

# Andhra Pradesh Municipal Accounts Manual



Department of Municipal Administration &  
Urban Development  
Government of Andhra Pradesh



**CENTRE FOR GOOD GOVERNANCE**  
Knowledge • Technology • People

November 2007

# Andhra Pradesh Municipal Accounts Manual



Dr MCR HRD IAP Campus  
Road No. 25, Jubilee Hills  
Hyderabad 500033

**November, 2007**

# Table of Contents

Messages

Preface

GO Ms. No.233 MA dated 22-5-2002

GO Ms. No.619 MA dated 21-08-2007

Abbreviations

<b>1. Introduction</b>	<b>1 to 16</b>
Background	1
Definitions	2
Double Entry Accounting System	12
Accounting Rules	13
Accrual System of Accounting	14
Benefits of Accrual System of Accounting	14
Fund Based Accounting	15
<b>2. Accounting Fundamentals</b>	<b>17 to 34</b>
Accounting Concepts	17
Accounting Conventions	19
Significant Accounting Policies & Principles	20
<b>3. Codification Structure</b>	<b>35 to 84</b>
Chart of Accounts	35
Codification Logic and Procedure	37
Function	37
Account heads	38
Funds	40
Functionary	41
Field	41
ULB Codes	41
General Guidelines	41
Chart of Accounts – Code List	47
<b>4. General Accounting Procedure</b>	<b>85 to 159</b>
Books of Accounts	85
Procedure for Income Accounting	88
Procedure for Expenditure Accounting	99
Forms	119
<b>5. Revenue Income</b>	<b>160 to 207</b>
Accrual Basis of Accounting for Revenue Income	160
Tax Revenues	162
Assigned Revenues	173
Rental, Fees & Other Income	176
Grants	184
Income from Investments	193

<b>6. Revenue Expenditure &amp; Appropriations</b>	<b>208 to 253</b>
Procedure for Expenditure Accounting	208
Establishment Expenses	212
Administrative Expenses	230
Operations & Maintenance	233
Interest & Finance Charges	235
Programme Expenses	239
Grants, Contributions & Subsidies	240
Provisions & Write Offs	240
Miscellaneous Expenses	241
Depreciation	241
Prior Period Items	242
Transfers to Reserve Funds	243
<b>7. Liabilities (Capital Inflows)</b>	<b>254 to 286</b>
Funds	254
Deposit Works	260
Deposits	261
Special Funds	268
Borrowings	274
<b>8. Assets &amp; Net Current Assets</b>	<b>287 to 380</b>
Fixed Assets	287
Public Works	300
Capitalisation of Capital Work In Progress	301
Investments	304
Stores	317
Loans & Advances	337
Lease & Hire Purchase	343
Special Transactions	352
Addition to/Merger of Local Bodies	367
Inter Unit Transactions	370
<b>9. Period End Procedures</b>	<b>381 to 469</b>
Procedures	381
Reconciliations	390
Financial Statements	405
<b>10. Guidelines for Preparation of Opening Balance Sheet</b>	<b>470 to 512</b>
Definitions	470
General Guidelines	471
Revision of Opening Balance Sheet	476
Forms	478

Koneru Ranga Rao  
Minister for Municipal Administration  
Government of Andhra Pradesh  
Hyderabad

## MESSAGE

In the year 2001, Government of India (GoI), based on the recommendations of the Eleventh Finance Commission, issued guidelines to the Comptroller and Auditor General of India (CAG), to prescribe formats of Budget and Accounts for Panchyat Raj Institutions and Urban Local Bodies (ULBs) amenable to computerization.

In September, 2003, the GoI suggested to the CAG to develop National Municipal Accounts Manual (NMAM). In December, 2004, the NMAM developed by CAG was made available to State Governments across the country for development of State-specific Budget and Accounts Manuals to be used by the ULBs. Like many other ULBs in the country, ULBs in Andhra Pradesh have been following cash based single entry system of accounting, while the NAMM suggest accrual based double entry system of accounting.

The State Government has decided to introduce reforms in budgeting and accounting in all ULBs and desired the Centre for Good Governance (CGG) to develop state-specific accounts and budget manuals keeping the NMAM guidelines in view.

