

# Accounting For Government And Local Bodies

## Unit – 1 Introduction

1. What is Government Accounts?

The accounts maintained by the three levels of Governments in India namely The Central Govt, State Govts and Local Govts to record and maintain a track of their transaction is known as Govt Accounts.

2. What is Government Accounting?

It's the scientific procedure of collecting, classifying, recording, summarizing and interpreting all the financial transactions i.e. revenue and expenditure of all government offices.

3. Mention the forms of Govt Accounts.

- a. Revenues.
- b. Advances and loans.
- c. Recoveries of loan granted by Govt.

4. What are objectives of Govt Accounting?

- a. To record all the financial transaction of Govt.
- b. To record the Revenue and Expenditure of the Government.
- c. To control govt expenditure, does not exceed the limits predetermined by the budgets.
- d. To ensure that the govt expenditure is incurred as per the procedures, policies and rules of the Govt.
- e. To avoid the misuse or misappropriation of Govt properties through systematic records. This includes cash and stores also.
- f. To facilitate the auditing of books and accounts.
- g. To provide ready data for the decisions by the govt.
- h. To help in the preparation of financial statements and reports.
- i. To facilitate the preparation future budget.

5. What are the features of Govt Accounts?

- a. **Explains fund utilization:** Government Accounts explain the utilization of funds to achieve the objective of social benefit and is not aimed at knowing profit or loss position.
- b. **Compliance Factors:** Govt Accounts are prepared to comply with or fulfill the procedures, policies and rules and regulations of the Govt.

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- c. **System of recording** All Govt Accounts are recorded and maintained under single entry system, but for public sector commercial undertaking which maintain accounts under double entry system & borrowings of government.
- d. **Creation of Budget heads:** The various expenses are classified and brought under specific budget heads.
- e. **Budgetary control:** The Budgets are used as yardsticks to compare with actual expenses and achieve the cost control.
- f. **Banking / Banks are the medium of Transactions:** All the Govt transaction are supposed to be carried out through the banks only leaving very exceptional cases.
- g. **Regular Audits:** The Accounts maintained by all govt offices are subject to audit by the concerned Govt department of audit.
6. Differences between Govt Accounting and Commercial / Private Accounting.

Sl no.	Head	Govt Accounting	Private Accounting
1	Meaning	Accounts are known as Govt Accounting.	Accounts are known as Commercial Accounting.
2	Objective	To know the use of fund to achieve social benefit.	To know the profit / loss and financial position.
3	Budget Adherence	Govt Accounting strictly follows the budgets.	Private accounts may or may not follow budgets strictly.
4	Method / Basis of Recording	Follows cash basis / method.	Follows accrual method.
5	Scope	Financial and non-financial information.	Only financial information.
6	Levels of Accounting	Govt Accounting follows two levels, namely Central level and operating level.	No such multiple levels are followed.
7	Rules and provisions	Governmental rules and provisions are strictly observed.	Accepted Accounting Principles or Accounting Standards are observed.
8	Auditing	Audit is conducted by the Auditor General official of govt.	Auditor is conducted by a professional Auditor.

7. How many parts are there in Govt Accounting? There are three parts in Govt Accounting:
- Consolidated Fund.
  - Public Account Fund.
  - Contingency Fund.

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8. What are three stages of Govt Accounting?
- Collection.
  - Processing.
  - Reporting.
9. What is the scope of Govt Accounting? scope of Govt Accounting: includes a. General Administration.  
b. financial and non-financial information.
10. What is the origin of Govt Accounting in India?  
Govt Accounts were maintained from Ancient times in India. Kautilya's Arthashastra had defined procedure of maintenance of Govt Accounts.
11. What are the factors for evaluating Government Accounting?
- Transparency in public Administration.
  - Accountability in public Administration.
  - Implementation of Internal Auditing.
  - Efforts in External public Auditors.
  - Performance based and multi-year budgeting activities.
  - Efforts in Govt Accounting and Auditing.
  - Transition to integrated Accounting in the public sector with the impact of Technology.
12. What is the purpose of Govt Accounting?  
To carry out financial transactions of Govt in a timely, efficient and reliable manner.
13. How is income classified and sub-classified in Govt accounting?
- Tax Revenue.
    - Taxes on income and expenditure.
    - Taxes on capital expenditure and property.
    - Taxes on commodity and services.
  - Non-Tax revenues.
    - Interest Receipts.
    - Divided and Profit.
    - Other Incomes.

