash Books shall be closed and the balances shall be posted in the Trial Balance.

e. Both the Debit Column and the Credit Column of the Trial Balance shall be totalled.

31.13 Since every debit entry has a corresponding credit entry, the sum-total of the debit balances in various account heads shall be equal to the sum-total of the credit balances in the other account heads. While, generally, a tallied Trial Balance will be a first test of accuracy, it is possible that the Trial Balance may tally even if the following has happened:

a. Omission of an entry in the original books of entry, viz., Cash Book and Journal Book, in which case neither debit, nor credit will be recorded;

b. Wrong entry in the original books of entry;

c. Posting of an entry on the wrong sides in such a manner that they compensate;

d. Posting of an entry in wrong account head but on the correct side;

e. Double posting of an entry in a ledger account;

f. Compensating errors such as salaries paid recorded as Rs.2,000 instead of actual of Rs.2,500 and Repairs and Maintenance recorded as Rs.1,500 instead of actual of Rs.1,000.

31.14 In case, the Trial Balance does not tally, some of the steps that should be taken for finding those errors and rectifying them are as follows:

a. Check for totaling errors in the Trial Balance;

b. Ensure that the cash and bank balance is not omitted from inclusion into the Trial Balance;

c. Check the ledger account totals and their postings in the Trial Balance;

d. Check the journal to see that the total debits and credits for each entry tally;

e. Verify the postings to the ledger accounts from the books of original entries, i.e., the Cash Book and Journal to ensure that no error is made while posting entries in ledgers.

31.15 From the Trial Balance prepared, the ULB shall prepare Balance Sheet and Income and Expenditure Statement. While preparing the Balance Sheet and the Income and Expenditure Statement, the following shall be done:

a. The balances in the assets accounts, which generally have a debit balance and are recorded on the debit side of the Trial Balance, shall be posted on the Asset side of the Balance Sheet;
b. The balances in the liabilities accounts, which generally have a credit balance and are recorded on the credit side of the Trial Balance, shall be posted on the Liability side of the Balance Sheet;
c. The balances in the income accounts, which generally have a credit balance and are recorded on the credit side of the Trial Balance, shall be posted on the Income side of the Income and Expenditure Statement;
d. The balances in the expense accounts, which generally have a debit balance and are recorded on the debit side of the Trial Balance, shall be posted on the Expenditure side of the Income and Expenditure Statement;
e. The excess of income earned by the ULB over expenses incurred by the ULB shall be transferred to and added to the Municipal Fund in the Balance Sheet. Likewise, excess of expenses incurred over income earned shall be transferred to and reduced from the Municipal Fund in the Balance Sheet.
f. No items in the trial balance are left out without carrying them either to Income and Expenditure Account or the Balance sheet.

31.16 Wherever a reference to Schedules has been made in the Financial Statements, the effects mentioned above shall be given in the Schedules first. From the Schedules, the balances would be transferred to the Financial Statements.

CONSOLIDATION OF INDIVIDUAL ACCOUNTING UNIT'S TRIAL BALANCE

31.17 As explained in Chapter 26 each accounting unit shall maintain its books of account independently. The AUs shall generate trial balance at the period ends.

31.18 The trial balances of each AU as at the period ends shall be forwarded to the head office of ULB for consolidation purposes. Consolidation of the trial balances of the AUs shall be done on a line-by-line basis. Format for consolidation of trial balance is given in Table 31.2 below:

Table 31.2
Trial Balance for the period from _____ _ to _____

Account Code	Account Head	Amount (Rs)											
		Unit A		Unit B		Unit C		Head office		Adjustments		Consolidated balance	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.

31.19 All the inter-unit transaction account balances shall be nullified on consolidation of the accounts at the period ends by the Head office. For this purpose the IUTs shall be reconciled and the balances should match as explained in Chapter 26 on Inter Unit Transactions.

31.20 All Financial statements shall then be prepared based on consolidated Trial Balance as arrived at for the ULB as a whole.

INCOME AND EXPENDITURE STATEMENT

31.21 The ULB shall also prepare an Income and Expenditure Statement for every accounting period. The Income and Expenditure Statement discloses the results of the working of the ULB during the period covered by the statement. It shows incomes and expenditures of the ULB for an accounting period and the excess of income over expenditure or vice-versa for that period.

31.22 Since the Financial Statements are prepared under accrual basis, the Income and Expenditure Statement shall include all the income earned during the year whether actually received or not and all the expenditure incurred whether actually paid or not.

31.23 The Income and Expenditure Statement is drawn from the Trial Balance. The various heads of incomes and expenditures shall be posted from the Trial Balance to the Income and Expenditure Statement.

31.24 Any income or expenditure under a particular individual head, which is more than 1% of the total gross income of the ULB or Rs. 1,00,000 whichever is higher, shall be shown separately in the Schedules annexed to the Income and Expenditure Statement.

31.25 The Income and Expenditure Statement shall be prepared in the format shown in Table 31.3.

31.26 If detailed information required to be given under any of the items or sub items cannot be conveniently shown in the format for the Income and Expenditure Statement or the Balance Sheet itself, as the case may be, such information can be furnished in a separate schedule or schedules to be annexed to and forming part of the Income and Expenditure Statement and the Balance Sheet.

BALANCE SHEET

31.27 The ULB shall prepare a Balance Sheet at the end of each accounting period. The Balance Sheet is a statement, which reflects the financial position of the ULB as on a particular date. It presents the assets, liabilities and reserves of the ULB as on a specified date.

31.28 The Balance Sheet is also drawn from the Trial Balance. Assets, liabilities and reserve heads shall be posted from the Trial Balance to the Balance Sheet as discussed above.

31.29 The Balance Sheet shall be prepared in the format shown in Table 31.4.

31.30 The details of various Balance Sheet items would be given in separate schedules attached to the Balance Sheet. The contents and formats for the various schedules to the Balance Sheet have been shown subsequent to the schedules of Income and Expenditure Statement.

FUND ACCOUNTS OF THE ULBS

31.31 ULBs may maintain separate accounts for every fund. States may define what are the funds for which ULBs shall maintain separate books for Funds. For all those funds, ULBs shall maintain separate set of books of accounts. The accounting principles and procedures to be adopted shall be same across all funds. Trial balance shall be generated for each of the Fund and the financial statements as explained above shall be prepared for each of the Fund separately and then consolidated to present the ULB level position.

FINANCIAL STATEMENTS FOR MERGER OF ULBS

31.32 In case the financial statements are prepared on account of merger of two or more ULBs the accounting principles and disclosures in the merged financial statements is covered in Chapter 25 - Merger to which reference is invited.

Table 31.3
Income and Expenditure Statement for the period from_____ to_____

Code No.	Item/ Head of Account	Schedule No	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4	5
	INCOME			
1-10	Tax Revenue	I-1		
1-20	Assigned Revenues & Compensation	I-2		
1-30	Rental Income from Municipal Properties	I-3		
1-40	Fees & User Charges	I-4		
1-50	Sale & Hire Charges	I-5		
1-60	Revenue Grants, Contributions & Subsidies	I-6		
1-70	Income from Investments	I-7		
1-71	Interest Earned	I-8		
1-80	Other Income	I-9		
A	**Total – INCOME**			
	EXPENDITURE			
2-10	Establishment Expenses	I-10		
2-20	Administrative Expenses	I-11		
2-30	Operations & Maintenance	I-12		
2-40	Interest & Finance Expenses	I-13		
2-50	Programme Expenses	I-14		
2-60	Revenue Grants, Contributions & subsidies	I-15		
2-70	Provisions & Write off	I-16		
2-71	Miscellaneous Expenses	I-17		
2-72	Depreciation			
B	**Total – EXPENDITURE**			
A-B	*Gross surplus/ (deficit) of income over expenditure before Prior Period Items*			
2-80	Add: Prior period Items (Net)	1-18		
	Gross surplus/ (deficit) of income over expenditure after Prior Period Items			
2-90	**Less:** Transfer to Reserve Funds			
	Net balance being surplus/ deficit carried over to Municipal Fund			

Table 31.4
Balance Sheet of _____ ULB as on _____

Code No	Description of items	Schedule No.	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
	LIABILITIES			
	Reserve & Surplus			
3-10	Municipal (General) Fund	B-1		
3-11	Earmarked Funds	B-2		
3-12	Reserves	B-3		
	Total Reserves & Surplus			
3-20	**Grants, Contributions for specific purposes**	B-4		
	Loans			
3-30	Secured Loans	B-5		
3-31	Unsecured Loans	B-6		
	Total Loans			
	Current Liabilities and Provisions			
3-40	Deposits Received	B-7		
3-41	Deposit works	B-8		
3-50	Other Liabilities (Sundry Creditors)	B-9		
3-60	Provisions	B-10		
	Total Current Liabilities and Provisions			
	TOTAL LIABILITIES			
	ASSETS			
	Fixed Assets	B-11		
4-10	Gross Block			
4-11	Less: Accumulated Depreciation			
	Net Block			
4-12	Capital Work-in-Progress			
	Total Fixed Assets			
	Investments			
4-20	Investment – General Fund	B-12		
4-21	Investments – Other Funds	B-13		
	Total Investments			
	Current Assets, Loans and Advances			
4-30	Stock in Hand (Inventories)	B-14		
	Sundry Debtors (Receivables)			
4-31	Gross amount outstanding	B-15		
4-32	Less: Accumulated provision against bad and doubtful Receivables			
	Net amount outstanding			
4-40	Prepaid Expenses	B-16		
4-50	Cash and Bank Balances	B-17		
4-60	Loans, advances and deposits	B-18		
4- 61	Less: Accumulated provision against Loans			
	Net Amount outstanding			
	Total Current Assets, Loans & Advances			
4-70	**Other Assets**	B-19		
4-80	**Miscellaneous Expenditure (to the extent not written off)**	B-20		
	TOTAL ASSETS			

31.33 The various schedules to the Income and Expenditure Account have been indicated below.

Schedule I-1: Tax Revenue [Code No 110]

Minor Code No	Particulars	Current year (Rs.)	Previous year (Rs.)
1	2	3	4
110-01 110-02 110-03 110-04 110-05 110-06 110-07 110-08 110-09 110-10 110-11 110-12 110-51 110-52 110-80	Property tax Water tax Sewerage Tax Conservancy Tax Lighting Tax Education tax Vehicle Tax Tax on Animals Electricity Tax Professional Tax Advertisement tax Pilgrimage Tax Octroi & Toll Cess Other taxes		
	Sub-total		
110-90	Less Tax Remissions and Refund [Schedule 1 – 1 (a)]		
	Sub-total		
	Total tax revenue		

Schedule I-1 (a): Remission and Refund of taxes

Code No. *	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
	Property taxes Octroi and toll Cess Income Advertisement tax Others		
	Total refund and remission of tax revenues		

** Insert the Detailed Codes of Account as applicable*

Note: The totals of this Schedule should be equalling to the amount as per the total in Schedule I – 1

Schedule I-2 : Assigned Revenues & Compensation [Code No 120]

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
120-10 120-20 120-30	Taxes and Duties collected by others Compensation in lieu of Taxes / duties Compensations in lieu of Concessions		
Total assigned revenues & compensation			

Schedule I-3: Rental income from Municipal Properties [Code No 130]

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
130-10 130-20 130-30 130-40 130-80	Rent from Civic Amenities Rent from Office Buildings Rent from Guest Houses Rent from lease of lands Other rents		
	Sub-Total		
130-90	Less: Rent Remission and Refunds		
	Sub-total		
	Total Rental Income from Municipal Properties		

Schedule I-4 : Fees & User Charges [Code No 140]

Schedule I-4 (a): Fees & User Charges – Function wise

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
	Municipal Body Administration Finance, Accounts, Audit Election Record Room Estate Stores & Purchase Workshop		
	Census …….		
	Total income from fees & user charges – Function wise		

Note:

Functions as applicable in the ULBs and on which fees and user charges are raised shall be stated here. The total income from Fees & User Charges as per Schedule I-4 (a) should tally with the total income from Fees & User Charges as per Schedule I-4 (b).

Schedule I-4 (b): Fees & User Charges – Income head-wise [Code 140]

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
140-10 140-11 140-12 140-13 140-14 140-15 140-20 140-40 140-50 140-60 140-70 140-80	Empanelment & Registration Charges Licensing Fees Fees for Grant of Permit Fees for Certificate or Extract Development Charges Regularisation Fees Penalties and Fines Other Fees User Charges Entry Fees Service / Administrative Charges Other Charges		
	Sub-Total		

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
140-90	Less: Rent Remission and Refunds		
	Sub-total		
	Total income from Fees & User Charges – Income head-wise		

The total income from Fees & User Charges as per Schedule I-4 (b) should tally with the total income from Fees & User Charges as per Schedule I-4 (a).

Schedule I-5 : Sale & Hire Charges [Code No 150]

Schedule I-5 (a): Sale & Hire Charges – Function wise

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
	Municipal Body Administration Finance, Accounts, Audit Election Record Room Estate Stores & Purchase Workshop Census …..		
	Total Income from Sale & Hire charges – Function wise		

The total income from Sale & Hire Charges as per Schedule I-5 (a) should tally with the total income from Sale & Hire Charges as per Schedule I-5 (b).

Schedule I-5 (b): Sale & Hire Charges – Income head-wise [Code No 150]

Detailed Head Code	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
150-10 150-11 150-12 150-30 150-40 150-41	Sale of Products Sale of Forms & Publications Sale of stores & scrap Sale of Others Hire Charges for Vehicles Hire Charges for Equipment		
	Total Income from Sale & Hire charges – income head-wise		

The total income from Sale & Hire Charges as per Schedule I-5 (b) should tally with the total income from Sale & Hire Charges as per Schedule I-5 (a).

Schedule I-6: Revenue Grants, Contributions & Subsidies [Code No160]

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
160-10 160-20 60-30	Revenue Grant Re-imbursement of expenses Contribution towards schemes		
	Total Revenue Grants, Contributions & Subsidies		

Schedule I-7: Income from Investments – General Fund [Code No 170]

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
170-10 17020 170-30 170-40 170-80	Interest on Investments Dividend Income from projects taken up on commercial basis Profit in Sale of Investments Others		
	Total Income from Investments		

Schedule I-8: Interest Earned [Code No 171]

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
171-10 171-20 171-30 171-80	Interest from Bank Accounts Interest on Loans and advances to Employees Interest on loans to others Other Interest		
	Total. – Interest Earned		

Schedule I-9: Other Income [Code No180]

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
180-10 180-11 180-20 180-30 180-40 180-50 180-60 180-80	Deposits Forfeited Lapsed Deposits Insurance Claim Recovery Profit on Disposal of Fixed asses Recovery from Employees Unclaimed Refund/ Liabilities Excess Provisions written back Miscellaneous Income		
	Total Other Income		

Note:

Details of profit earned on Fixed Assets disposed shall be given for each of the class of fixed assets, to the extent possible, together with the details of the gross block of the fixed asset sold, depreciation provided on that and the value realised on disposition below Schedule I-9.

Schedule I-10: Establishment Expenses [code no 210]

Schedule I-10 (a): Establishment Expenses – Function wise

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
	Municipal Body Administration Finance, Accounts, Audit Election Record Room		
	Estate		

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
	Stores & Purchase Workshop Census … …..		
	Total establishment expenses – Function wise		

Note:

The total function wise expenses as per Schedule I-10 (a) should tally with the total Establishment expenses as per Schedule I-10 (b).

Schedule I-10 (b): Establishment Expenses – Expenditure head-wise

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
210-10 210-20 210-30 210-40	Salaries, Wages and Bonus Benefits and Allowances Pension Other Terminal & Retirement Benefits		
	Total establishment expenses – expense head wise		

Note:

The total function wise expenses as per Schedule I-10 (b) should tally with the total Establishment expenses as per Schedule I-10 (a).

Schedule I-11: Administrative Expenses [Code No 220]

Schedule I-11 (a): Administrative Expenses – Function wise

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
	Municipal Body Administration Finance, Accounts, Audit Election Record Room Estate Stores & Purchase Workshop Census …		
	Total Administrative expenses– Function wise		

Note:

The total function wise expenses as per Schedule I-11 (a) should tally with the total administrative expenses as per Schedule I-11 (b).

Schedule I-11 (b): Administrative Expenses – Expenditure head-wise

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
220-10 220-11 220-12 220-20 220-21 220-30 220-40 220-50 220-51 220-52 220-60	Rent, Rates and Taxes Office maintenance Communication Expenses Books & Periodicals Printing and Stationery Travelling & Conveyance Insurance Audit Fees Legal Expenses Professional and other Fees Advertisement and Publicity		
220-61 220-80	Membership & subscriptions Other Administrative Expenses		
	Total administrative expenses – expense head wise		

Note:
The total function wise expenses as per Schedule I-11 (b) should tally with the total administrative expenses as per Schedule I-11 (a).

Schedule I-12: Operations and Maintenance [Code No 230]

Schedule I-12 (a): Operations &Maintenance Expenses – Function wise

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
	Municipal Body Administration Finance, Accounts, Audit Election Record Room Estate Stores & Purchase Workshop Census …		
	Total Operations & Maintenance expenses – Function wise		

Note:
The total function wise expenses as per Schedule I-12 (a) should tally with the total Operations & maintenance expenses as per Schedule I-12 (b).