Centre for Good Governance has developed Manuals for Accounts, Budget, Audit, and Asset Management; and Handbook on Municipal Financial Accountability. I am confident that these manuals would facilitate better management of finance and accounts activities in the Urban Local Bodies (ULBs) and help in improved and efficient delivery of civic services.

Koneru Ranga Rao

K. Rosaiah  
Minister for Finance & Planning  
Government of Andhra Pradesh  
and  
Vice Chairman, Board of Governors &  
Chairman, Steering Committee  
Centre for Good Governance  
Hyderabad

## MESSAGE

Centre for Good Governance (CGG) was established by Government of Andhra Pradesh (GoAP) in October, 2001 to help it to achieve its goal of transforming governance. One of the focus areas of CGG is Financial Management – to improve planning, resource allocation, monitoring, management and accounting systems and access to information, so that accountability is clear, spending is transparent and public expenditure is more effectively controlled and more productively targeted.

Government of Andhra Pradesh in Municipal Administration and Urban Development department have issued orders (GO Ms. No.233 MA dated 22<sup>nd</sup> May, 2002) in 2002 that ULBs adopt with immediate effect accrual based accounting system within their jurisdiction.

Government of India made the National Municipal Accounts Manual (NMAM) available to State Governments during December, 2004 for development of state-specific accounts and budget manuals. The Government of Andhra Pradesh has decided to introduce reforms in budgeting and accounts in all ULBs and in January, 2006 entrusted the CGG the work relating to preparation of state specific accounting and budget manuals as per the guidelines in NMAM. CGG has immediately responded and developed the following manuals and handbook.

- Andhra Pradesh Municipal Accounts Manual;
- Andhra Pradesh Municipal Budget Manual;
- Andhra Pradesh Municipal Asset Management Manual;
- Andhra Pradesh Municipal Audit Manual;
- Andhra Pradesh Municipal Uniform Budget and Accounts Code; and
- Handbook on Municipal Financial Accountability.

The manuals were approved by Government recently in GO Ms. No.619 MA dated 21 August, 2007. I am glad that the manuals and handbook are being published and hope that they would be helpful to all ULBs to improve their performance and serve the people.

K. ROSAIAH

## Preface

In the year 2001, Government of India (GoI), based on the recommendations of the 11<sup>th</sup> Finance Commission, issued guidelines to the Comptroller and Auditor General of India (CAG), to prescribe the formats of Budget and Accounts for Panchyat Raj institutions and ULBs.

In September, 2003, the GoI suggested to the CAG to develop National Municipal Accounts Manual (NMAM). In December, 2004, the NMAM developed by CAG was made available to State Governments across the country for development of State-specific Budget and Accounts Manuals to be used by the ULBs. Like many other ULBs in the country, the ULBs in Andhra Pradesh have been following cash based single entry system of accounting, while the NAMM suggest accrual based double entry system of accounting.

The State Government has decided to introduce reforms in budgeting and accounting in all ULBs and desired the Centre for Good Governance (CGG) to develop Andhra Pradesh Municipal Accounts Manual (APMAM) keeping the NMAM guidelines in view.

A Manual has been developed by CGG through M/s. Vidya Sagar & Co, Chartered Accountant firm with the assistance of CGG team consisting of Sri V. Chandrasekhar, Knowledge Manager, Sri PV Subrahmanyam, Consultant, Sri DV Rao, Consultant, Sri N. Manmadha Rao, Internal Auditor, and Sri M. Brahmaiah, Director (FMRG) under the guidance of Sri A. Srinivas Kumar, IA&AS, Deputy Executive Director (F&P). Suggestions for improvement of the Manual are welcome.

Dr. RAJIV SHARMA, IAS  
Director General  
Centre for Good Governance

**GOVERNMENT OF ANDHRA PRADESH  
ABSTRACT**

Municipal Administration & Urban Development Department – Decision taken in the Workshop on Governing for Results – Local Bodies and Self Help Group V on 16<sup>th</sup> and 17<sup>th</sup> May, 2002 held in MCR HRD Institute, Hyderabad – Implementation – Orders – Issued.