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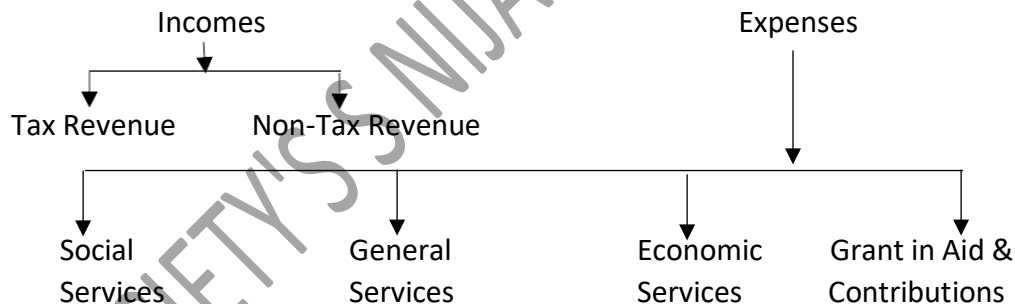
14. How is expenditure classified?

- a. General Services.
    - Administrative Service.
    - Defence Services.
    - Servicing of Debts. → Fiscal Services.
  - b. Social Services.
  - c. Economic Services.
- Grant-in-Aid and Contributions

15. What are the Principles of Accounting?

- a. **Responsibility for Govt Accounting:** This lies with Audit and Accounts Department other than Railways, defence and transactions outside India.
- b. **System of Accounting:** The Govt usually follows single entry of accounting. In some cases, where the arithmetical accuracy is to be ascertained double entry principle is followed.
- c. **Commercial Enterprises under public sector:** Double entry system under mercantile basis is followed in case of commercial enterprises under public sector. This is to ascertain the profit / loss and financial position of such enterprises.

d. **Classification of Income and Expenditure:**



- e. **Consolidated Transaction:** In govt Accounting, initially the transactions are recorded under various heads of accounts and later consolidated to show the results for a period.
- f. **Technical Accounts:** The accounts of Govt are prepared under Single Entry but in order to prepare a set of accounts Double Entry System is followed. The technical accounts include Journal and Ledger.

16. What is Fiscal Transparency? Fiscal Transparency refers to the publication of information or data on how govts raise, spend and manage public resources.

17. What are four pillars of Fiscal Transparency or Fiscal Transparency code?

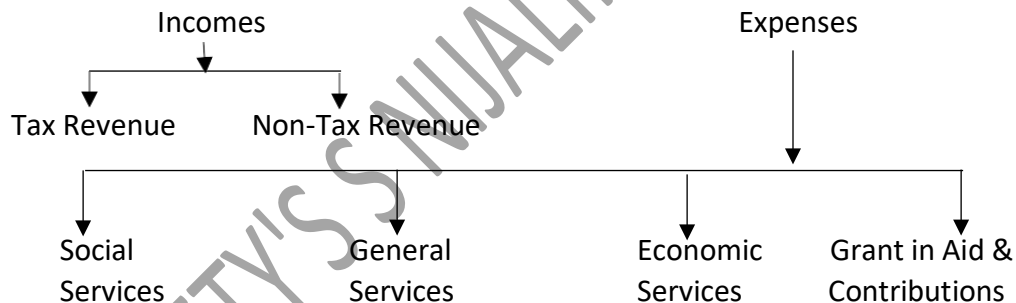
- a. Fiscal Reporting [Pillar i].