Schedule I-12 (b): Operations & Maintenance – Expenditure head-wise

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
230-10 230-20 230-30 230-40 230-51 230-52 230-53	Power & Fuel Bulk Purchases Consumption of Stores Hire Charges Repairs & maintenance –Infrastructure Assets Repairs & maintenance - Civic Amenities Repairs & maintenance – Buildings		

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	**2**	**3**	**4**
230-54	Repairs & maintenance – Vehicles		
230-59	Repairs & maintenance – Others		
230-80	Other operating & maintenance expenses		
	Total operations & maintenance - expense head wise		

Note:
The total function wise expenses as per Schedule I-12 (b) should tally with the total Operations & maintenance expenses as per Schedule I-12 (a).

Schedule I-13: Interest & Finance Charges [Code No 240]

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
240-10	Interest on Loans from Central Government		
240-20	Interest on Loans from State Government		
240-30	Interest on Loans from Government Bodies & associations		
240-40	Interest on Loans from International Agencies		
240-50	Interest on Loans from Banks & Other Financial Institutions		
240-60	Other Interest		
240-70	Bank Charges		
240-80	Other Finance Expenses		
	Total Interest & Finance Charges		

Schedule I-14: Programme Expenses [Code No 250]

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	**2**	**3**	**4**
250-10	Election Expenses		
250-20	Own Programmes		
250-30	Share in Programmes of others		
	Total Programme Expenses		

Schedule I-15: Revenue Grants, Contributions & Subsidies [Code No 260]

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	**2**	**3**	**4**
260-10	Grants [give details]		
260-20	Contributions [give details]		
260-30	Subsidies [give details]		
	Total Revenue Grants, Contributions & Subsidies		

Schedule I-16: Provisions & Write off [Code No 270]

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
270-10 270-20 270-30 270-40 270-50	Provisions for Doubtful receivables Provision for other Assets Revenues written off Assets written off Miscellaneous Expense written off		
	Total Provisions & Write off		

Schedule I-17: Miscellaneous Expenses [Code No 271]

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
271-10 271-20	Loss on disposal of Assets Loss on disposal of Investments		
271-80	Other Miscellaneous Expenses		
	Total Miscellaneous expenses		

Schedule I-18: Prior Period Items (Net) [Code No 280]

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
280-10 280-20 280-30 280-40	**Income** Taxes Other – Revenues Recovery of revenues written off Other income		
	Sub – Total Income (a)		
280-50 280-60 280-80	**Expenses** Refund of Taxes Refund of Other – Revenues Other Expenses		
	Sub – Total Income (b)		
	Total Prior Period (Net) (a-b) -		

The various schedules to the Balance Sheet have been provided below:

Schedule B-1: Municipal (General) Fund [Code No 310]

Code No.	Particulars	Opening balance as per the last account (Rs.)	Additions during the year * (Rs.)	Total (Rs.)	Deductions during the year** (Rs.)	Balance at the end of the current year (Rs.)
1	2	3	4	5 (3+4)	6	7 (5-6)
310-10 310-90	Municipal Fund Excess of Income & Expenditure					
	Total Municipal fund (310)					

*Addition includes contributions towards the fund, Adjustments to Opening Balance Sheet and also excess of income over expenditure

** Deduction includes contributions from the fund, Adjustments to Opening Balance Sheet and also excess of expenditure over the income

Schedule B-2: Earmarked Funds

Schedule B – 2: Special Funds/Sinking Fund/Trust or Agency Fund [Code No 311]

Amount in Rs.

Particulars	Special Fund 1	Special Fund 2	Special Fund 3	Special Fund 4	Special Fund 5	Pension Fund	General Provident fund
Code No.							
(a) Opening Balance **(b) Additions to the Special Fund** (i) Transfer from Municipal Fund (ii) Interest/Dividend earned on Special Fund Investments (iii) Profit on disposal of Special Fund Investments (iv) Appreciation in Value of Special Fund Investments (v) Other addition (Specify nature)							
Total (b)							
Total (a+b)							
(c) Payments out of funds **(i) Capital expenditure on**							

Particulars	Special Fund 1	Special Fund 2	Special Fund 3	Special Fund 4	Special Fund 5	Pension Fund	General Provident fund
Code No.							
Fixed Assets* Others							
Sub –total							
(ii) Revenue Expenditure on Salary, Wages and allowances etc. Rent Other administrative charges							
Sub –total							
(iii) Other: Loss on disposal of Special Fund Investments Diminution in Value of Special Fund Investments Transferred to Municipal Fund							
Sub –total							
Total of (i+ii+iii) (c)							
Net balance at the year end – (a+b)-(c)							
Grant Total of Special Funds							

Note:

All funds are to be shown as separate fund either in the schedule or in a separate schedule with the corresponding indication in the balance sheet under “Funds” on liability side.

1. Additions during the year:
   a. Addition to Pension Fund would be out of the "Transfer to Funds" from Income and Expenditure Account as per the accounting principles.
   b. Addition to General Provident and Contributory Provident Fund are the deductions from salary.
   c. Interest from investments of Funds would be added to respective Funds.

2. Deductions during the year:
   a. Deductions from Pension Fund means payments made on account of Pension/Family pension
   b. Deduction from Gross Provident Fund/Contributory Provident Fund - Advances/Withdrawals.

Schedule B-3: Reserves [Code No 312]

Code No.	Particulars	Opening balance (Rs.)	Additions during the year (Rs.)	Total (Rs.)	Deductions during the year (Rs.)	Balance at the end of the current year (Rs.)
1	2	3	4	5 (3+4)	6	7 (5-6)
312-10 312-11 312-20 312-30 312-40 312-50 312-60	Capital Contribution Capital Reserve Borrowing Redemption Reserve Special Funds (Utilised) Statutory Reserve General Reserve Revaluation Reserve					
	Total Reserve funds					

Schedule B-4: Grants & Contribution for Specific Purposes [Code No 320]

Amount in Rs.

Particulars	Grants from Central Government	Grants from State Government	Grants from Other Government Agencies	Grants from Financial Institutions	Grants from Welfare Bodies	Grants from International Organisations	Others
Code No.							
(a) Opening Balance **(b) Additions to the Grants *** (i) Grant received during the year (ii) Interest/Dividend earned on Grant Investments							
(iii) Profit on disposal of Grant Investments (iv) Appreciation in Value of Grant Investments (v) Other addition (Specify nature)							
Total (b)							
Total (a+b)							
(c) Payments out of funds **(i) Capital expenditure on** Fixed Assets* Others							
Sub –total							

Particulars	Grants from Central Government	Grants from State Government	Grants from Other Government Agencies	Grants from Financial Institutions	Grants from Welfare Bodies	Grants from International Organisations	Others
Code No.							
(ii) Revenue Expenditure on Salary, Wages and allowances etc. Rent Other administrative charges							
Sub –total							
(iii) Other: Loss on disposal of Grant Investments Diminution in Value of Grant Investments Grants Refunded							
Sub –total							
Total (c) [i+ii+iii]							
Net balance at the year end – (a+b)-(c)							
Total Grants & Contribution for Specific Purposes							

Note:
Plan funds received from Central/ State Government are to be shown as grant funds and not to be mixed up with earmarked funds
** For transferring completed capital assets, expenditure incurred will be capitalised and assets will be taken to Fixed Assets schedule (B-11) and Capital contribution will be increased by the same amount.*

Schedule B-5: Secured Loans [Code No 330]

Amount in Rs.

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
330-10	Loans from Central Government		
330-20	Loans from State government		
330-30	Loans from Govt. bodies & Associations		
330-40	Loans from international agencies		
330-50	Loans from banks & other financial institutions		
330-60	Other Term Loans		
330-70	Bonds & debentures		
330-80	Other Loans		
	Total Secured Loans		

Notes:

1. The nature of the Security shall be specified in each of these categories
2. Particulars of any guarantees given shall be disclosed
3. Terms of redemption (if any) of bonds/debentures issued shall be stated, together with the earliest date of redemption
4. Rate of Interest and Original Amount of loan and outstanding can be provided for every Loan under each of these categories separately;
5. For loans disbursed directly to an Executing Agency, please specify the name of the Project for which such loan is raised.

Schedule B-6: Unsecured Loans [Code No 331]

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
331-10	Loans from Central Government		
331-20	Loans from State government		
331-30	Loans from Govt. bodies & Associations		
331-40	Loans from international agencies		
331-50	Loans from banks & other financial institutions		
331-60	Other Term Loans		
331-70	Bonds & debentures		
331-80	Other Loans		
	Total Un-Secured Loans		

Note:

Rate of Interest and Original Amount of loan and outstanding can be provided for every Loan under each of these categories separately.

Schedule B-7: Deposits Received [Code No 340]

Amount in Rs.

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
340-10	From Contractors		
340-20	From Revenues		
340-30	From staff		
340-80	From Others		
	Total deposits received		

Schedule B-8: Deposits Works [Code No 341]

Amount in Rs.

Code No.	Particulars	Opening balance as the beginning of the year Amount (Rs	Additions during the current year Amount (Rs	Utilisation / expenditure Amount (Rs	Balance outstanding at the end of the current year Amount (Rs
1	2	3	4	5	6
341-10 341-20 341-80	Civil Works Electrical works Others				
	Total of deposit works				

Note:
1. The amount received from the department on whose behalf the deposit works have been undertaken would appear in col. 4
2. Expenditure incurred including percentage (departments) charges would appear in Col 5
3. Balance as in Col. 6 would appear in the balance sheet as a liability

Schedule B-9: Other Liabilities (Sundry Creditors) [Code No 350]

Amount in Rs.

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
350-10 350-11 350-12 350-20 350-30 350-40 350-41 350-80	Creditors Employee Liabilities Interest Accrued and Due Recoveries Payable Government Dues Payable Refunds Payable Advance Collection of Revenues Others **Total Other liabilities (Sundry Creditors)**		

Schedule B-10: Provisions [Code No. 360]

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	
360-10 360-20 360-30	Provision for Expenses Provision for Interest Provision for Other Assets		
	Total Provisions		

Schedule B-11: Fixed Assets [Code No. 410 & 411]

Amount in Rs.

Code No	Particulars	Gross Block				Accumulated Depreciation				Net Block	
		Opening Balance	Additions during the period $	Deductions during the period	Cost at the end of the year	Opening Balance	Additions during the period	Deductions during the period	Total at the end of the year	At the end of current year	At the end of the previous year
1	2	3	4	5	6	7	8	9	10	11	12
410-10 410-20	Land Buildings										
	Infrastructure Assets										
410-30 410-31 410-32 410-33	Roads and Bridges Sewerage and drainage Water ways Public Lighting										
	Other assets										
410-40 410-50 410-60 410-70 410-80	Plants & Machinery Vehicles Office & other equipment Furniture, fixtures, fittings and electrical appliances Other fixed assets										
	Total										

$ - Additions include fixed assets created out of Earmarked Funds and Grants transferred to Urban Local Body's fixed block as referred to in Schedule B-2 and B-4

Additional disclosures to the Schedule

i. Value of fixed assets under dispute or litigation shall be provided. The status of the legal case as at the reporting date of the financial statements shall also be mentioned.

ii. The details & value of assets, which are not yet physically identified/traced, shall be disclosed separately.

iii. Details and value of assets under leases and hire purchase needs to be disclosed as a note

Note:

1. Gross Block means cost of acquisition of fixed asset. Opening Balance in Gross Block as on the first day of the year represents the closing balance of the previous year. For instance, the opening balance as on 1st April 2004 shall be equal to the closing asset balance as on 31st March 2004.
2. Land includes areas used as and for the purpose of public places such as parks, squares, gardens, lakes, museums, libraries, godowns etc.
3. Buildings include office and works buildings, commercial buildings, residential buildings, school and college buildings, hospital building, public buildings temporary structures and sheds, etc.
4. Roads and bridges include roads and streets, pavements, pathways, bridges, culverts and subways.
5. Sewerage and drainage include sewerage lines, storm water drainage lines and other similar drainage system.
6. Waterworks include water storage tank, water wells, bore wells, Water pumping station, Water transmission & distribution system, etc.
7. No depreciation is to be charged on "Land'

Schedule B-12: Investments - General Fund [Code 420]

Amount Rs.

Code No.	Particulars	With whom invested	Face value (Rs.)	Current year	Previous year
				Carrying Cost (Rs.)	Carrying Cost (Rs)
1	2	3	4	5	6
420-10 420-20 420-30 420-40 420-50 420-60 420-80	Central Government Securities State Government Securities Debentures and Bonds Preference Shares Equity Shares Units of Mutual Funds Other Investments				
	Total of Investments General Fund				

1. Insert the other Heads of Account and the corresponding Codes of Account for other investments made by the ULB
2. Provide break-up of other investments as applicable
3. Aggregate amount of quoted investments and also market value thereof shall be disclosed. Aggregate amount of unquoted investments shall also be disclosed.

Schedule B-13: Investments - Other Funds [Code 421]

Amount Rs.

Code No.	Particulars	With whom invested	Face value (Rs.)	Current year	Previous year
				Carrying Cost (Rs.)	Carrying Cost (Rs)
1	2	3	4	5	6
421-10 421-20 421-30 421-40 421-50 421-60 421-80	Central Government Securities State Government Securities Debentures and Bonds Preference Shares Equity Shares Units of Mutual Funds Other Investments				
	Total of Investments Other Funds				

1. Insert the other Heads of Account and the corresponding Codes of Account for other investments made by the ULB
2. Provide break-up of other investments as provided for General Fund Investments.

Schedule B-14: Stock in Hand (Inventories) [Code 430]

Amount in Rs.

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
430-10 430-20 430-30	Stores Loose Tools Others		
	Total Stock in hand		

Schedule B-15: Sundry Debtors (Receivables) [Code No 431]

Code No.	Particulars	Gross Amount (Rs.)	Provision for Outstanding revenues (Rs.)	Net Amount (Rs.)	Previous year Net amount (Rs.)
1	**2**	**3**	**4** **(Code No 432)**	**5 = 3 – 4**	**6**
431-10 431-91	Receivables for Property Taxes Less than 5 years * More than 5 years* Sub – total Less: State Government Cesses/Levies in Taxes – Control Accounts				
	Net Receivables of Property Taxes				
431-19 431-99 431-20 431-30	Receivable of Other Taxes Less than 3 years* More than 3 years* Sub- total Less: State Government Cesses/Levies in Taxes – Control Accounts **Net Receivables of Other Taxes** Receivables of Cess Income Less than 3 years* More than 3 years* **Sub- total** Receivables for Fees and User Charges Less than 3 years* More than 3 years*				
	Sub – total				
431-40 431-50	Receivables from Other Sources Less than 3 years* More than 3 years* **Sub – total** Receivables from Government **Total of Sundry Debtors (Receivables)**				

Note:
The provision made against accrual items would not affect the opening/ closing balances of the Demand and Collection Ledgers for the purpose of recovery of dues from the concerned parties/ individuals
**Break up for provision for outstanding revenues are given in Column 4*

Schedule B-16: Prepaid Expenses [Code No 440]

Code No.	Particulars	Current year Amount (Rs.)	Previous year Amount (Rs)
1	2	3	
440-10 440-20 440-30	Establishment Administrative Operations & Maintenance **Total Prepaid expenses**		

Schedule B-17 :Cash and Bank Balances [Code No 450]

Code No.	Particulars	Current year Amount (Rs.)	Previous year Amount (Rs.)
1	2	3	4
450-10	Cash		
	Balance with Bank – Municipal Funds		
450-21	Nationalised Banks		
450-22	Other Scheduled Banks		
450-23	Scheduled Co-operative Banks		
450-24	Post Office		
	Sub-total		
	Balance with Bank – ____ Special Funds		
450-41	Nationalised Banks		
450-42	Other Scheduled Banks		
450-43	Scheduled Co-operative Banks		
450-44	Post Office		
	Sub-total		
	Balance with Bank – ____ Grant Funds		
450-61	Nationalised Banks		
450-62	Other Scheduled Banks		
450-63	Scheduled Co-operative Banks		
450-64	Post Office		
	Sub-total		
	Total Cash and Bank balances		

Schedule B-18: Loans, advances and deposits [Code 460]

Code No.	Particulars	Opening Balance at the beginning of the year (Rs.)	Paid during the current year (Rs.)	Recovered during the year (Rs.)	Balance outstanding at the end of the year (Rs.)
1	2	3	4	5	6
460-10 460-20 460-30 460-40 460-50 460-60 460-80	Loans and advances to employees Employee Provident Fund Loans Loans to Others Advance to Suppliers and Contractors Advance to Others Deposit with External Agencies Other Current Assets				
	Sub –Total				
461-	Less: Accumulated Provisions against Loans, Advances and Deposits (Schedule B – 18 (a)]				
	Total Loans, advances, and deposits				

Schedule B-18 (a): Accumulated Provisions against Loans, Advances, and Deposits (Code No 461)

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
461-10 461-20 461-30	Loans to Others Advances Deposits		
	Total Accumulated Provision		

Note: The totals of this Schedule should be equalling to the amount as per the total in Schedule B – 18

Schedule B-19: Other Assets [Code No 470]

Code No	Particulars	Current year Amount (Rs.)	Previous year Amount (Rs.)
1	2	3	4
470-10 470-20	Deposit Works Other asset control accounts **Total Other Assets**		

Schedule B-20: Miscellaneous Expenditure (to the extent not written off) [Code No 480]

Code No	Particulars	Current year Amount (Rs.)	Previous year Amount (Rs.)
1	2	3	4
480-10 480-20 480-30 480-90	Loan Issue Expenses Deferred Discount on Issue of Loans Deferred Revenue Expenses Others		
	Total Miscellaneous expenditure		

CASH FLOW STATEMENT

31.34 Cash Flow statement is prepared in order to have information about the cash flows of an enterprise useful in providing users of financial statements with a basis to assess the ability of the enterprise to generate cash and cash equivalents and the needs of the enterprise to utilise those cash flows.