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MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT DEPARTMENT

GO Ms. No.233 MA

DATED 22-5-2002

ORDER

The following decision was taken in the Workshop, Governing for Results - Local Bodies and Self Help Groups held on 16<sup>th</sup> and 17<sup>th</sup> May, 2002 in MCR HRD Institute to adopt accrual based accounting system.

“The Urban Local Bodies/Corporations adopt with immediate effect the accrual based accounting system within their jurisdiction”.

2. Government has considered the above suggestion and hereby accepts for immediate implementation.

(BY ORDER AND IN THE NAME OF GOVERNOR OF ANDHRA PRADESH)

**A.K.GOYAL**  
PRINCIPAL SECRETARY TO GOVERNMENT

To  
The Commissioner, Municipal Corporation of Hyderabad, Hyderabad  
The Director of Municipal Administration, Hyderabad  
The Engineer-in-Chief,(PH), Hyderabad  
The Director of Town Planning, Hyderabad  
SF

//FORWARDED BY ORDER//

SECTION OFFICER



**GOVERNMENT OF ANDHRA PRADESH  
ABSTRACT**

MA&UD Department - National Municipal Accounting Manual - A.P. State Municipal Accounting Manual - Implementation in all ULBs in the State - Orders Issued.

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MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT (UBS) DEPARTMENT

**G.O. Ms. No. 619 MA**

**Date: 21-08-2007**

**Read:**

Guidelines issued by Government of India dated: 16-05-2005.

**O R D E R**

In the reference cited above, Government of India have communicated the model National Municipal Accounting Manual and instructed the State Governments to prepare the State Municipal Accounting Manual according to their needs and implement the same in all the Urban Local Bodies,

2. Accordingly Government of A.P, have prepared the A.P. State Municipal Accounting Manuals (1. A.P. Municipal Accounting Manual, 2. A.P. Municipal Budget Manual, 3. A.P. Municipal Asset Management Manual and 4. A.P. Municipal Audit Manual) in collaboration with Centre for Good Governance, Hyderabad. C. & A. G, Hyderabad has concurred with implementation of the same in the State.

3. Government hereby direct all the Urban Local Bodies in the State to implement the A.P. Municipal Accounting Manuals. The required Hard and Soft copies of A.P. Municipal Accounting Manuals will be provided by Centre for Good Governance, Hyderabad.

4. Commissioner and Director of Municipal Administration is instructed to take further necessary action.

5. These orders are issued with the concurrence of Fin. U.O. No. 17728/268/AI/ Exp. M & F/07, dated: 2-08-2007.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDRHA PRADESH)

**PUSHPA SUBRAHMANYAM  
SECRETARY TO GOVERNMENT**

To

The Commissioner and Director of Municipal Administration, Hyderabad.  
All the HoDs ,UDAs and ULBs in the State through CDMA, Hyderabad.

## Abbreviations

APM Act	Andhra Pradesh Municipalities Act, 1965
APMAM	Andhra Pradesh Municipal Accounts Manual
ATC	Advice for Transfer – Credit
ATD	Advice for Transfer – Debt
AU	Account Unit
BC	Backward Class
BPV	Bank Payment Voucher
BRS	Bank Reconciliation Statement
BRV	Bank Receipt Voucher
CAG	Comptroller and Auditor General of India
CGG	Centre for Good Governance
COA	Chart of Accounts
Cr.	Credit
CRV	Cash Receipt Voucher
CWIP	Capita Work-in-Progress
Dr.	Debit
EMD	Earnest Money Deposit
FIFO	First In First Out
GOI	Government of India
HMC ACT	Hyderabad Municipal Corporation Act, 1955
ICAI	Institute of Chartered Accountants of India
IUT	Inter Unit Transfer
L/F	Ledger Folio
MC	Municipal Commissioner
MCH	Municipal Corporation of Hyderabad
MRIN	Material Requisition cum Invoice Note
MRN	Material Receipt Note
NAV	Net Asst Value
NMAM	National Municipal Accounts Manual
PO	Payment Order
PO	Purchase Order
PTD	Period to Date
Re.	Rupee
RR	Revenue Receipt
Rs.	Rupees
SC	Scheduled Caste
SLM	Straight Line Method
Sr. No.	Serial Number
ST	Scheduled Tribe
TB	Trial Balance
ULB	Urban Local Body
UOM	Unit of Measurement
WDV	Written Down Value
WIP	Work-in-Progress
WO	Work Order