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- b. General Services.
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- b. Fiscal Forecasting & Budgeting [Pillar ii].
  - c. Fiscal Risk Analysis & Management [Pillar iii].
  - d. Resource Revenue Management: This is to establish a transparent framework for the establishment and use of public revenue.
21. How accounts act as a tool of fiscal transparency?
- a. Accounts provide reliable data of public revenue.
  - b. Accounts provide reliable data of public expenditure.
  - c. The comparisons can be made about the fiscal budget and actuals to know the deviation.
  - d. Accounts strengthens the fiscal transparency.
  - e. Such accounts help in monitoring and achieving improving the fiscal policy in future.
22. Explain the three types of the Govt.
- a. **Consolidated Fund of India:** It is the account of the revenue of the Govt of India receiving money through the various tax and non-tax revenue sources and the expenses incurred excluding exceptional items. For ex: Direct taxes, Indirect taxes, Dividend and Profits from public Sector undertaking and so on.
  - b. **Public Account:** A Public Account is an Account which shows the funds received on behalf of Govt of India. Public Accounts Funds do not belong to the Govt but have to be ultimately refunded to the persons who deposited those funds. For ex: Provident Fund, Small savings A/c and so on.
  - c. **Contingency Funds:** A contingent fund of India is an imprest fund for the nation and enables the Govt to meet unforeseen expenditure which can't wait for the approval of Parliament. For ex: Expenditure during natural Disasters like floods and famines.
23. State the meaning of Govt Financial Rule and Explain Rules.
- The set of rules & order of Govt of india to be followed by all in dealing with the matters involving public finance is known as Govt Financial rules.

### **RULES**

- a. The Audit report of Govt societies or Autonomous bodies should be placed on the table of House i.e. Parliament legislature.
- b. Approval of Union Cabinet should be obtained in each of sale or long term lease of land or belonging to the Govt bodies.
- c. Approval of finance ministry is a must for the sale / grant/ allocation of any Govt assets created from Govt funds.
- d. Any assets must be purchased after the publication of a tender.

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- e. The audited accounts of any voluntary organization receiving grants from Govt should be placed on the table of the house.
- f. Any purchase of goods for use by govt should be after tender.

### 24. Central Govt Receipts and Payments Rules.

The following are the Rules of Central Govt Receipts and Payments Rules: a. It Regulates the consolidated fund of India.

- b. It Regulate the contingent fund of India.
- c. The payment of moneys or flow of money into such funds.
- d. The withdrawal of moneys or flow of money out of such funds.
- e. The custody of Public moneys other than those credited to such funds received
- f. The Central Accounts Section Nagapur is responsible for keeping the complete

### 25. What is suspense account?

Any transactions of Receipts and payment which cannot be specifically classified and brought under a head of account due to lack of information or ambiguous information, they are kept under intermediary heads known as Suspense Account/ Suspense heads

### 26. ACCOUNTING RULES 1990.

- a. Accountant General is the head of office of accounts and works under CAG of India.
- b. The rules are applicable to all organizations except Railways, Posts, Telecommunications and defence to which special provision are applicable.
- c. Bank means SBI which acts as the official banker or RBI for the transactions of Govt.
- d. The accounts are classified into Consolidated fund, Contingent fund and Public fund.
- e. Cash basis of accounts is followed and in Public Commercial Enterprise, mercantile system is followed.
- f. The ledger and journal maintained under Govt accounting is known technical accounts.
- g. The Annual accounts [including Appropriation A/c] of the Central Govt, each State and Union territory is prepared in the form prescribed by the President on the advice of CAG.
- h. Proper accounts should be maintained for recoveries of over payments, if any, made by the Govt.
- i. Cost of survey and other scientific expenses of the defence department are met by Govt of India.