31.35 A Cash Flow Statement, when used in conjunction with the other Financial Statements, provides information that enables users to evaluate the changes in assets and liabilities of an ULB, its financial status, and the actual performance in terms of cash inflows and outflows.

31.36 All ULBs shall prepare a Statement of Cash flows apart from Income & Expenditure, Balance sheet and Receipts and Payments statements.

GUIDELINES FOR PREPARATION OF THE CASHFLOW STATEMENTS

31.37 The cash flow statement shall report cash flows during the period classified by operating, investing and financing activities. An ULB presents its cash flows from operating, investing and financing activities in a manner, which is most appropriate to its activities. Classification by activity provides information that allows users to assess the impact of those activities on the financial position of the enterprise and the amount of its cash and cash equivalents. This information may also be used to evaluate the relationships among those activities. The cash flow statement shall be prepared as shown in Table 31.5.

STEPS IN PREPARATION OF CASH FLOW STATEMENT

31.38 Cash flow statement of an ULB shall be prepared by ascertaining the cash flow from each of the activity as explained in the previous para. Therefore steps involved in determining the cash flows from each of the activity is explained in the following paras separately.

Cash flows from operating activities

31.39 **Operating activities** are the principal activities contributing to or utilising the cash resources of the ULB and other activities that are not investing or financing activities. Identification of transactions into operating or other activities primarily depends on whether the result of the activity is captured in Income and Expenditure statement and is not related to Investing or Financing activities. .

31.40 The steps involved in calculation of cash flow from Operating Activities are as follows:

a. The amount of excess of income over expenditure (or vice versa) as per 'the Income and Expenditure Account' shall be entered in the Cash flow statement under 'Operating activities': (which shall be the gross cash flow from operating activities)

b. The amount of excess of income over expenditure (taken in the previous step) includes certain non-cash and non-operating incomes and expenditures. These shall be adjusted to the Gross cash flow to determine the net cash flow from operating activities. Adjustments required for expenditure will be added and adjustments in respect of income will be deducted from the Gross Cash Flow. A generalised list of such adjustments under incomes and expenses are given below:

<u>Expenditure:</u>
- Deprecations
- Write off
- Provisions
- Decline in the value of investment

<u>Income</u>
- Interest on deposits/loan received
- Investment incomes
- Profit or sale arising out of Assets
- Appreciation in the value of Investments

c. The net cash flows as determined in the previous step shall be adjusted for changes in working capital: (movement in current assets and current liabilities excepting those current assets relating to 'Investing' or' Financing' activity, for example loans and advances to employees is considered under financing activity).

Changes during the period in current assets and liabilities are as follows:

Current Assets/Liabilities	**Current year**	**Previous year**	**Movements**
	(Col 1)	**(Col 2)**	**(Col 1 – Col 2)**
Inventories Receivables of Revenues Prepaid expenses Employee related payables Provision for expenses			

d. The cash flows arising from any extra ordinary item shall be disclosed separately and classified as cash flows from operating activities unless they can be identified with financing or investing activities and this amount shall be added to 'cash flow from operating activities' as determined in the previous step. Few examples of extra ordinary items are as follows:

i. Cyclone relief funds received;
ii. Receipts & payments on account of prior period income and expenses;

e. The total amount of cash flows from operating activities as determined in the previous step shall be shown as 'net cash generated from or (used in) operating activities.

Cash flows from investing activities

31.41 **Investing activities** generally involves acquisition and disposal of long-term assets and investments not included in cash equivalents.

31.42 The steps involved in calculation of cash flow from Operating Activities are as follows:

a. All the movement of cash flows on account of the following shall be shown as separate line items under the 'Investing activities':

- Acquisition of fixed assets;
- Purchase of investment in shares/equity or any other mode ;
- Fixed Deposits with banks and other financial institutions
- Amounts expensed/ utilised from Fund accounts

It is to be noted that while calculating the movement of funds/grants account, any amount included by transfer from General/municipal fund shall be adjusted, as there is no real cash inflows to the fund/grant accounts.

b. All items of incomes and expenditures in the nature of 'investing activities', which are adjusted while calculating cash flows from operating activities shall be considered appropriately for inclusion in the calculation of cash flows from investing activities. Also these items are to be included as separate line items.
<u>Examples of such items are</u>

- interest received,
- dividend received,
- proceeds from disposal of assets/investments
- proceeds from disposal of assets/investments

c. The amount of cash flows from investing activities as calculated above shall be shown as 'Net cash generated from/ (used in) investing activities'.

Cash flows from financing activities

31.43 **Financing activities** are activities that result in changes in the size and composition Loans received by the ULBs.

31.44 The steps involved in calculation of cash flow from Financing Activities are as follows:

a. The movement in loans availed by the ULBs and loans & other advances given to employees/ others shall be shown on a net basis instead of showing the amount of loans received / repaid during the year.

Examples of such items are as follows:

- Movement in loans from Central Government
- Movement in Loans from State Government
- Movement in Loans and advances to employees
- Interest and finance expenses paid

Movements in loans are calculated as follows:	Amount(Rs)
Loan amounts received during the period	XXX
Less: Loan amounts repaid during the year	XXX

Net movement amount of loans received/(repaid)	XX/(XX)
	---

b. Funds/grants received during the period under reporting shall be shown separately as amounts received under any fund/grant are in the nature of financing activities.

Examples of such funds/grants are:

- Earmarked funds
- Special grants
- Specific grants

c. All items of incomes and expenditures in the nature of 'financing activities', which are adjusted while calculating cash flows from, operating activities shall be considered appropriately for inclusion in the calculation of cash flows from investing activities

Examples of such items are as follows:

- Interest and finance charge
- Discounts

CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD

31.45 The total of net cash flows generated from / (used in) each of operating, investing and financing activities, shall be shown as net increase /(decrease) in cash and cash equivalents during the period under reporting.

31.46 In order to arrive at the 'Cash and cash equivalents at the end of the period under reporting', the amount of cash and cash equivalents at the beginning of the period under reporting shall be added to 'net increase/(decrease) in cash and cash equivalents' during the period.

31.47 It should be ensured that the amount of cash and cash equivalents at the end of the period under reporting shall be tallied with the total cash and bank balances at the end of the period as disclosed in the balance sheet of the ULB.

Table 31.5

Statement of Cash Flow

Particulars	Previous Year (Rs.)		Current Year (Rs.)	
a. Cash flows from operating activities **Gross surplus/ (deficit) over expenditure** **Adjustments for** **Add:** Depreciation Interest & finance expenses **Less:** Profit on disposal of assets Dividend Income Investment income Adjusted income over expenditure before effecting changes in current assets and current liabilities and extra ordinary items.				
Changes in current assets and current liabilities (Increase) / decrease in Sundry debtors (Increase) / decrease in Stock in hand (Increase) / decrease in prepaid expenses (Increase) / decrease in other current assets				
(Decrease)/ increase in Deposits received (Decrease)/ increase in Deposits works (Decrease)/ increase in other current liabilities (Decrease)/ increase in provisions Extra ordinary items (Specify)				
Net cash generated from/ (used in) operating activities (a)				

Particulars	Previous Year (Rs.)		Current Year (Rs.)	
b. Cash flows from investing activities (Purchase) of fixed assets & CWIP (Increase) / Decrease in Special funds/grants (Increase) / Decrease in Earmarked funds (Purchase) of Investments **Add:** Proceeds from disposal of assets Proceeds from disposal of investments Investment income received Interest income received				
Net cash generated from/ (used in) investing activities (b)				
c. Cash flows from financing activities **Add:** Loans from banks/others received **Less:** Loans repaid during the period Loans & advances to employees Loans to others Finance expenses				
Net cash generated from (used in) financing activities (c)				
Net increase/ (decrease) in cash and cash equivalents (a + b + c)				
Cash and cash equivalents at beginning of period				
Cash and cash equivalents at end of period				
Cash and Cash equivalents at the end of the year comprises of the following account balances at the end of the year:				
i. Cash Balances ii. Bank Balances iii. Scheduled co-operative banks iv. Balances with Post offices v. Balances with other banks				
Total				

Note: items in () brackets denote as that they are to be deducted

RECEIPTS AND PAYMENTS ACCOUNT

31.48 The Receipts and Payments Account shows the sources of funds and the applications of funds during the accounting reporting periods.

31.49 The Receipts and Payments Account shall be prepared from the Balance Sheet, Income and Expenditure Statement, Ledgers and Cash Book.

31.50 The following are the steps involved in the preparation of Receipts and Payments Account:

a. The opening and closing cash and bank balances should be ascertained and entered:

b. For revenue income accounted for on actual receipt basis, the amounts as appearing in the Income and Expenditure Statement should be reflected directly in the Receipts and Payments Account.

c. For revenue income accounted for on accrual basis, the following shall be done:

Receivables at the beginning of the period	Rs.XXX
Add: Bills raised/Income accounted during the period	Rs.XXX
Less: Receivables at the end of the period	Rs.XXX
Cash received during the year	Rs.XXX

This amount shall be reflected in the receipt side of the Receipts and Payments Account.

d. For revenue payments which are accounted for on accrual basis, the following shall be done:

Payables at the beginning of the period	Rs.XXX
Add: Bills received/Expenditure Accounted during the period	Rs.XXX
Less: Payables at the end of the period	Rs.XXX
Cash paid during the year	Rs.XXX

This amount shall be reflected in the payment side of the Receipts and Payments Account.

e. For Non-operating items – Ledger accounts shall be scrutinised for each of the items listing out the total cash inflow and outflow during the period under consideration. The increase or decrease in the amount outstanding in respect of the relevant item in the Balance Sheet in comparison to the previous period's figures should tally with the net cash flow. For instance, while ascertaining the cash flow in respect of loan, all the loan ledger accounts shall be scrutinised to prepare a list

of cash inflow and outflow in various loan ledger accounts. The difference between the total cash inflow and outflow of all the loan ledger accounts should tally with the amount received or paid in respect of loan. This would also be available from the Balance Sheet itself in terms of increase or decrease of the amount of loan in relation to the previous period's figures.

31.51 The Receipts and Payments Account shall be prepared as shown in Table 31.6. It should be noted that the following gives an illustrative list of receipts and payments.

31.52 The following shall be noted in relation to preparation of Receipts and Payments Account:

a. The receipts considered are on cash basis and does not take into account the receivables. Similarly, the payments considered are on cash basis and does not take into account the payables.

b. Non-cash items like Depreciation, Miscellaneous Expenditure w/off (written off), Profit/Loss on disposal of Fixed Assets, Profit/Loss on disposal of Investments will not be considered while preparing this statement.

c. If any loan is obtained by the ULB in such a way that the disbursement of installments is directly made to the appointed Contractor, then the loan, though not directly received in cash by the ULB, should be shown as ' Receipts' . Similarly, corresponding payments made to the Contractor, though not made in cash by the ULB, should be shown as ' Payments' .

Table 31.6

Receipts and Payments Account for the period from_____to_____

Code No.	Head of Account	Current Period Amount (Rs.)	Corresponding Previous Period Amount (Rs.)	Code No.	Head of Account	Current Period Amount (Rs.)	Corresponding Previous Period Amount (Rs.)
	Opening Balances# Cash balances including Imprest Balances with Banks/Treasury (including balances in designated bank accounts)						
	Operating Receipts				***Operating Payments***		
1-10 1-20 1-30 1-40 1-50 1-60 1-70 1-71 1-80	Tax Revenue Assigned Revenues & Compensations Rental income from Municipal Properties Fees & User Charges Sale & Hire Charges Revenue Grants, Contributions & Subsidies Income from Investments Interest Earned Other Income			2-10 2-20 2-30 2-40 2-50 2-60 4-30	Establishment Expenses Administrative Expenses Operations and Maintenance Interest & Finance Charges Programme Expenses Revenue Grants, Contributions & Subsidies Purchase of Stores Other Collections on behalf of State and Central Government		
	Non-Operating Receipts				***Non-Operating Payments***		
3-30/31 3-40 3-20 * * * 3-41 3-50 * * * Other Receipts [specify]	Loans Received Deposits Received Grants and contribution for specific purposes Sale proceeds from Assets Realisation of Investment – General Fund Realisation of Investment – Other Funds Deposit works Revenue Collected in Advance Loans & Advances to Employees (recovery) Other Loans & Advances (recovery) Deposits with External Agencies (recovery)			3-50 3-50 ** ** 4-10 4-12 3-41 4-20 4-21 4-60 4-40 4-60 4-60	Other Payables Refunds Payable Repayment of Loans Refund of Deposits Acquisition / Purchase of Fixed Assets Capital Work – in – Progress Deposit works Investments – General Fund Investments – Other Funds Loans & Advances to Employees Prepaid Expenses Other Loans & Advances Deposits with External Agencies Other Payments [specify]		

Code No.	Head of Account	Current Period Amount (Rs.)	Corresponding Previous Period Amount (Rs.)	Code No.	Head of Account	Current Period Amount (Rs.)	Corresponding Previous Period Amount (Rs.)
					Closing Balances # Cash balances including Imprest Balances with Banks/Treasury (including balances in designated bank accounts)		
	GRAND TOTAL				**GRAND TOTAL**		

 # Balances banks operate for Grants and special funds
** Details in respect of these items will be available in the corresponding asset ledger accounts*
*** Details in respect of these items will be available in the corresponding liability ledger accounts*

NOTES TO ACCOUNTS

31.53 The Notes to Accounts shall comprise of Statement of Significant Accounting Principles, Statement on Contingent Liabilities, Subsidy Report and Other Disclosures.

Statement of Significant Accounting Principles

31.54 The **Statement of Significant Accounting Principles** shall state important accounting principles followed by the ULB in respect of accounting for its transactions and in the preparation and presentation of the Financial Statements.

31.55 Where any of the accounting principles adopted by the ULB while preparing its Financial Statements is not in conformity with the principles prescribed in this Accounts Manual and the effect of deviation from the accounting principles is material, the particulars of the deviation shall be disclosed together with the reasons therefor and the financial effect thereof, except where such effect is not ascertainable. The disclosure of such deviation reasons thereof and financial effect thereof shall be made in the section "Other Disclosures". In case the financial effect thereof is not ascertainable, either wholly or in part, the fact that it is not so ascertainable shall be indicated.

31.56 Likewise, any change in the accounting principles which has no material effect on the Financial Statements for the current period but which is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed in the period in which the change is adopted.

31.57 The statement of significant accounting principles to be disclosed in the financial statements is given below.

1. Basis of Accounting

   The financial statements are prepared on a going concern and under historical cost basis under accrual basis of accounting. The method of accounting is the double entry system.

2. Recognition of Revenue

   i. Revenue

   a. Property and Other Taxes are recognised in the period in which they become due and demands are ascertainable

   b. Revenues in respect of Profession Tax on Organisations / entities are accrued in the year to which it pertains and when demands are raised.

c. Advertisement taxes are accrued based on Demand or the contract.

d. Revenue in respect of Trade License Fees is accrued in the year to which it pertains and when Demands are raised.

e. Assigned revenues like Entertainment Tax, Duty / Surcharge on transfer of Immovable properties are accounted during the year only upon actual receipt. However, at year-end, they are accrued if sanction order (or proceedings) is passed and the amount is ascertained.

f. Other Incomes, which are of an uncertain nature or for which the amount is not ascertainable or where demand is not raised in regular course of operations, is recognised on actual receipt

ii. Provision against receivables

a. Prudential norms are applied based on type of income and age of receivable. Based on the principle on provisioning, incomes that have been accrued and are doubtful of recovery are provided for.

3. Recognition of Expenditure

a. Expenses on Salaries, bonus and other allowances are recognised as and when they are due for payment

b. All revenue expenditures are treated as expenditures in the period in which they are incurred.

c. In case of works, expenditures are accrued as soon as the work has been measured and becomes due for payment.

d. Provision for expenses are made at the year-end for all bills received upto a cut off date.