## Background

1.1 74<sup>th</sup> Amendment to the Constitution of India gave constitutional status to Local Self Government to impart **certainty, continuity and strength**, for devolution of powers to Urban Local Bodies (ULBs) and for allotment of adequate resources. As per Article 243-W of the Constitution of India, the State Legislature has to specify and entrust to the ULBs (Nagar Panchayats, Municipalities and Municipal Corporations) with such powers and responsibilities on the 18 subjects included in the 12<sup>th</sup> Schedule. Thus, the ULBs have to discharge their duties covering both obligatory as well as discretionary functions.

1.2 Further, Under Article 243-X, the Legislature of the State may authorise ULBs to levy, collect and appropriate certain taxes, duties, tolls and fees; assign to ULBs such taxes, duties, tolls and fees levied and collected by the State Government; and provide for grant in aid to ULBs. Thus, the ULBs are entrusted with the duties of collection (Income) and spending (Expenditure).

1.3 It is also provided under Article 243-Z, that the State Legislature may make provision with respect to the maintenance of accounts by ULBs and the audit of such accounts.

1.4 Currently, the Hyderabad Municipal Corporation Act 1955 (HMC Act) and AP Municipalities Act 1965 (APM Act) and the rules made thereunder provide maintenance of accounts on Cash base System.

1.5 In the year 2001, in response to a writ petition before it, a Bench of the Hon'ble Supreme Court of India ordered that the Municipal Corporation of Delhi and the New Delhi Municipal Council **will be required to maintain accounts as per the mercantile system of accounting**. The Hon'ble Supreme Court has also directed that the ULBs in India should take immediate steps to get their accounts **converted from cash basis to accrual basis**.

1.6 The Government of India (GOI), based on the recommendations of the 11<sup>th</sup> Finance Commission, issued guidelines to the Comptroller and Auditor General (C&AG), to prescribe the formats of Budget and Accounts for Panchyat Raj institutions and ULBs.

1.7 Accordingly, a Task Force was constituted by C&AG in February 2002 under the Chairmanship of Mr. K. N. Khandelwal, Deputy Comptroller and Auditor General and with representatives of Ministry of Urban Development (MUD), GoI, select officers of Municipal Corporations and Municipal Administration Departments of State Governments.

1.8 In April 2003, Gol had accepted the Task Force Report and forwarded the same to the State Governments for implementation. The MUD, Gol reviewed the progress made by the States in September 2003 and recommended for the development of Model National Municipal Accounts Manual (NMAM).

1.9 The NMAM developed by C&AG was made available to States across the country in December 2004 for development of State-specific Budget and Accounts Manuals to be used by the ULBs. Like many other ULBs in the country, the ULBs in Andhra Pradesh have been following single entry system of accounting. The Municipal Corporation of Hyderabad (MCH) has taken initiative to introduce Modified Accrual Based Double Entry System of Accounting and revised its budget formats. The MCH introduced modified accrual based double entry system of accounting from the financial year 2002-03. **The State Government has now decided to introduce the reforms in budgeting and accounting in all ULBs through the Centre for Good Governance (CGG). Keeping the NMAM guidelines in view, the Andhra Pradesh Municipal Accounts Manual (APMAM) has now been prepared for all ULBs in Andhra Pradesh.**

## Definitions

1.10 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.
- b. "Guidance Note on Terms used in Financial Statements" issued by the Institute of Chartered Accountants of India (ICAI).
- c. The descriptions/definitions used in NMAM.
- d. In other cases, the definitions provided in the HMC Act 1955, APM Act 1965 and the Rules made thereunder are adopted.

1.11 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 *(NMAM)*
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** – A location identified by the ULB as a unit for maintenance of accounting records. *(NMAM)*
8. **Accounting Year** - The "Official Year" or "Year" means a year commencing on the first day of the Accounting period. *(NMAM)*
9. **Accrual** - Recognition of revenues and costs as they are earned or incurred (and not as money 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). *(NMAM)*
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 which, at the date of accounting, have been partly performed and are not yet receivable (payable). (NMAM)
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 (Mayor/Chairperson) and/or the Commissioner of the ULB on the year's operations. (Kohler)
  17. **Assets** - Tangible objects or intangible rights owned by the ULBs and carrying for 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 augmentation 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 for allocation of funds to ULBs.(NMAM)
  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 or for any other purpose as resolved by the ULBs. (NMAM)
  20. **Auditor** – An officer appointed by State Government to audit the accounts of the ULB.
  21. **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)

22. **Balancing** - In order to balance an account, the two sides, namely Debit and Credit are totaled 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. *(NMAM)*
23. **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)*
24. **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 error/omission in the recording of transaction inter-se between the ULB and the Bank. *(ICAI)*
25. **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)*
26. **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)*
27. **CAG** - CAG means the Comptroller and Auditor General of India appointed under Article 148 of the Constitution of India.
28. **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)*
29. **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)*
30. **Capital Work in Progress** - Expenditure on capital assets which are in the process of construction or completion. *(ICAI)*
31. **Cash Book** - A book of original entry for cash receipts, disbursements, or both. *(Kohler)*
32. **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)*
33. **Castig** - It means totaling of the amounts in the books of account. *(NMAM)*

34. **Chart of Accounts** - A systematically arranged list of accounts applicable to a specific concern, giving account names and numbers, if any. *(Kohler)*
35. **Code of Account** - A unique numeric or alphanumeric identification given to each Account to facilitate classification and ease of recording. *(NMAM)*
36. **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)*
37. **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)*
38. **Control Account** - Control account is an account in the general ledger that consists of related subsidiary ledgers. The total of the related subsidiary ledgers should total the balance in the related control account. *(NMAM.)*
39. **Cost** - The amount of expenditure incurred on or attributable to a specified article, product or activity. *(ICAI)*
40. **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)*
41. **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. *(NMAM)*
42. **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)*
43. **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 ULB. *(ICAI)*
44. **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)*
45. **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)*



46. **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)*
47. **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)*
48. **Deficit** - The excess of expenditure over income of the ULB for an Accounting Period under consideration. *(NMAM)*
49. **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)*
50. **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 ULB 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)*
51. **Depreciation** - A measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, elapse 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)*
52. **Depreciation Method** - The arithmetic procedure followed in determining a provision for depreciation (an expense) and maintaining the accumulated balance. *(Kohler)*
53. **Depreciation Rate** - A percentage which when applied to the depreciable amount will yield depreciation expense for a year. *(Kohler)*
54. **Dividend Income** - An income received from investments by a ULB in shares/units. *(NMAM)*
55. **Earmarked Funds** – Funds representing Special Funds to be utilised for specific purposes. *(NMAM)*
56. **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)*

57. **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)*
58. **Finished Goods** - Goods held for sale in the ordinary course of business. *(ICAI)*
59. **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)*
60. **Fixed Deposit** - Deposit for a specified period and at specified rate of interest. *(ICAI)*
61. **Fund** - The term Fund refers to amount set aside for a general or specific purpose, whether represented by specifically earmarked assets or not. *(ICAI)*
62. **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)*
63. **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)*
64. **Gross Block** - The total cost of acquisition/purchase of all the Fixed Assets of the ULB. *(NMAM)*
65. **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. *(NMAM)*
66. **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)*
67. **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)*
68. **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)*

69. **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)*
70. **Inter unit transactions** - Transactions between one or more accounting units of the ULB. *(NMAM)*
71. **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. *(NMAM)*
72. **Journal Book** - The book of original entry in which are recorded transactions not provided for in specialised journals. *(Kohler)*
73. **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. *(NMAM)*
74. **Lapsed Deposits** - Deposits unclaimed for more than such period or periods. As per the Andhra Pradesh Municipalities (Transactions Relating to Deposits, etc.) Rules, 1970, a deposit unclaimed within three years from the date on which it becomes repayable will lapse.
75. **Ledger** - A compilation of all accounts used for accounting purposes. *(NMAM)*
76. **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 incidental to ownership. All other leases are classified as operating leases. *(ICAI)*
77. **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)*
78. **Long term investments** - Any investment falling outside the ambit of current investments are treated as long-term investments. *(ICAI)*
79. **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)*
80. **Municipal Body** – Includes Nagar Panchayat, Municipality and Municipal Corporation.