4. Fixed Assets

i. Recognition

a. All Fixed Assets are carried at cost less accumulated depreciation. The cost of fixed assets include cost incurred/money spent in acquiring or installing or constructing

the fixed asset, interest on borrowings directly attributable to acquisition or construction of qualifying fixed assets up to the date of commissioning of the assets and other incidental and indirect expenses incurred up to that date.

b. All assets costing less than Rs.5,000/- would be expensed / charged to Income & Expenditure Account in the year of purchase.

c. Any Fixed Asset, which has been acquired free of cost or in respect of which no payment has been made, is recorded at nominal value of Re. 1/-.

ii. Depreciation

d. Depreciation is provided on Written Down Value[1]

iii. Revaluation of Fixed Assets:

e. Revaluation of fixed assets is undertaken either at the time of issue of municipal bonds or when commercial development / lease of properties is made.

f. Increase in net book value arising on revaluation is credited to 'Revaluation Reserve Account'. Decrease in net book value is charged to Income and Expenditure account.

g. Revaluation reserve is amortised by equivalent amount of depreciation charged on the revalued portion of the cost of the fixed assets.

5. <u>Borrowing cost</u>

Borrowing cost is recognised as revenue expenditure on accrual basis except in the case of fixed assets.

6. <u>Inventories</u>

Inventories are valued as follows:

a. Raw materials are valued at Cost based on first in first out method
b. Finished goods are valued at lower of the cost or market value.

7. Grants

a. General Grants, which are of revenue nature, are recognised as income on actual receipt

b. Grants, which are re-imbursement of specific revenue expenditure is recognised as income in the accounting period in which the corresponding revenue expenditure is charged to the Income and Expenditure Account.

c. Grant received towards capital expenditure is treated as a liability till such time the fixed asset is constructed or acquired. On construction/acquisition of fixed asset, the grant corresponding to the value of the asset so constructed/acquired is treated as a capital receipt and transferred to capital contribution.

8. Employee benefits

a. Separate Funds are formed for meeting the pension and other retirement benefits including Gratuity and Leave encashment.

b. Contribution towards Pension and other retirement benefit funds are recognised as and when it is due.

9. Investments

a. All investments are initially recognised at Cost. The cost of investment shall include cost incurred in acquiring the investment and other incidental expenses incurred for its acquisition.

b. Long-term investments are carried at their cost. However in the event of any permanent diminution in their value as on the date of balance sheet, these are provided for.

c. Short-term investments are carried at their cost or market value (if quoted) whichever is lower.

[1] Please mention Straight Line Method if straight line is adopted by the ULB.

STATEMENT ON CONTINGENT LIABILITIES

31.58 The Contingent Liabilities represent an obligation, relating to a past transaction or other event or condition, that may arise in consequence of a future event now deemed possible but not probable. They represent a claim against the ULB which is contingent on the happening of a future uncertain event, the financial implications of which may or may not be ascertainable at the end of an accounting period. The following shall be disclosed by the ULB in the 'Statement on Contingent Liabilities':

a. Amount of Capital Contracts remaining to be executed and not provided for;

b. Amount of claim in respect of suits filed against the ULB for which the ULB may be liable, in case the ULB loses suits;

c. Claim against the ULB not acknowledged as debts; and

d. Other money for which the ULB is contingently liable.

SUBSIDY REPORT

31.59 In accordance with the provisions and rules of the act governing the ULB, and instructions of the Government, the ULB shall prepare a Subsidy Report on the following services, which shall be annexed to the Annual Financial Statements:

a. Water supply and disposal of sewage;

b. Scavenging, transporting and disposal of wastes;

c. Municipal transport; and

d. Street lighting.

e. Hospitals

f. Schools

31.60 The Subsidy Report may be prepared in the illustrative format provided below in Table 31.7. However, the ULBs shall adopt those formats as given in the rules and provisions of the act governing the ULBs and the local needs.

Table 31.7

Subsidy Report for _____ for the period from_____ to_____

Particulars	Current year's figures Amount (Rs.)	Previous year's figures Amount (Rs.)
EXPENDITURE		
Establishment expense Administration expenses Operation and Maintenance Expenses Interest on Loans and Financial Charges Depreciation Other Expenses		
TOTAL EXPENDITURE (A)		
INCOME		
Charges levied on rendering of Services		
Taxes levied Other Income		
TOTAL INCOME (B)		
SUBSIDY PROVIDED (A-B)		

31.61 The Subsidy, as computed above, indicates the extent of deficit of income as compared to the expenditure.

OTHER DISCLOSURES

31.62 This section shall give other important financial information about the ULB, which have not been disclosed in the Financial Statements. These shall include:

a. Details of the expenses incurred under various Government Circulars together with the details, in broad terms, of the beneficiaries;

b. Details of honorarium paid to Councillors and Mayor;

c. The following shall be disclosed separately in case of each of the incomes of the ULB:

- amount of refunds, remissions and write-offs made during the year, and
- arrears collected during the year.

31.63 In addition to disclosures required to be made as specified above, the ULB may also furnish information in respect of the following;

a. Percentage of properties defaulting on property tax both in terms of number and value in comparison to total properties and income earned;

b. Number of municipal hospital beds, dispensaries and other medical facilities per 1000 citizens in the municipal area;

c. Details about the various health programs undertaken by the ULB from its own resources and the section of the population being benefited;

d. Percentage of connections, category-wise, defaulting on payment of water supply charges both in terms of number and value in comparison with the total number of connections and demand raised together with the remedial measures taken;

e. Details about the water purification and water distributed and billed in terms of quantity;

f. Number of lamp-posts erected and the areas in which they are erected (the expenses incurred in respect of the street lighting shall be given in the Subsidy Report);

g. Age analysis of receivables;

h. Age analysis of payables; and

i. Such other details as the ULB may decide to give for better disclosure and governance.

MUNICIPAL COMMISSIONER'S REPORT ON THE QUALIFICATIONS AND COMMENTS MADE IN THE REPORT OF THE MUNICIPAL CHIEF AUDITOR

31.64 The Municipal Commissioner shall in his report include his comments on the report of the Municipal Chief Auditor, including explanations relating to qualifications mentioned by the Municipal Chief Auditor, stating clearly the facts of the matter and the steps taken in respect of those qualifications. The Municipal commissioner shall also comment upon the performance of the ULB based upon the results of the Financial Performance Indicators. In respect of any adverse performance, as reflected by the result of any Performance Indicator, the Municipal Commissioner shall, in his report, explain the reason therefor and shall also state the steps taken to improve performance in that area.

31.65 Further, the Municipal commissioner's Report shall state that the books of accounts are maintained in the manner as required by the Act and the Accounts Manual and that proper accounting principles have been adopted and applied consistently while accounting for the transactions and preparing the Annual Financial Statements.

STANDING COMMITTEE'S ACTION TAKEN REPORT

31.66 The Standing Committee shall prepare an Action Taken Report on the Annual Financial Statements submitted to it for approval. The Report shall in addition to such information as may be prescribed by the Government, provide details of the action taken by the ULB in respect of the qualifications made in the Report of the Municipal Chief Auditor and the Municipal Commissioner's Report.

31.67 The Action Taken Report shall contain a section for Standing Committee's comments on the comments and qualifications contained in the Report of the Municipal Chief Auditor and the Municipal Commissioner's Report.

FINANCIAL RATIO ANALYSIS

31.68 A ratio is an arithmetical relationship between two figures. Ratios are indicators of performance of the ULB/Department. Financial Ratio Analysis is a study of ratios between various items or groups of items in the Financial Statements of the ULB.

31.69 On preparation of Financial Statements, the Accounts Department shall compute and present the following Financial Ratios as depicted in Table 31.8 below.

Table 31.8
Financial Ratios as on_____

Sr. No.	Particulars	Current Year	Previous Year
	Income Ratios		
1	Tax Revenue to Total Income Ratio…(%)		
2	Property & Other Taxes to Total Income Ratio…(%)		
3	Octroi/Cess to Total Income Ratio…(%)		
4	Assigned Revenues & Compensations to Total Income Ratio…(%)		
5	Rental Income from Municipal Properties to Total Income Ratio…(%)		
6	Fees & User Charges to Total Income Ratio…(%)		
7	Revenue Grants, Contributions & Subsidies to Total Income Ratio…(%)		
	Expense Ratios		
8	Establishment Expenses to Total Income Ratio…(%)		
9	Administrative Expenses to Total Income Ratio…(%)		
10	Operations & Maintenance to Total Income Ratio…(%)		
11	Interest Expense to Total Income Ratio…(%)		
	Net Income Ratios		
12	Cash Surplus / Deficit to Total Income Ratio…(%)		
	Efficiency Ratios		
13	Gross Property Tax Receivables Ratio…(No. of Days)		
14	Gross Cess Receivables Ratio…(No. of Days)		
15	Property Tax Receivable to Property Tax Income Ratio…(%)		
16	Cess Receivable to Cess Income Ratio…(%)		
17	Operations & Maintenance to Gross Fixed Assets Ratio…(%)		
18	Interest Expense to Loans Ratio…(%)		
	Leverage Ratios		
19	Loans to Reserves Ratio or Debt-Equity Ratio…(times)		
20	Interest Coverage Ratio…(times)		
21	Debt Service Coverage Ratio…(times)		
	Investment Ratios		
22	Earmarked Fund Investments to Earmarked Funds Ratio…(%)		
23	Interest on Investments Ratio…(%)		

Sr. No.	Particulars	Current Year	Previous Year
	Liquidity Ratio		
24	Current Assets to Current Liabilities Ratio…(times)		
	Asset Ratios		
25	Fixed Assets to Total Assets Ratio…(%) **Performance Ratios**		
26	Income per Employee…(Rs.)		
27	Expenditure per Employee…(Rs.)		
28	Income per Citizen…(Rs.)		
29	Expenditure per Citizen…(Rs.)		

31.70 The Financial Ratios shall be calculated by the Accounts Department as shown in Table 31.9 below.

Table 31.9
Financial Ratio Analysis

Sr. No.	Financial Ratio	Method of Computation	Schedules to be referred	Description of the Ratio
	Income Ratios			
1	Tax Revenue to Total Income Ratio…(%)	Tax Revenue X 100 Total Income	I-1	These Ratios depict the share of each income in the Total Income of the ULB. Higher share of an individual income in the total income shows a high dependability on that source and therefore a high risk. The ULB should try and develop other sources of income to reduce this risk.
1A	Property & Other Taxes to Total Income Ratio…(%)	Property & Other Taxes X 100 Total Income	I-1(a)	
1B	Octroi/Cess to Total Income Ratio…(%)	Octroi/Cess X 100 Total Income	I-1(b)	
2	Assigned Revenues & Compensations to Total Income Ratio…(%)	Assigned Revenues & Compensations X 100 Total Income	I-2	
3	Rental Income from Municipal Properties to Total Income Ratio…(%)	Rental Income from Municipal Properties X 100 Total Income	I-3	
4	Fees & User Charges to Total Income Ratio…(%)	Fees & User Charges X 100 Total Income	I-4	
5	Revenue Grants, Contributions & Subsidies to Total Income Ratio…(%)	Revenue Grants, Contributions & Subsidies X 100 Total Income	I-6	
	Expense Ratios			
6	Establishment Expenses to Total Income Ratio…(%)	Establishment Expenses X 100 Total Income	I-10	These Ratios depict the share of each expense in the total income of the ULB. The ULB should try and keep these ratios as low as possible so that a higher surplus can be earned. However, this should not be at the sacrifice of service to the citizens.
7	Administrative Expenses to Total Income Ratio…(%)	Administrative Expenses X 100 Total Income	I-11	
8	Operations & Maintenance to Total Income Ratio…(%)	Operations & Maintenance X 100 Total Income	I-12	
9	Interest Expense to Total Income Ratio…(%)	Interest Expense X 100 Total Income	I-13	
	Net Income Ratios			

Sr. No.	Financial Ratio	Method of Computation	Schedules to be referred	Description of the Ratio
10	Cash Surplus / Deficit to Total Income Ratio…(%)	Cash Surplus or Deficit X 100 Total Income Where Cash Surplus or Deficit is obtained from Receipts & Payments Account as difference between Operating Receipts and Operating Expenses.	Receipts & Payments Account	This ratio indicates the cash surplus or deficit generated as a percentage to the total income of the ULB.
	Efficiency Ratios			
11	Gross Property Tax Receivables Ratio…(No. of Days)	Average Gross Property Tax Receivable X 365 Demand for property tax raised during the year Where Average Gross Property Tax (P.T.) Receivable = (Opening P.T.Receivable + Closing P.T.Receivable)/2	B-13, I-1(a)	These ratios indicate the average number of days for which the receivables are outstanding on an average. The ULB should try and keep these days very low.
12	Gross Cess Receivables Ratio…(No. of Days)	Average Gross Cess Receivable X 365 Demand for cess income raised during the year Where Average Gross Cess Receivable = (Opening Cess Receivable + Closing Cess Receivable)/2	B-13, I-1(b)	
13	Property Tax Receivable to Property Tax Income Ratio…(%)	Property Tax Receivable at the end of the year X 100 Demand for property tax raised during the year Where Property Tax Receivable is only in respect of the financial year under consideration and represents gross amount receivable at the end of the year (i.e. without deducting provision for unrealised property tax)	B-13, I-1(a)	This ratio indicates property tax outstanding as a percentage of current year's demand of property tax. Efforts should be made to keep this ratio as low as possible.
14	Cess Receivable to Cess Income Ratio…(%)	Cess Receivable at the end of the year X 100 Demand for cess raised during the year Where Cess Receivable is only in respect of the financial year under consideration and represents gross amount receivable at the end of the year (i.e. without deducting provision for unrealised cess)	B-13, I-1(b)	This ratio indicates cess outstanding as a percentage of current year's demand of cess. Efforts should be made to keep this ratio as low as possible.

Sr. No.	Financial Ratio	Method of Computation	Schedules to be referred	Description of the Ratio
15	Inventory Ratio… (No. of Days Consumption)	Average Stock X 365 Store consumed during the year Where Average Stock = (Opening Stock + Closing Stock)/2		This ratio shall be calculated in respect of major stores of the ULB, for example, engineering stores, water supply stores, electricity stores, etc. This ratio indicates the average number of days of stock lying with the ULB. High number of days would indicate that the ULB buys a lot of stock in advance, which if avoided, can result in less blockage of money into stock. The number of days should be decided based on the emergency nature of the item and the time it would take to procure items from the suppliers.
18	Operations & Maintenance to Gross Fixed Assets Ratio…(%)	Operations & Maintenance X 100 Gross Block of Fixed Assets (as at the end of the year)	I-12, B-9	This ratio indicates expenses incurred towards repairs & maintenance as a percentage of gross block of fixed assets. Although this is an essential expense to keep the assets in good working condition, higher ratio could indicate either bad maintenance or inefficient usage of the asset or frequent repairs to the same asset, both of which needs to be investigated.
19	Interest Expense to Loans Ratio…(%)	Indicate range (highest & lowest) of interest percentage and nature of loan (for highest & lowest) in respect of loans outstanding at the end of the year	B-4	This ratio indicates the range of interest expenditure on loans availed by the ULB. The ULB should compare this with other ULBs and Government Bodies to ensure that loans are availed at competitive rates.
	Leverage Ratios			
20	Loans to Reserves Ratio or Debt-Equity Ratio…(times)	Loans Reserves & Surplus	B-1,2,3,4	This ratio measures the use of debt finance as a percentage to own funds of the ULB.
21	Interest Coverage Ratio… (times)	Surplus + Depreciation + Interest (incl. interest capitalised) Interest (incl. interest capitalised)	B-9, I-13	This ratio indicates the comfort level with which the ULB can meet its interest burden. This ratio is very important from the lender's point of view also.
22	Debt Service Coverage Ratio…(times)	Surplus + Depreciation + Interest (incl. interest capitalised) Debt instalments to be serviced (paid) during the next year + Interest (including interest to be capitalised)	Register of Loans	This ratio indicates the comfort level with which the ULB can service (pay) its debt instalments and meets its interest burden. This ratio is very important from the lender's point of view also.
	Investment Ratios			

Sr. No.	Financial Ratio	Method of Computation	Schedules to be referred	Description of the Ratio
23	Earmarked Fund Investments to Earmarked Funds Ratio…(%)	Earmarked Fund Investments X 100 Earmarked Funds	B-2,11	This ratio indicates the percentage of earmarked funds invested by the ULB.
24	Interest on Investments Ratio…(%)	Indicate range (highest & lowest) of interest percentage and nature of investment (for highest & lowest) in respect of investments outstanding at the end of the year	B-10	This ratio indicates the range of interest earned on investments made by the ULB. The ULB should compare this with other ULBs and Government Bodies to ensure that investments are made at best rates.
	Liquidity Ratio			
25	Current Assets to Current Liabilities Ratio…(times)	Current Assets Current Liabilities	B-5 to 8 & 13-16	This ratio indicates the ability of the ULB to meet its obligations in the short run, usually one year.
	Asset Ratios			
26	Fixed Assets to Total Assets Ratio…(%) **Performance Ratios**	Fixed Assets X 100 Total Assets	B-9	This ratio indicates the share of fixed assets in the total assets of the ULB.
27	Income per Employee…(Rs.)	Total Income as per Income & Expenditure Account No. of Employees of the ULB	-	These ratios indicate average income earned and average expenditure incurred per employee and per citizen of the ULB. These ratios should be compared with other ULBs and Government Bodies to benchmark the performance of the ULB with others.
28	Expenditure per Employee…(Rs.)	Total Expenditure as per Income & Expenditure Account No. of Employees of the ULB	-	
29	Income per Citizen…(Rs.)	Total Income as per Income & Expenditure Account No. of Citizens in the Municipal Area	-	
30	Expenditure per Citizen…(Rs.)	Total Expenditure as per Income & Expenditure Account No. of Citizens in the Municipal Area	-	

CHAPTER 32

AUDIT REPORT

INTRODUCTION

32.1 This chapter discusses the format and content of the Audit Report to be submitted in relation to Urban Local Bodies (ULBs).

32.2 This chapter briefly describes the following:

- Audit report on financial statements
- Periodicity of Reports
- Supplementary / test audit conducted by CAG
- Other audits of ULBs.

32.3 The report of the Auditor as specified in this manual can be construed as certificate unless the State Government has any specific requirement.

AUDIT REPORT ON FINANCIAL STATEMENTS

32.4 The Municipal accounts as contained in the financial statements including the accounts of special funds, if any, and the balance sheet shall be examined and audited by Director Local Fund Audit or his equivalent authority or an Auditor appointed by the State Government.

32.5 The Auditor so appointed shall upon completion of audit of the accounts, issue a report on the financial statements of the ULB.

32.6 The MCA's Report on the Balance Sheet, Income and Expenditure Statement, Receipts and Payments Statement, and Cash Flow Statement shall be addressed to the Authority (as required by the relevant Act), of the ULB, with a copy being forwarded to the Municipal Commissioner.

32.7 The Report of the MCA shall state:

a. whether he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purposes of his audit;

b. whether, in his opinion, proper books of account as required by Authority (as required by the relevant Act), the Accounts Manual, the Rules and any other stipulations have been kept by the ULB so far as it appears from his examination of those books;

c. whether the ULB's Balance Sheet, Income and Expenditure Statement, Receipts and Payments statement and Cash Flow statement dealt with by the report are in agreement with the books of accounts;

d. whether appropriate internal controls have been adhered to;

e. whether all the payments have been made in accordance with the law;

f. whether any deficiency or loss appears to have been caused by the gross negligence or misconduct of any person (if yes, the amount of loss should be quantified);

g. whether any sum received for and on behalf of the ULB which ought to have been brought into account of the ULB by any person has been so brought; and

h. whether any material impropriety or irregularity, other than those mentioned above, has been observed by him during the course of audit of accounts.

32.8 Where any of the matters referred to in para. 32.7 are answered adversely or with a qualification, the auditor's report shall state the reason for the same and with further explanation and inclusion of statistical impact if possible.

ANNEXURE TO THE REPORT OF THE MUNICIPAL AUDITOR

32.9 Besides the above Audit Report, the MCA shall comment in respect of the following matters in the Annexure to the Audit Report:

1. Whether all the expenditure incurred by the ULB are authorised by appropriate provision in the sanctioned budget, whether made originally or subsequently?
2. Whether all sums due to and received by the ULB have been brought to account within the prescribed time limits?
3. Whether all transactions (incomes, expenditures, assets and liabilities) are correctly classified?
4. Whether in respect of all bills for charges on account of all works and other expenditure, proper certificates have been furnished in support of them and that no deviation has been made from the sanctioned plans and the estimates without the sanction of the competent authority?
5. Whether the amounts received as specific grants have been utilised for the purposes as stated in the grant sanction order?
6. Whether the Special Funds, have been created as per the provision of relevant statutes and whether the Special Funds have been utilised for the purposes for which created?
7. Whether the ULB is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets; whether these fixed assets have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account?
8. Whether physical verification has been conducted by the ULB at reasonable intervals in respect of stores?
9. Whether the procedures of physical verification of stores followed by the ULB are reasonable and adequate? If not, the inadequacies in such procedures should be reported;
10. Whether any material discrepancies have been noticed on physical verification of stores as compared to book records, and if so, whether the same have been properly dealt with in the books of account?
11. Whether the valuation of stores is in accordance with the accounting principles laid down in the Accounts Manual? Whether the basis of valuation of stores is same as in the preceding year? If there is any deviation in the basis of valuation, the effect of such deviation, if material, should be reported;

12. Whether the parties to whom the loans, or advances in the nature of loans, have been given by the ULB are repaying the principal amounts as stipulated and are also regular in payment of the interest and if not, whether reasonable steps have been taken by the ULB for recovery of the principal and interest?
13. Whether there exists an adequate internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets?
14. Whether proper procedures are in place to identify any unserviceable or damaged stores and whether provision for the loss in this respect, if any, has been made in the accounts?
15. Whether the ULB is regular in depositing Provident Fund dues and Profession Tax deducted with the appropriate authorities and if not, the extent of arrears;
16. Whether the ULB is regular in depositing tax deducted at source (income tax and works contract tax) and other statutory dues, and if not, the nature and cause of such delay and the amount not deposited;
17. Whether any personal expenses have been charged to revenue account; if so, the details thereof.

32.10 The Report of the MCA shall also specifically report on any other matter which the Government, ULB and/or the Authority (as required by the relevant Act), may have specifically required to be covered as a part of the Audit.

PERIODICAL AUDIT REPORT/CERTIFICATE

32.11 At the end of each period, the MCA may furnish a certificate on the quarterly coverage to the Municipal Commissioner. The suggested format of the certificate can be as follows:

> "Certified that the accounts from ---------- to ---------- have been audited by me and found correct with the exception of the following items:" *(The exceptions shall be explained in detail).*

32.12 While furnishing periodical certificate/report, the MCA shall at least verify the following:

1. Whether the postings for the entries in the books of original entry have been correctly made in the respective ledger accounts;

2. Whether all the books of accounts and supplementary registers that are prescribed in the Accounts Manual / other applicable regulations have been properly maintained by the ULB;
3. Whether the Quarterly Financial Statements have been compiled on the basis of the actual entries in the books of accounts;
4. Whether the period-end and reconciliation procedures prescribed have been carried out.
5. Whether the Bank Reconciliation statements have been prepared and are appropriate.
6. Whether all grants from Government have been accounted at gross value with proper entries to various accounts

SUPPLEMENTARY/TEST AUDIT

32.13 States may empower Comptroller & Auditor General to undertake Test Audit under its act or under technical guidance and supervision arrangement. The Audit report prepared by the C & AG shall be also placed before the empowered steering committee.

AUDIT BY EXTERNAL AGENCIES

32.14 Besides, the above audit, the accounts of specific loan funds, grants, etc., would continue to be audited by auditors of agencies which have given grants, loans, etc., in the same manner as is currently happening.

ADDITIONAL AUDIT

32.15 In addition to the audit by the MCA, the Government/ULB may additionally get the accounts of the ULBs audited under the following circumstances:

- Internal Audit
- Concurrent Audit
- Special Audit (investigative or audit in depth)
- Special Audits ordered by the State Government;

32.16 The state government can also define the guidelines under which these Audits are to be undertaken. It is recommended that Internal Audit can be undertaken whenever the revenue collections are greater than Rs.25 crores and concurrent audit can be undertaken when the revenue collections are grater than Rs.100 crores.

32.17 These Special audits may be required to ensure that the accounts and financial statements of the ULBs have been prepared in accordance with provisions of the Accounts Manual and other relevant provisions of laws in force or for the objectives under which the audits have been ordered by the State Governments.

CHAPTER 33

BUDGETING & MIS REPORTS

INTRODUCTION

33.1 This Chapter contains the overview of the Budgeting approach, process, budgetary controls (budgeting system) and MIS & other performance review /status reports of an ULB.

33.2 Budget is a financial plan describing proposed expenditure and means of financing the same. It embodies the estimated receipts and expenditure (both capital and revenue) for a financial year. It is a proposal of how much money is to be spent on what and how much of it will be contributed by whom or how it would be raised during a financial year. It plays an important role in planning and controlling operations of the ULBs.

33.3 Budget preparation process, calendar, approval and control process indicated in this chapter is on Cash basis and provides guidelines for States at an overall level. However states and ULBs should develop detailed manual / guidelines for Budget preparations.

APPROACH TO BUDGETING

33.4 The objective of the budgeting system of an ULB is to arrive at a scientific basis for building linkage between the nature of receipt or payment with the functions / services or other Budget control centres. Budget shall reflect the principles and programmes of the ULB. Budget must also enable ULB in measuring and promoting accountability in respect of service delivery. Public expenditure must be spent in the most productive way. Decentralised planning with citizens' participation facilitates achieving this objective.

33.5 Any receipt and payment shall reflect the above said objectives. To facilitate this, three broad categories of Budgeting Centres are defined. Budgets shall establish a close linkage between the Accounting subjects (nature of receipt and payment) and

- the function
- the functionary as identifiable by personnel responsible for any function
- the field as identifiable by the geographical boundaries over which the cost is incurred

BUDGETING PROCESS

33.6 Budgets shall reflect the estimated inflows, outflows, surplus / deficit under the various Receipts and Payment heads, Opening and Closing balances. The receipts and payments shall be classified under four broad heads Revenue Receipts, Revenue Expenditure, Capital Receipts and Capital Expenditure. The receipts and payments shall be estimated for each of the accounting subjects under every Budgeting centre. Hence a budget code is defined as a combination of Budget centres and Account code. The structure for this is detailed in the Chapter 4 on Chart of Accounts.

33.7 Budget shall be prepared for each of the revenue and capital account heads in form BUD – 1 annexed to this Chapter. This form is to be prepared by individual budgeting units for each of the Major and Minor Heads of Account along with the details of the function and functionaries responsible for discharge of the functions and field towards which it relates. Functions, Functionary, Major Head, Minor Heads are mandatory. It is advisable to have the budgets prepared at the detailed head also to ensure budgetary control. However, the States can decide whether budgets would be prepared at the field level like zones, circles or wards. In the medium term, ULBs are advised to move towards decentralised budgeting at the field level. In addition, if the State and ULB maintain separate funds for certain heads like Water or Education etc then the budget has to be prepared fund wise only. The budget heads hence are integrated with the account heads. The accounting system can hence provide details of actual against each budget head.

Bottom up budgeting

33.8 The basis for preparing the budget will be the inputs from various departments/units. Budgets preparation shall be based on a bottom up approach. Estimates shall be made from the lowest unit and then consolidated at the Head Office. A consolidation will be made and can be compiled in the form given as BUD – 2

33.9 The consolidated budgets shall be presented in a summary form (in form BUD – 3-7). Detailed Budget will also form part of the Budget Document of the ULBs.

Budgeting Calendar

33.10 The budget preparatory process follows a budget calendar. The "budget calendar" provides various details of deadlines and dates by which various officials in the ULB need to prepare and place the budget before the concerned authorities.

33.11 The time schedule for preparation, placing and revision of the budget and budget approval by Standing Committee /Council would be governed by the provisions of the State laws or Acts governing the ULBs.

33.12 The budgeting activity for any financial year shall commence by September or any other month (as may be specified in the State laws or Acts governing the ULB) of the financial year preceding it. The various stages of budget preparation and approval should be within the time limits as stipulated in this regard by the relevant State laws/Acts governing the ULBs.

33.13 An illustrative timetable for budgeting and review is given below:

Requisition from the Accounts section for Budget activity plan	By September
Receipt of Budgets plans for all Departments	By mid of October
Compilation of Budget for review by Municipal Commissioner	By end of October
Budget finalisation by Municipal Commissioner for placing before the Standing Committee	At the beginning of November

Approval of Budget

The Budget is the key document of any governmental set up. The State laws or governing Acts shall define the approving authority for approval of the budgets of the ULBs. A

budget may not be a valid document unless it is properly approved / authorised by an approving authority. Generally in the cases of ULBs, the approving authority may be the Municipal Councils.

Budget Revision

33.14 Once a budget has been prepared subsequent revisions to the amount budgeted may arise. The State laws or Act governing the ULBs may define the circumstances for revision of budgets. Some of the forms in which budget allocations are changed are Re-appropriation, Additional Budget, reduction in Budget and Budget Cut.

33.15 Budget Utilisation should be reviewed at quarterly and such other periodic rests as may be determined by State/Act to identify and plan for any budgetary revision well in advance. Any budgetary revision would be in accordance with the provisions laid out in this regard by the State/Act in this regard.

BUDGETARY CONTROLS

33.16 In keeping with the objectives, the following control requirements are to be built into the budgeting system:

- No expenditure can be incurred unless backed by a budget;
- Any expenditure prior to being incurred must be identified to its budget head for allocation of money
- Any expenditure prior to being incurred should be backed by appropriate sanctions (administrative / technical sanctions as the case may be) in accordance with the procedures lay down by the State/Act in this regard.

Budget variance report (BVR)

33.17 An important budgetary control tool used for monitoring and measurement is Budget variance report (BVR) and shall be prepared at the following levels:

- at an overall ULB level;
- at each of the Budgeting Centres.

33.18 The BVR forms the basis of control as it can provide information on:

a. Positive variance shall be analysed for reasons. For instance actual tax collection is more than the projected say in ward or a zone. The reasons for the same can be analysed and replicated.
b. Negative variance, shall be analysed for reasons and cost control measures identified. For instance the increase in maintenance expenses or finance charges could indicate lack of planning or implementation follow-up.

33.19 The BVR should be prepared on a monthly basis or such periods as the State laws/Acts governing the ULB may define. Review mechanisms for disposing of the unfavorable variances would add value to the Management of ULB. The format of the BVR is annexed to this Chapter as Form BUD - 8.

MANAGEMENT INFORMATION SYSTEM (MIS)

33.20 Management Information System reports are necessary in ULBs for measuring its activities in a more meaningful and transparent manner. MIS not only provides information on accounting & financial aspects but also covers non-financial aspects / information in an integrated mode. The object of development of MIS reports is to provide the performance details/statistical data of the activities of the ULBs in various forms. MIS reports serve as critical inputs for any decision making on any of the conducts of the ULBs.

BASES & COVERAGE

33.21 MIS reports are prepared from the accounting and other records maintained for the conduct of the ULB activities. These basic data are to be maintained properly in order that the MIS reports prepared based on the records are correct and accurate. Therefore, establishment and ensuring of maintenance of proper accounting & other records is key for effective MIS reports.

33.22 As explained earlier, MIS covers non-financial aspects of the activities also. For example, the data on education: number of schools under ULB, number of teachers, number of students, and the pass percentage form part of such data. If these data are used

integrally with financial aspect results in preparation of various analytical reports like cost of service delivery.

33.23 MIS reports prepared in ULBs shall cover the following key areas:

- Financial Performance (Balance Sheet, Income and Expenditure, Cash Flow Statements, etc)
- Departmental Performance (Departmental collection summary, etc)
- Recovery of Cost / Subsidy Report (Water Supply cost sheet, etc)
- Key Performance Indicators (Financial ratio analysis, etc)
- Ward Level MIS (Ward level revenue, expenses etc)

33.24 MIS reports covered earlier in Chapter 31 on Financial Statements of this manual are listed below for easy reference.

- Income & Expenditure (Table 31.3)
- Balance Sheet (Table 31.4)
- Statement of Cash flows (Table 31.5)
- Receipts & Payments Account (Table 31.6)
- Subsidy Report (Table 31.7)
- Financial Ratios (Table 31.8 & 31.9)

33.25 ULBs may also prepare the following reports on a periodical basis and submit them to various governing committees for review, analysis and decision making purposes.

- Statement of Receivables (Form BUD - 9)
- Statement of Payables (Form BUD - 10)
- Ward wise Liability Summary Report (Form BUD - 11)
- Revenue Trend analysis (Form BUD – 12)

33.26 ULBs may also specify additional MIS reports, which are appropriate and necessary for their functioning and monitoring. The recommendations made in this chapter are general and minimal requirements and the ULBs on its own shall add any other reports or forms, as they consider necessary and suitable.

BUD - 1

_____ *name of the ULB*

Budget estimation Sheets format

Name of the Functionary: _____ (For e.g. Public Works Department)
Name of the Function: _____ (For e.g. Road repairs/ Land and Buildings)
Budgeting Year: _____

Field	Head of Account – Description of Item*	Actual for the previous year Rs.	Budget Estimates for the current year Rs.	Revised Estimates for the current year Rs.	Budget Estimates for the next year Rs.
1	2	3	4	5	6
Ward 1	**REVENUES** **Tax Revenues** Property & Other Taxes Water Taxes ,, ,, ,, ,, ,, ,, ,, ,, ,, ,, ,, ,,				
	Sub-total (Tax Revenues)				
Ward 1	**Fees & User Charges** License Fees Advertisement Taxes ,, ,, ,, ,, ,, ,, ,, ,,				
	Sub-total (Fees & User Charges)				
Ward 1	**Interest Income** Interest from Bank Deposits Interest from Post Office Deposits ,, ,, ,, ,, ,, ,, ,, ,,				
	Sub-total (Interest Income)				

Field	Head of Account – Description of Item*	Actual for the previous year Rs.	Budget Estimates for the current year Rs.	Revised Estimates for the current year Rs.	Budget Estimates for the next year Rs.
1	2	3	4	5	6
	TOTAL REVENUE RECEIPTS				
	EXPENDITURES **Establishment Expenses**				
Ward 1	Salaries & Wages Pension expenses ,, ,, ,, ,, ,, ,, ,, ,,				
	Sub-total (Establishment Expenses)				
Ward 1	**Operations & Maintenance** Repairs & Maintenance – Roads Repairs & Maintenance - Buildings ,, ,, ,, ,, ,, ,, ,, ,,				
	Sub-total (Operations & Maintenance)				
	TOTAL REVENUE EXPENDITURE				
Ward 1	**CAPITAL RECEIPTS** **Loans** Loans from State Govt ,, ,, ,, ,, ,, ,, ,, ,,				
	Sub-total (Loans)				
	Deposit works Deposit works received				
	Sub-total (Deposit Works)				
	Deposits and Advances Security Deposits ,, ,, ,, ,, ,, ,, ,, ,,				

Field	Head of Account – Description of Item*	Actual for the previous year Rs.	Budget Estimates for the current year Rs.	Revised Estimates for the current year Rs.	Budget Estimates for the next year Rs.
1	**2**	**3**	**4**	**5**	**6**
	Sub-total (Deposits)				
	TOTAL CAPITAL RECEIPTS				
Ward 1	**CAPITAL EXPENDITURE** **Fixed Assets** Purchase of Fixed Assets Capital Work in progress ,, ,, ,, ,,				
	Sub-total (Fixed Assets)				
Ward 1	**Investments** Investment in Government Securities Investment in Non- Govt Securities ,, ,, ,, ,,				
	Sub-total (Investments)				
Ward 1	**Loans and Advances** Loans to Employees Loans to Others Miscellaneous Advances ,, ,, ,, ,, ,, ,, ,, ,,				
	Sub-total (Loans & Advances)				
	TOTAL CAPITAL EXPENDITURE				

** Similar to the above, the budget estimation shall be obtained for all the Major, Minor and detailed account heads for each of the wards, functions and functionaries.*

BUD - 2

_____ *name of the ULB*

Budget estimate Consolidation format

Budgeting Year: _____

Function	Functionary	Field	Head of Account – Description of Item	Actual for the previous year	Budget Estimates for the current year	Revised Estimates for the current year	Budget Estimates for the next year
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**

Consolidation shall be made for every item of detailed heads of account.

Form BUD - 3

_____*name of the ULB*

SUMMARY OF BUDGET FOR THE PERIOD _____

Sr. No. ____

Particulars	**Actual for the previous year Rs.**	**Budget Estimates for the current year Rs.**	**Revised Estimates for the current year Rs.**	**Budget Estimates for the next year Rs.**
1	**2**	**3**	**4**	**5**
Opening Balance*				
Add: Revenue Receipts Capital Receipts Less: Revenue expenditure Capital Expenditure				
Closing Balance *				

** Balances denote cash and bank balance.*

Form BUD – 4

_____*Name of theULB*

MAJOR ACCOUNT HEAD WISE BUDGET
FOR THE PERIOD _____

Sr. No. ____

S No	Major Account Head	Code	Actual for the previous year Rs.	Budget Estimates for the current year Rs.	Revised Estimates for the current year Rs.	Budget Estimates for the next year Rs.
	1		2	3	4	5
	REVENUE RECEIPTS					
	Tax Revenue	110				
	Assigned Revenues and Compensation	120				
	Rental Income - Municipal Properties	130				
	Fees and User Charges	140				
	Sale and Hire Charges	150				
	Revenue Grants, Contributions and Subsidies	160				
	Income from Investments	170				
	Interest Earned	171				
	Other Income	180				
	Total					
	REVENUE EXPENDITURE					
	Establishment Expenses	210				
	Administrative Expenses	220				
	Operations and Maintenance	230				
	Interest and Finance Charges	240				
	Program Expenses	250				

S No	Major Account Head	Code	Actual for the previous year Rs.	Budget Estimates for the current year Rs.	Revised Estimates for the current year Rs.	Budget Estimates for the next year Rs.
	1		**2**	**3**	**4**	**5**
	Revenue Grants, Contributions and Subsidies Miscellaneous Expenses Prior Period Item	260 271 280				
	Total					
	CAPITAL RECEIPTS Grants, Contributions for Specific purposes Secured Loans Unsecured Loans Deposits Received Deposit Works Other Liabilities	 320 330 331 340 341 350				
	Total					
	CAPITAL EXPENDITURE Fixed Assets Capital Work in Progress Investments – General Fund Investments – Other Funds Stock in hand Prepaid Expenses Loans, advances and deposits Other Assets	 410 412 420 421 430 440 460 470				
	Total					

Note: These totals shall be tallied with the totals in Forms BUD 5- 7.

Form BUD - 5

_____*Name of the ULB*

SUMMARY OF FUNCTION WISE BUDGET FOR THE PERIOD _____

Sr. No. ____

S No	Function	Code	Revenue Receipt Rs.	Revenue Expenses Rs.	Capital Receipts Rs.	Capital Expenditure Rs.	Net Inflow/ (Outflow) Rs.
1	2	3	4	5	6	7	8
	General & Administration	00					
	Planning & Regulations	10					
	Public Works	20					
	Health	30					
	Sanitation & Solid Waste Management	40					
	Civic Amenities	50					
	Urban Forestry	60					
	Urban Poverty Alleviation & Social Welfare	70					
	Other Services	80					
	Revenues	90					
	Total*						

**The total of columns 4 to 7 shall be tallied with those in Form BUD - 3.*

Form BUD - 6

_____*Name of the ULB*

SUMMARY OF FIELD WISE BUDGET FOR THE PERIOD _____

Sr. No. ____

S No	Function	Code	Revenue Receipt Rs.	Revenue Expenses Rs.	Capital Receipts Rs.	Capital Expenditure Rs.	Net Inflow/ (Outflow) Rs.
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
	Field 1 Field 2 Field 3 ….. ……. Ward n						
	Total *						

Note: Field could be lowest level at which ULB likes to budget. Ideally this should be done at the ward level.
*The total of columns 4 to 7 shall be tallied with those in Form BUD - 3.

Form BUD - 7

_____*Name of the ULB*

SUMMARY OF FUNCTION WISE BUDGET FOR THE PERIOD _____

Sr. No. ____

S No	Function	Code	Revenue Receipt Rs.	Revenue Expenses Rs.	Capital Receipts Rs.	Capital Expenditure Rs.	Net Inflow/ (Outflow) Rs.
1	**2**	**3**	**4**	**5**	**6**	**7**	**8 (4+6)-(5+7)**
1	Municipal Body	1					
2	Estate & Central Records	5					
3	Stores	6					
4	….						
5	…..						
6							
7							
8							
9							
10	,, ,, ,, ,,						
11	,, ,, ,, ,,						
12	,, ,, ,, ,,						
13	Others*	93					
	Total**						

**All the functions carried out by the ULBs shall be captured in the format given above.*

**The total of columns 4 to 7 shall be tallied with those in Form BUD - 3.

BUD- 8

_____ *Name of the ULB*
Quarterly Budget Variance Report
For the period from _____ to _____

Code No.	Head of Account	Budget Estimate (Rs.)	Progressive Total at the end of each quarter Rs.				Variance Rs.	Remark
			Qtr. 1	Qtr. 2	Qtr. 3	Total		
1	2	3	4	5	6	7	8	97
	REVENUE RECEIPTS *							
110	Tax revenue							
120	Assigned Revenues & Compensation							
130	Rental income from Municipal Properties							
140	Fees & User charges							
150	Sale & Hire charges							
160	Revenue Grants, contribution & subsidies							
170	Income from Investments – General Fund							
170	Income from Investments – Other Funds							
171	Interest earned							
180	Other income							
	Any other revenue receipts [specify]							
	Sub-total							
	REVENUE EXPENDITURE *							
210	Establishment Expenses							
220	Administrative Expenses							
230	Operations & Maintenance							
240	Interest & Finance charges							
250	Programme Expenses							
260	Revenue Grants, contribution & subsidies							
271	Miscellaneous Expenses							
	Any other revenue payments [specify]							
	Sub-total							

** Similarly, the variances for Capital receipts and expenditures shall also be computed on a periodic basis.*

BUD- 9

_____*Name of the ULB*

_____Name of the Department

Statement of Receivables for the month of _____

(To be forming part of Monthly Accounts)

Code No.	Head of Account / Item	Receivables at the start of the month	Demand raised	Actual receipts during the month	Receivables at the end of the month
1	**2**	**3**	**4**	**5**	**6**
431-10	Property Taxes				
431-10-(a)	Property Taxes				
431-10-(a)	Others*				
	Sub-total				
431-19	Other Taxes				
431-19-(a)	Water Supply				
431-19-(a)	Sewerage Tax				
431-19-(a)	Professional Tax [wherever on demand]				
431-19-(a)	Others*				
	Sub-total				
431-20	Cess Income				
431-30	Fees & User Charges				
431-30-(a)	License Fees				
431-30-(a)	Development Charges				
431-30-(a)	Others*				
	Sub-total				
431-40	Other Sources				
431-40-(a)	Rental Income				
431-40-(a)	Interest Accrued and due				
431-40-(a)	Interest Accrued and not due				
431-40-(a)	Others*				

Code No.	Head of Account / Item	Receivables at the start of the month	Demand raised	Actual receipts during the month	Receivables at the end of the month
1	2	3	4	5	6
	Sub-total				
431-50 431-50-(a) 431-50-(a) 431-50-(a)	Government Grants Assigned Revenues Others*				
	Sub-total				
	Grant Total of Receivables				

(a) Insert Detailed Head Codes of Account as applicable

** Specify tax or other revenue accounts as applicable*

BUD- 10

_____Name of the ULB

_____Name of the Department

Statement of Payables for the month of _____

(To be forming part of Monthly Accounts)

Code No.	Head of Account / Item	Payables at the start of the month	Bills raised	Actual payments during the month	Payables at the end of the month
1	**2**	**3**	**4**	**5**	**6**
350-10	Creditors				
350-10-(a)	Suppliers				
350-10-(a)	Contractors				
350-10-(a)	Payable against Grants				
350-10-(a)	Others*				
	Sub-total				
350-11	Employee Liabilities				
350-11-(a)	Gross Salary				
350-11-(a)	Pension				
350-11-(a)	Others*				
	Sub-total				
350-20	Recoveries Payable				
350-20-(a)	TDS				
350-20-(a)	Works Tax				
350-20-(a)	Others*				
	Sub-total				
350-40	Refunds Payable				
350-40-(a)	Taxes				
350-40-(a)	Others*				
	Sub-total				
350-41	Advance Collection Of Revenues				
350-41-(a)	Taxes				
350-41-(a)	Others*				
	Sub-total				
	Grant total of Payables				

(a) Insert Detailed Head Codes of Account as applicable ** Specify tax or other payable accounts as applicable*

BUD- 11

_____*Name of the ULB*
Ward wise Works Liability Summary Report
For the year _____

Ward No.	Opening Balance		Current year		Total		Paid during the current year		Balance		Remarks
	No. of pending bills	Amount	No. of pending bills	Amount	No. of pending bills	Amount	No. of pending bills	Amount	No. of pending bills	Amount	
1 2 3 4											
Total											

BUD - 12

_____*Name of the ULB*

Revenue Trend Analysis

For the year ending _____

	Revenue	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total of the current year	Total of the previous year	Absolute increase of [decrease]	%age increase or [decrease]
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17 [15-16]**	**18**
110	Tax revenue																
120	Assigned Revenues & Compensation																
130	Rental income from Municipal Properties																
140	Fees & User charges																
150	Sale & Hire Charges																
160	Revenue Grants, contributions & subsidies																
170	Income from Investments – General Fund																
170	Income from Investments – Other Funds																
171	Interest earned																
180	Other income																
	Total																

CHAPTER 34

GUIDELINES FOR PREPARATION OF OPENING BALANCE SHEET

INTRODUCTION

34.1 This chapter contains the guidelines and the formats for collating the information for the assets and liabilities mentioned hereunder. It would facilitate the preparation of the Opening Balance Sheet of the Urban Local Body (ULB).

DEFINITIONS

34.2 The definition of key terms referred to in this Report are provided below:

a. Fixed Assets comprise assets, which are meant for use by the ULB over an extended period of time. It includes Immovable Property such as Land, Buildings, Bridges etc. and Movable Property such as Vehicles, Plant and Machinery, Furniture & Fixture etc.

b. Immovable Properties consist of properties, which cannot be relocated.

c. Movable Properties consist of properties, which can be relocated.

d. Current Assets are comprised of items of a short-term nature (normally less than one year). Such items are usually used up in less than one year or converted into cash (or its equivalent) within a year. For instance, Property Tax Receivables, Water Charges Receivables, Inventory of medicines, consumables etc.

e. Investments comprise of financial assets resulting from investments of cash surpluses.

f. Current Liabilities comprise of the claims of external parties on ULB on account of any dues or other payables.

g. Reserve Fund in the ULB represents amounts set aside and earmarked for meeting specific obligations and commitments. For instance, Pension Fund represents the amount set aside for meeting future pension liability.

34.3 The assets and liabilities for which guidelines and formats have been furnished are as under:

a. Fixed Assets

- Immovable Property
  - Land (Form 1)
  - Building (Form 2)
  - Roads, streets, lanes and footpaths (Form 3)
  - Bridges, culverts, flyovers, subways and causeways (Form 4)
  - Drains including underground drains (Form 5)
  - Water Works Distribution (Form 6)
  - Public Lighting System (Form 7)
  - Lakes and Ponds (Form 8)
  - Capital Work-in-Progress (Form 9)
- Movable Property
  - Plant and Machinery (including machinery of Water Works and Drainage) (Form 10)
  - Vehicles (Form 11)
  - Furniture and Fixtures (Form 12)
  - Office Equipments (Form 13)
  - Other Equipments (Form 14)

- Live Stock (Form 15)

b. Investments (Form 16)

c. Current Assets

- Cash Balance (Form 17)
- Bank Balance (Form 18)
- Details of Advances paid to suppliers / contractors (Form 19)
- Details of Loans & Advances to employees (Form 20)
- Receivables (including Taxes, Water charges, Rent etc.) (Form 21)
- Grants Receivable (Form 22)
- Department - wise Inventory (Form 23)
- Consolidated Inventory (Form 23A)
- Details of Deposits made (Form 24)

d. Loans Payable (Form 25)

e. Unutilised Grants (Form 26)

f. Reserve Funds (Form 27)

g. Current Liabilities

- Details of Deposits received (Form 28)
- Bills and other payables details (Form 29)

GENERAL GUIDELINES

34.4 This section contains the general guidelines to be followed while preparing the formats for the assets and liabilities. Specific guidelines for any asset or liability, if required, have been mentioned on the formats.

34.5 As far as possible, all details should be collected department-wise and then consolidated to give an overall picture for the ULB. For instance, Form 12 - Furniture & Fixture, Form 13 - Office Equipment, Form 14 - Other Equipment, Form 15 - Livestock and other relevant forms shall be given to each of the dispensaries, hospitals, maternity homes, animal pound and other locations within the Health Department for collecting information of the assets there, which shall be then consolidated at the departmental level.

34.6 The ULB should form separate teams who would be responsible for collating information in the formats provided, within a specific time frame.

34.7 A Steering Committee comprising of City Engineer, Head of the Accounts Department and Head of the Audit Department shall be responsible for coordinating the task of collecting information for each of the category of fixed assets. An illustrative list of the assets for which separate teams should be formed is as under:

- Land
- Buildings - the team should include a Civil Engineer or preferrably a Structural Engineer
- Roads, Streets and Lanes - the team should include a Civil Engineer
- Bridges, Culverts, Flyovers, Subways and Causeways - the team should include a Civil Engineer or preferrably a Structural Engineer
- Furniture & Fixture, etc.

34.8 Separate teams may also be formed for collecting information for other category of the assets under the overall supervision of the Steering Committee. The information gathered should be signed by the members of the concerned team and authenticated by the members of the Steering Committee.

34.9 It is suggested that the Provisional Balance Sheet be prepared as on December 31 of the financial year, so as to facilitate a quick and efficient preparation of Opening Balance Sheet as on April 1 of the next financial year.

34.10 The General Guidelines to be followed for Fixed Assets have been arranged as General Guidelines for Immovable Fixed Assets and General Guidelines for Movable Assets.

GENERAL GUIDELINES FOR IMMOVABLE ASSETS

34.11 The General Guidelines to be followed for Immovable Fixed Assets are as follows:

a. Conduct physical verification of the immovable assets.

b. The information collated during physical verification should be cross verified with the existing records maintained for the said fixed assets, if any.

c. Only such assets, whose ownership vests with the ULB, shall be considered for arriving at the list of assets of the ULB.

d. Details of the assets, whether freehold or leasehold should be specified separately for each of the assets.

e. Cost of acquisition / construction.

   - The cost of acquisition / construction should also include, in addition to the cost incurred in acquiring / constructing the said asset, the cost incidental to the acquisition / construction such as registration charges, stamp duty, consultancy charges (including legal charges) etc.

- In case the cost of acquisition / construction is not ascertainable, an estimate of cost that would have been incurred for the acquisition / construction should be provided.
- For assets funded out of grants, the cost of acquistion of the assets would be net of the grant proceeds utilised for the purchase of the asset
- In case an asset has been acquired / created free of cost, the asset should be recorded at a nominal value.

Cost of improvement. Any cost incurred for improvement of assets, which results in increasing the life or the utility of the asset, should be considered as an improvement cost. Expenses of a normal and routine nature incurred for the repairs and maintenance of assets should not be considered as an improvement cost.

f. Date of Acquisition. The date of acquisition is the date on which the property was legally vested with the ULB. In case of acquisition of fully constructed civil property, specify the estimated date when the construction of the structure. Also specify the date of acquisition of the said structure by the ULB.

g. Mode of Acquisition. Specify whether the fixed assets have been purchased, constructed, transferred or gifted to the ULB or has been attached under any Act.

h. From whom acquired. Specify the person / institution from whom the assets have been acquired.

i. Reference of available title documents. It has to be ensured that all the relevant documents like title deeds, contracts, invoices etc. are available with the ULB. A reference of the same has to be provided in the formats provided. In case the original documents are not available, a duplicate set should be made.

j. The following should be specified in the Remarks Column:
   - Source of finance for the acquisition / construction of the assets.
   - Any restriction/covenants on the transfer of assets.
   - Pending litigations in respect of the fixed assets
   - Any unauthorised use or encroachment on the fixed assets

k. The Accounts Department shall provide appropriate depreciation for assets held by the ULB to arrive at the book values of the assets. Depreciation shall be provided at the rates and calculated up to the date of opening balance sheet from

the date of acquisition / installation as the case may be as per the principles laid down under the chapter 21 on Fixed assets.

34.12 The General Guidelines to be followed for Movable Fixed Assets are as follows:

a. Conduct physical verification of the movable assets. Allot an asset reference number to all categories of plant and machinery, vehicle, furniture, fixture and equipment (including office equipment).
b. The information collated during physical verification should be cross-verified with the existing records maintained for the said fixed assets, if any.
c. Cost of acquisition / construction is the same as discussed in para. 34.11 (e).
d. Cost of improvement. Any cost incurred for improvement of vehicles such as building of body for buses, hearse vans, ambulances, fire brigades, etc. should be considered as an improvement cost.
e. Date of Acquisition. The date of acquisition is the date on which the property was legally vested with the ULB.
f. Mode of Acquisition is the same as discussed in para. 34.11 (g).
g. From whom acquired is the same as discussed in para 34.11 (h).
h. Reference of available title documents. It has to be ensured that all the relevant documents like title deeds, contracts, invoices etc. are available with the ULB. A reference of the same has to be provided as per the formats. In case the original documents are not available, a duplicate set should be made.
i. The following should be specified in the Remarks Column:
   - Source of finance for the acquisition / construction of the assets.
   - Any restriction/covenants on the transfer of assets.
   - Pending litigations in respect of the fixed assets
   - Any unauthorised use of the fixed assets

GUIDELINES FOR DETERMINATION OF VALUE OF CURRENT ASSETS

34.13 In respect of Investments, Receivables, Other Current Assets, Loans and Advances, Borrowings/Loans payable, Unutilised Grants, Reserve Funds and Current Liabilities, the ULBs should compile the information required in the formats from the registers maintained by them currently. As far as possible, all details should be collected department-wise and then consolidated to give an overall position for the ULB.

34.14 The ULB shall also provide for income receivable, expenses payable, provisions for current assets, loans and advance as per the accounting principles prescribed in each of the chapters described earlier. These provisions shall also appear in the opening balance sheet as follows.

- All income receivable shall be carried forward as current assets
- All expenses payable shall be carried forward as current liabilities
- Provisions for aged receivables shall be as per the accounting principles and the respective assets shall be netted off for the same.

MUNICIPAL FUND

34.15 Once, the values of all the assets and liabilities are arrived, the ULB shall record the net value or the balancing figure under the head ”Municipal Funds”.

TRANSITIONAL ISSUES

34.16 ULBs may encounter few of the transitional issues as illustrated below while transforming data from manual system of accounting to a computerised data environment:

- Availability of Historical Data
- Knowledge and Understanding capacity of Staff.

States and ULBs shall develop a detailed implementation plan to ensure smooth shift to the new system. Sustainability shall also be addressed in the implementation plan.

ACCOUNTING ENTRY FOR INCORPORATION OF BALANCES IN THE OPENING BALANCE SHEET

34.17 The entry to be passed for incorporating the opening balances is given below:

Code of Account	Accounting Entry (*)	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410-(b)	Fixed Assets (Specify the name of the assets for e.g. Buildings)	Dr.	500,000		Journal Book, Ledgers
412- (b)	Capital Work in progress	Dr.	300,000		
420/ 42- (b)	Investments (Specify the name of the relevant fund also)	Dr.	100,000		
460-40-(a)	Advance to Suppliers	Dr.	50,000		
460-(b)	Loans and advances	Dr.	30,000		
430-(b)	Stock in hand	Dr.	25,000		
431- (b)	Sundry Debtors	Dr.	100,000		
440- (b)	Prepaid expenses	Dr.	10,000		
450-(b)	Cash and Bank Accounts	Dr.	60,000		
310-10-(a)	To Municipal fund (General fund)	Cr.		454,000	
311-(b)	To Earmarked funds	Cr.		80,000	
312- (b)	To Reserves	Cr.		120,000	
330/331 – (b)	To Loans payable	Cr.		150,000	
340-(b)	To Deposits (specify the nature of deposits)	Cr.		25,000	
411- (b)	To Accumulated depreciation – Fixed assets (Specify the name of the asset for e.g. Buildings)	Cr.		300,000	
432- (b)	To Provision for Sundry Debtors	Cr.		15,000	
461- (b)	To Provision for Loans & advances	Cr.		2,000	
360-10-(a)	To Provision for expenses	Cr.		8,000	
350-(b)	To Other liabilities	Cr.		21,000	

(a) Insert Detailed Head Codes of Account as applicable
(b) Insert Major and Detailed Head Codes of Account as applicable

Note: The individual accounts within the major account heads listed above shall be debited/credited in above. Journal voucher prepared for incorporation of account balances in the Opening balance sheet.

REVISION OF OPENING BALANCE SHEET

34.18 There may exist possibilities that certain assets and liabilities are identified after preparation of draft Opening Balance Sheet as well as after preparation of the first Balance Sheet subsequent to Opening Balance Sheet. In such case, the value of assets or liabilities identified should be directly incorporated in the Opening Balance Sheet (where first Balance Sheet subsequent to the Opening Balance Sheet is not prepared) or through the account "Adjustments to Opening Balance Sheet" in the Balance Sheet for the period concerned. The amount of asset/liability should not be routed through the Income and Expenditure Account. An illustrative list of accounting entries required to be passed for incorporation of newly identified assets and liabilities are as under:

a. Incorporation of Land (e.g. Ground, Open Market, etc.)

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410-10-(a) 310-10-(a)	Land To Adjustments to Opening balance sheet	Dr. Cr.	1,00,000	1,00,000	Journal Book , Ledger

(a) Insert Detailed Head Codes of Account as applicable

b. Incorporation of Buildings (e.g. Art Gallery Building, Auditorium Building, etc.)

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
410-20-(a) 310-10-(a)	Buildings To Adjustments to Opening balance sheet	Dr. Cr.	10,00,000	10,00,000	Journal Book , Ledger

(a) Insert Detailed Head Codes of Account as applicable

c. Incorporation of Contractor Bills Payable in respect of maintenance of road

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
310-10-(a) 350-10-(a)	Adjustments to Opening balance sheet To Contractors Control Account	Dr. Cr.	10,00,000	 10,00,000	Journal Book , Ledger

(a) Insert Detailed Head code of Account as applicable

34.19 This account "Adjustments to opening balance sheet will shown as an addition to the Municipal Fund at the time of preparation of the Balance Sheet.

34.20 While incorporating the value of newly identified assets and liabilities in the Balance Sheet, it should be ensured that details of these assets/liabilities have also been incorporated in the relevant registers such as Fixed Assets Register, etc.

Form 1

Name of the ULB _____

LAND DETAILS as on

Sr. no.	Specify if leasehold/ freehold	Location	Survey no. of the land	Area (acre / sq. m.)	Date of acquisition	Cost of acquiring the land (Rs.)	Was the land subject to improvement such as filling, leveling etc. after acquisition? (Yes / No)	If yes, specify the details of improvement		Total Cost (Rs.)	From whom acquired	Mode of acquisition	Specify how land is being currently used	Give reference of the available title documents	Current market value (Rs.)	Remarks
								Date	Cost (Rs.)							
1	2	3	4	5	6	7	8	9	10	11 (7+10)	12	13	14	15	16	17

Notes:

1. Details of all the land belonging to the ULB, irrespective of the fact, whether it is vacant or any structure has been constructed on that, should be included here.
2. Each plot of land should be identified separately.
3. Specify if land is industrial / agricultural / residential in Column 2.
4. Draw a sketch / boundary for each plot of land and annex it to the form.

Form 2

Name of the ULB _____

BUILDING DETAILS as on

Sl. No.	Description of the Building	Location	Survey no. of the land where building is located	Dimension of the Building			Number of Floors	Total sq. feet (carpet area)	Area of the land on which building is located (acre / sq. m.)	In case of property acquired, specify the estimated date of completion of construction alongwith date of acquisition by the ULB	In case of property constructed by the ULB, specify the date of construction	Cost of acquisition / construction (Rs.)
				Length	Breadth	Height						
1	2	3	4	5	6	7	8	9	10	11	12	13

Was the building subject to any improvement such as renovation, extension or otherwise after acquisition? (Yes / No)	If yes, specify details of improvement		Total Cost (Rs.)	Specify the amount of depreciation provided on the building, if any (Rs.)	Written down value of the building after considering provision of depreciation (Rs.)	From whom acquired	Mode of acquisition	Specify how building is being currently used	Give reference of the available title documents	Current market value (Rs.)	Remarks
	Date	Cost (Rs.)									
14	15	16	17 (13+16)	18	19 (17-18)	20	21	22	23	24	25

Note:
Buildings should be categorised into municipal offices, residential quarters, godowns, shopping centres, hospitals, auditoriums, schools, swimming pool, temples, factory shed for water works and drainage system, library, slaughterhouse, market etc.

Form 3

Name of the ULB _____

ROAD, STREET, LANE AND FOOTPATHS DETAILS as on

Sr. no.	Name of the road, street and lane	Specify whether the road, street or lane is earthen, tar or concrete	Survey no. of land on which the roads, streets or lanes have been constructed	Dimension of the road, street or lane		Area (Sq. m.)	Date of acquisition / construction	Cost of acquisition / construction (Rs.)
				Length	Width			
1	2	3	4	5	6	7 (5*6)	8	9

Sr. No.	Were the roads, streets or lanes subject to any improvement? (Yes/No)	If yes, specify the details of improvement		Total Cost (Rs.)	Specify the amount of depreciation provided, if any (Rs.)	Written down value after considering the depreciation provision (Rs.)	From whom acquired	Mode of acquisition	Give reference of the available title documents	Remarks
		Date	Cost (Rs.)							
	10	11	12	13 (9+12)	14	15 (13-14)	16	17	18	19

Note:

1. Prepare ward-wise, area-wise list of roads, streets, lanes and footpaths.
2. Improvement would mean conversion of the road from one type of construction to another type of construction, for instance, conversion of a tar road into a concrete road or extension of the road, etc.
3. Specify the details of the footpaths annexed to the roads, streets or lanes immediately below the details of the said road, street or lane.

Form 4

Name of the ULB _____

BRIDGES, CULVERTS, FLYOVERS, SUBWAYS AND CAUSEWAYS DETAILS as on

Sr. no.	Description of the bridge, culvert, flyover, causeway or subway	Location	Survey no. of the land where structure is located	Dimension of the structure		Area of the land on which structure is constructed (acre / sq. m.)	In case of property acquired, specify the estimated date of completion of construction along with date of acquisition by the ULB	In case property is constructed by the ULB, specify the date of construction	Cost of construction / acquisition (Rs.)
				Length	Breadth				
1	2	3	4	5	6	7	8	9	10

Sr. No.	Was the structure subject to any improvement such as extension or otherwise after acquisition? (Yes / No)	If yes, specify the details of improvement		Total Cost (Rs.)	Specify the amount of depreciation provided on the structure, if any (Rs.)	Written down value of the structure after considering depreciation provision (Rs.)	From whom acquired	Mode of acquisition	Give reference of the available title documents	Remarks
		Date	Cost (Rs.)							
	11	12	13	14 (10+13)	15	16 (14-15)	17	18	19	20

Note: The commercial establishment annexed to the structures, if any should be included in the Building Schedule

Form 5

Name of the ULB _____

DRAINS INCLUDING UNDERGROUND DRAINS DETAILS as on

Sr. no.	Description of the drain, specifying whether it is open or underground drain	Name of the road/street where the drains are located	Survey no. of the land where drains are located	Dimension of the structure			Area of the land where the drains are constructed (acre / sq. m.)	In case of property acquired, specify the estimated date of completion of construction along with date of acquisition by the ULB	In case property is constructed by the ULB, specify the date of construction
				Length	Breadth	Height			
1	2	3	4	5	6	7	8	9	10

Sr. No.	Cost of construction / acquisition (Rs.)	Was the structure subject to any improvement such as extension or otherwise after acquisition? (Yes/No)	If yes, specify the details of improvement		Total Cost (Rs.)	Specify the amount of depreciation provided on the structure, if any (Rs.)	Written down value of the structure after considering depreciation provision (Rs.)	From whom acquired	Mode of acquisition	Give reference of the available title documents	Remarks
			Date	Cost (Rs.)							
	11	12	13	14	15 (11+14)	16	17 (15-16)	18	19	20	21

Notes:

1. The details of the drains should be collated ward-wise.
2. In column 2, in addition to specifying whether the drains are open or underground, also specify whether they are storm water drains or sewerage drains or for other purpose.

Form 6

Name of the ULB _____

WATER WORKS DISTRIBUTION DETAILS as on

Sr. no.	Description of the water distribution system assets	Name of the road/street where the distribution assets are located	Survey no. of the land where distribution assets are located	Dimension of the structure		Area of the land where the distribution system assets are located (acre / sq. m.)	In case of property acquired, specify the estimated date of completion of construction along with date of acquisition by the ULB	In case property is constructed by the ULB, specify the date of construction	Cost of construction / acquisition (Rs.)
				Length	Diameter				
1	2	3	4	5	6	7	8	9	10

Sr. No.	Was the structure subject to any improvement after acquisition? (Yes/No)	If yes, specify the details of improvement		Total Cost (Rs.)	Specify the amount of depreciation provided on the structure, if any (Rs.)	Written down value of the structure after considering depreciation provision (Rs.)	From whom acquired	Mode of acquisition	Give reference of the available title documents	Remarks
		Date	Cost (Rs.)							
	11	12	13	14 (10+13)	15	16 (14-15)	17	18	19	20

Notes:
1. In column 2, list down the water distribution asset details ward-wise.
2. Details of pipes, water storage tanks and transmission pipes should be provided here.

Form 7

Name of the ULB _____

PUBLIC LIGHTING SYSTEM DETAILS as on

Sr. No.	Name of the road/ Location	Survey number of road where the system is installed	Number of lamp posts	Cost of acquisition and erection of lamp posts (Rs.)	Meters of cables used	Cost of acquisition and laying of cables (Rs.)	Total Cost (Rs.)	Specify amount of depreciation provided, if any (Rs.)	Written down value after considering depreciation provision (Rs.)	Year of acquisition/ installation	Acquired from whom	Mode of acquisition	Give reference of the available title documents	Remarks
1	2	3	4	5	6	7	8 (5+7)	9	10 (8-9)	11	12	13	14	15

Note: Specify the details ward-wise

Form 8

Name of the ULB _____

LAKES AND PONDS DETAILS as on

Sr. No.	Description of the lake and pond	Location	Survey no. of the land where it is located	Area of the lake / pond (acre / sq. m.)	Date of construction / acquisition	Cost of acquisition / construction (Rs.)	Was the lake / pond improved after acquisition? (Yes / No)	If yes, specify the details of improvement		Total Cost (Rs.)	From whom acquired	Mode of acquisition	Give reference of the available title documents	Remarks
								Date	Cost (Rs.)					
1	2	3	4	5	6	7	8	9	10	11 (7+10)	12	13	14	15

Note:
In column 2, in addition to specifying the name and other relevant details of the lakes and ponds, also specify whether the lake or pond is used for portable purpose or for commercial activity.

Form 9

Name of the ULB _____

CAPITAL WORK IN PROGRESS DETAILS as on

Sr. no.	Name of the project	Work Order number and Year in which sanctioned	Location of the Project	Estimated cost of the project (Rs.)	Cost already incurred on the project (Rs.)	Specify the source of finance from which project is being funded	Estimated date of completion of the project	Remarks
1	2	3	4	5	6	7	8	9

Form 10

Name of the ULB _____

PLANT AND MACHINERY DETAILS as on

Sr. no	Description of the plant and machinery specifying the 'make'	Capacity	Location	Number of shifts in use	Date of acquisition	Cost of acquisition / construction (Rs.)	Specify the amount of depreciation provided, if any (Rs.)	Written down value after considering depreciation provision (Rs.)	Date of commencement of operation	From whom acquired	Mode of acquisition	Give reference of the available title documents	Current market value (Rs.)	Remarks
1	2	3	4	5	6	7	8	9 (7-8)	10	11	12	13	14	15

Note:
1. The details of the plant and machinery should be given department-wise and location-wise.
2. In addition to the plant and machinery of a general nature, also specify the plant and machinery of the Water Works and Drainage Department.
3. Also specify the sub-station and transformers deployed for public lighting system within the ULB
4. Details of any improvements to the plant and machinery, which has resulted into increasing the capacity of the plant and machinery, should be mentioned separately.
5. In Remarks column, indicate whether the ULB has the ownership right to the property or have only operating rights.

Form 11

Name of the ULB _____

VEHICLES DETAILS as on

Sr. no.	Description of the vehicle specifying whether it is LCV, HCV or cars, jeeps etc. and its ' make'	Date of acquisition	Cost of acquisition (Rs.)	Was the vehicle subject to any improvement such as body extension or otherwise? (Yes/No)	If yes, specify the details of improvement		Total Cost (Rs.)	Specify the amount of depreciation provided, if any (Rs.)	Written down value of the vehicle after considering depreciation provision (Rs.)	Year of manufacture	Registration details	Engine No.	Chassis No.	From whom acquired	Mode of acquisition	Give reference of the available title documents	Current market value (Rs.)	Remarks
					Date	Cost (Rs.)												
1	2	3	4	5	6	7	8 (4+7)	9	10 (8-9)	11	12	13	14	15	16	17	18	19

Notes:

1. In column 2, in addition to the normal description of the vehicle, also specify whether any structure has been added to the same, for instance, building of body for buses, ambulances, fire brigade, hearse van, etc.
2. In column 2, also specify the vehicle number.

Form 12

Name of the ULB _____

FURNITURE AND FIXTURES DETAILS as on

Sr. no.	Description of the asset specifying whether it is table, chair, cupboard, partition, safes vaults, cabinets, etc.	Location / Department	Asset reference number	Date of acquisition	Cost of acquisition / construction (Rs.)	Specify the amount of depreciation provided, if any (Rs.)	Written down value after considering the depreciation provision (Rs.)	From whom acquired	Mode of acquisition	Give reference of the available title documents	Remarks
1	2	3	4	5	6	7	8 (6-7)	9	10	11	12

Notes:

1. Prepare a separate list for each of the class of furniture and fixture, for instance, a separate list should be prepared for tables, chairs, cupboards, partitions, safe vaults, etc.
2. Asset reference number denotes any numbering / marking given to each piece of asset.

Form 13

Name of the ULB _____

OFFICE EQUIPMENT DETAILS as on

Sr. no.	Description of the asset specifying whether it is photocopier machine, typewriter, air conditioner, water cooler, computer etc.	Location / Department	Asset reference number	Date of acquisition	Cost of acquisition / construction (Rs.)	Specify the amount of depreciation provided, if any (Rs.)	Written down value after considering the depreciation provision (Rs.)	From whom acquired	Mode of acquisition	Give reference of the available title documents	Remarks
1	2	3	4	5	6	7	8 (6-7)	9	10	11	12

Notes:

1. Prepare a separate list for each of the class of office equipment, for instance, a separate list should be prepared for computer, photocopier machine, fax machine, telephone instruments, typewriter, air conditioner, water cooler, etc.
2. Asset reference number denotes any numbering / marking given to each piece of asset.

Form 14

Name of the ULB _____

OTHER EQUIPMENT DETAILS as on

Sr. No.	Description of the equipment details, specifying the make-n-model of the same	Location / Department	Asset reference number	Date of acquisition	Cost of acquisition / construction (Rs.)	Specify the amount of depreciation provided, if any (Rs.)	Written down value after considering the depreciation provision (Rs.)	From whom acquired	Mode of acquisition	Give reference of the available title documents	Remarks
1	2	3	4	5	6	7	8 (6-7)	9	10	11	12

Notes:
1. Specify here the details of the equipments other than plant and machinery such as hospital/maternity home/dispensary related equipments, playground equipment, club house/gymnasium equipment etc.
2. Details of the equipment should be collated department-wise and location-wise.
3. Asset reference number denotes any numbering / marking given to each piece of asset.

Form 15

Name of the ULB _____

LIVESTOCK DETAILS as on

Sr. No.	Specify location of the animal	Description of the animal	Specify number of animals	Specify amount paid for acquisition (Rs.)	Date of acquisition	From whom acquired	Mode of acquisition	Give reference of the available title documents	Remarks
1	2	3	4	5	6	7	8	9	10

Notes:

1. Details of the animals should be collated location wise.
2. Each class of animal such as cows, buffaloes etc. should be identified separately.

Form 16

Name of the ULB_____

INVESTMENT DETAILS AS ON _____

Sr. no.	Specify the funds from which investment made	Specify the instrument (government securities/ bank deposit) where Investment made	Amount invested (Rs.)	Amount of interest receivable from the last receipt till the cut-off date (Rs.)	Remarks
1	2	3	4	5	6

For Column 5 - Please compute the interest between the period of last receipt of interest till the cut-off date, even if the interest has not become due, or the instrument has not matured.

Form 17

Name of the ULB _____

CASH BALANCE AS ON _____

Sr. no.	Specify the name of the department where cash is lying	Cash balance as per General Cash Book (Rs.)	Cash in hand physically verified as on cut-off date	Difference (3-4)	Remarks
1	2	3	4	5	6

Form 18

Name of the ULB _____

BANK BALANCES AS ON _____

Sr.No.	Name of the Bank and Branch	Bank Account number	Specify the purpose for which the bank account is maintained	Balance as per General Cash Book (Rs.)	Remarks
1	2	3	4	5	6

Form 19

Name of the ULB _____

DETAILS OF ADVANCES PAID TO SUPPLIERS / CONTRACTORS AS ON _____

Sr. no.	Specify name of the department in respect of which advance is paid	Name of the Supplier / Contractor to whom advance has been paid	Date when the advance is paid	Amount outstanding (Rs.)	Remarks
1	2	3	4	5	6

Note: This list should be prepared department-wise.

Form 20

Name of the ULB _____

DETAILS OF LOANS & ADVANCES TO EMPLOYEES AS ON _____

Sr. no.	Specify name of the department in respect of which advance is given	Name of the Employee to whom advance has been paid	Nature of advance	Date when the advance is paid	Amount of advance outstanding (Rs.)	Remarks
1	2	3	4	5	6	7

Note: This list should be prepared department-wise.

Form 21

Name of the ULB _____

RECEIVABLES DETAILS (Including Taxes, Water Charges, Rent etc.) AS ON _____

Sr. no.	Specify name of the Department and/or Ward from where the demand is raised	Specify the description of the Receivables	Year-wise amount of Receivables		Remarks
			Year	Amount (Rs.)	
1	2	3	4	5	6

Note: This format should be prepared department-wise.

Form 22

Name of the ULB_____

GRANTS RECEIVABLE DETAILS AS ON _____

Sr. no.	Name of the Grant	Government sanction order no. specifying the amount of Grant receivable	Specify the year for which Grant to be received	Specify the amount of Grant due as per order of State Government (Rs.)	Remarks
1	2	3	4	5	6

Form 23

Name of the ULB _____

INVENTORY DETAILS AS ON _____

NAME OF DEPARTMENT - _____

Sr. no.	Name of Article	Quantity in Stock	Rate at which valued	Value of the inventory	Remarks
1	2	3	4	5	6

Examples of inventory
Health - Pesticides & Chemicals (Phenol, Powder) etc., Medicine, Test-tube, Injections etc.
Electric Goods- Bulbs, Tubelight, Lampshade, Holder, Starter, Choke, Condenser etc.
Water - Meter, Pipes, Spare-parts etc.
Fire Brigade - Fireman pipe, Nozal, Spare-parts etc.
Vehicle - Tyres, Tubes, Horsepipe, Spare-parts, Bulb, Bearings etc.
Office Stationery - Forms, Register etc.

Form 23 A

Name of the ULB _____

INVENTORY DETAILS AS ON _____
CONSOLIDATED STATEMENT OF INVENTORY

Sr. No.	Name of the department	Value of the inventory	Remarks
1	2	3	4

Note: This statement will be compiled departments/ stores- wise from the Form 22 filled separately by each of the departments/ stores.

Form 24

Name of the ULB _____

DETAILS OF DEPOSITS MADE BY THE CORPORATION/ COUNCIL AS ON _____

Sr. no.	Description of the Deposits made by the Corporation/ Council	Amount of Deposit (Rs.)	specify whether interest is receivable on deposit made, (yes/no)	*If yes*, specify the amount of interest earned from the date of last receipt to cut off date	Remarks
1	2	3	4	5	6

Form 25

Name of the ULB _____

LOANS PAYABLE DETAILS AS ON _____

Sr. No.	Specify the name of the Institution from whom the loan is received	Specify the purpose for which the loan is received	Specify the outstanding amount of loan (Rs.)	Specify the amount of interest payable from the date of last payment till cut-off date	Specify if any penal interest levied by the lending institution on undischarged amount of loan repayable	Remarks
1	2	3	4	5	6	7

Form 26

Name of the ULB _____

UNUTILISED GRANTS DETAILS AS ON _____

Sr. No.	Name of the Grant	Government sanction order no. specifying the amount of Grant received	Total amount of Grant received (Rs.)	Balance amount of Grant to be spent (Rs.)	Specify if the time for the utilisation of the Grant has lapsed (Rs.)	Remarks
1	2	3	4	5	6	7

Note: Purpose for which the grant is received should be captured alongwith the name of the grant in column number 2.

Form 27

Name of the ULB _____

RESERVE FUND DETAILS AS ON _____

Sr. No.	Name of the reserve fund	Balance to the credit of reserve fund as on cut-off date (Rs.)	Remarks
1	2	3	4

Form 28

Name of the ULB _____

DETAILS OF DEPOSITS RECEIVED AS ON _____

Sr.No.	Department in which deposit is received	Description of the Deposit received	Name of the depositor	Amount of Deposit (Rs.)	Remarks
1	2	3	4	5	6

Note:

(1) The format should be prepared department-wise.

(2) Details of the same nature of deposits received should be recorded together. (e.g.- In case of PWD - all the Earnest Money Deposit received should be recorded together; all the Security Deposit received/ deducted from the supplier/contractor bill should be recorded together.

Form 29

Name of the ULB _____

BILLS & OTHER PAYABLES DETAILS AS ON _____

Sr. No.	Name of the supplier / contractor	Specify nature of payables*	Amount payable (Rs.)	Specify name of the department procuring the material or incurring the expenditure	Remarks
1	2	3	4	5	6

* If more than one contract is given to the same supplier/ contractor than specify nature of each bills/expense payable in separate line for that party.

Annexure I

List of Forms and Registers

Sl. No.	Name	Number
	General	
1.	Cash Book	GEN-1
2.	Journal Book	GEN-2
3.	Ledger	GEN-3
4.	Cash/Bank Receipt Voucher	GEN-4
5.	Cash/Bank Payment Voucher	GEN-5
6.	Contra Voucher	GEN-6
7.	Journal Voucher	GEN-7
8.	Receipt	GEN-8
9.	Receipt Register	GEN-9
10.	Statement on Status of Cheques Received	GEN-10
11.	Collection Register	GEN-11
12.	Summary of Daily Collection	GEN-12
13.	Register of Bills for Payment	GEN-13
14.	Payment Order	GEN-14
15.	Cheque Issue Register	GEN-15
16.	Register of Advance	GEN-16
17.	Register of Permanent Advance	GEN-17
18.	Deposit Register	GEN-18
19.	Summary Statement of Deposits Adjusted	GEN-19
20.	Demand Register	GEN-20
21.	Bill of _____Income	GEN-21
22.	Summary Statement of Bills Raised	GEN-22
23.	Register of Notice Fee, Warrant Fee, Other Fees	GEN-23
24.	Summary Statement of Notice Fee, Warrant Fee, Other Fees	GEN-24
25.	Register of Refunds, Remissions and Write-offs	GEN-25
26.	Summary Statement of Refunds and Remissions	GEN-26
27.	Summary Statement of Write offs	GEN-27
28.	Statement of Outstanding Liability for Expenses	GEN-28
29.	Documents Control Register/Stock Account of Receipt/Cheque Book	GEN-29
30.	Register of Immovable Property	GEN-30
31.	Register of Movable Property	GEN-31
32.	Register of Land	GEN-32
33.	Function-wise Income Subsidiary Ledger	GEN-33
34.	Function-wise Expenditure Subsidiary Ledger	GEN-34
35.	Asset Replacement Register	GEN-35
36.	Register of Public Lighting System	GEN-36

Sl. No.	Name	Number
	Property Tax	
37.	Summary Statement of Bills Raised	P&OT-1
38.	Summary Statement of Demand Adjustments Raised	P&OT-2
39.	Summary Statement of Year-wise, Head-wise collection of Property & Other Taxes	P&OT-3
40.	Summary Statement of Refunds and Remissions	P&OT-4
	Octroi	
41.	Summary Statement of Collection / Refunds of Octroi	OC-1
42.	Summary Statement of Final Assessment of Provisional Assessment	OC-2
43.	Summary Statement of Assessment of Account Current Holders	OC-3
44.	Summary Statement of Transit Fees Collections and Refunds	OC-4
	Cess	
45.	Summary Statement of Demand Raised on Assessment	CE-1
46.	Summary Statement of Year-wise, Head-wise Collection of Cess	CE-2
47.	Summary Statement of Refunds/Remissions	CE-3
48.	Summary Statement of Write-offs	CE-4
	Water Supply	
49.	Summary Statement of Demand Raised on Assessment	WS-1
50.	Summary Statement of Year-wise, Head-wise Collection of Water Taxes	WS-2
51.	Summary Statement of Refunds/Remissions	WS-3
52.	Summary Statement of Write-offs	WS-4
	Rentals, Fees & Other Income	
53.	Summary Statement of Demand Raised on Assessment	OTH-1
54.	Summary Statement of Year-wise, Head-wise Collection of Other Incomes	OTH-2
55.	Summary Statement of Refunds	OTH-3
56.	Summary Statement of Write-offs	OTH-4
57.		
	Public Works	
58.	Summary Statement of Status of Capital Work-in-Progress	PW-1
59.	Work Sheet	PW-2
60.	Deposit Works Register	PW-3
	Stores	
61.	Material Receipt Note	ST-1
62.	Stores Ledger	ST-2
63.	Statement of Closing Stock	ST-3
	Employee Related Transactions	
64.	Consolidated pay bill and acquittance roll of the permanent/temporary establishment	ES-1
65.	Register of Employee Loans / Advances	ES-2
66.	Register of Interest on Loans to Employees	ES-3
67.	Unpaid Salary Register	ES-4

Sl. No.	Name	Number
68.	Register of Pension Payment Order	ES-5
69.	Pension Register	ES-6
	Grants	
70.	Grant Register	G-1
	Borrowings	
71.	Register of Loans	BR-1
72.	Register of Debentures	BR-2
73.	Register of Sinking Fund	BR-3
	Special Funds	
74.	Special Funds Register	SF-1
	Investments	
75.	Investments Ledger / Register	IN-1
76.	Calculation Sheet for provision for Diminution in value of investments	IN-2
	Loans	
77.	Register of Loans to Others	LA-1
	Special Transactions	
78.	Register of Grants to Schools & Other Undertakings	SPL-1
	Inter Unit Transactions	
79.	Advice of Inter Unit Transfer – Debit / Credit (ATD / ATC)	IUT-1
80.	Register of Inter Unit Transfer Advice (RIUTDC)	IUT-2
	Opening Balance Sheet	
81.	Land Details	Form 1
82.	Building Details	Form 2
83.	Road, Street, Land and Footpaths Details	Form 3
84.	Bridges, Culverts, Subways, Flyovers Details	Form 4
85.	Drains including Underground Drain Details	Form 5
86.	Water Works Distribution Details	Form 6
87.	Public Lighting System Details	Form 7
88.	Lakes and Ponds Details	Form 8
89.	Capital Work in Progress Details	Form 9
90.	Plant & Machinery Details	Form 10
91.	Vehicles Details	Form 11
92.	Furniture and Fixtures Details	Form 12
93.	Office Equipment Details	Form 13
94.	Other Equipment Details	Form 14
95.	Livestock Details	Form 15
96.	Investment Details	Form 16
97.	Cash Balance	Form 17
98.	Bank Balance	Form 18
99.	Details of Advances paid to Suppliers / Contractors	Form 19
100.	Details of Loans & Advances to Employees	Form 20
101.	Receivables Details (Including Taxes, Water Charges, Rent etc.)	Form 21
102.	Grants Receivable Details	Form 22

Sl. No.	Name	Number
103.	Inventory Details	Form 23
104.	Consolidated Statement of Inventory	Form 23A
105.	Details of Deposits Made by the Corporation Council	Form 24
106.	Loans payable Details	Form 25
107.	Unutilised Grants Details	Form 26
108.	Reserve Fund Details	Form 27
109.	Details of Deposits Received	Form 28
110.	Bills & Other Payable details	Form 29