81. **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. *(NMAM)*
82. **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. *(NMAM)*
83. **Net Assets** - The excess of the book value of the assets of an accounting unit over its liabilities to outsiders. *(Kohler)*
84. **Net Block** - Gross Block less Accumulated Depreciation of all the Fixed Assets of the ULB. *(NMAM)*
85. **Period End** - the last day of any Accounting Period, e.g., quarter, half-year, year. *(NMAM)*
86. **Pooling of Interest Method** - Pooling of interest 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)*
87. **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)*
88. **Prepaid Expense** - Payment for expense in an accounting period, the benefit for which will accrue in the subsequent accounting period(s). *(ICAI)*
89. **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)*
90. **Provision for Unrealised Revenue** - A provision made for revenue considered doubtful of recovery. *(ICAI)*
91. **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)*
92. **Receipt** - A written acknowledgement of something acquired; hence, an accounting document recording the physical receipt of cash/cheques. *(Kohler)*

93. **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. *(NMAM)*
94. **Reconciliation** - It means adjusting the difference between two items (i.e. amounts, balances, accounts or statements) so that the figures agree. *(ICAI)*
95. **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. *(NMAM)*
96. **Revenue Expenditure** - It means outlay benefiting only the current year. It is treated as an expense to be matched against revenue. *(ICAI)*
97. **Sinking Fund** - A fund created for the repayment of a liability or for the replacement of an asset. *(ICAI)*
98. **Special Fund** - An amount set aside for a specific purpose represented by specifically earmarked assets. *(ICAI)*
99. **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)*
100. **Sub-Ledger** - One or more accounts that make up the Control Account. These sub-ledgers are related to the Control Account and provide more details of the Control Account. The total of the related sub-ledgers will equal the related Control Account. *(NMAM)*
101. **Surplus** - The excess of income over expenditure of the ULB for an Accounting Period under consideration. *(NMAM)*
102. **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)*
103. **Trial Balance** - A list or abstract of the balances 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)*
104. **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)*

105. **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. (NMAM)
106. **Work-in-Progress** - Goods in the process of production for their sale or usage. (ICAI)
107. **Written Down Value (WDV)** - In respect of a fixed asset means its cost of acquisition or substituted value less accumulated depreciation. (ICAI)
108. **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)

## Double Entry Accounting System

1.12 Account-keeping is a system of recording the effect of each financial transaction under appropriate accounts, for purposes of easy comparison with past performances and for comparison to project for future development or improvement. The combined effect of all such transactions of a period is to arrive at the net result of the activities or services rendered to the public by the Municipality and to ascertain promptly the accurate financial position.

1.13 The 'financial transaction' means either the receipt of a benefit in the shape of cash, goods or services or imparting of such benefit. Thus, every transaction has got a two-fold effect. It results in dealing with a number of persons or firms, goods, cash, furniture and other assets or possessions, incurring certain operational and administrative expenses such as salaries to the staff, wages, purchases, advertising, stationery and printing, postage etc. and also deriving income from certain specified sources such as collection of taxes, fees, etc. under relevant statutes.

1.14 Double Entry Accounting System is, thus, a system of account keeping, by which, both the receiving and the giving benefit of each transaction are recorded at a time.

1.15 Broadly all accounts are primarily classified as:

- a) Personal Accounts
- b) Property or Real Accounts and
- c) Nominal or Fictitious Accounts

1.16 The rules of debit and credit in respect of the above accounts are:

- i) Personal Accounts: Debit the receiver and Credit the giver
- ii) Property or Real Accounts: Debit what comes in and Credit what goes out

- iii) Nominal or Fictitious Accounts: Debit expenses and losses and credit gains and income

1.17 These rules shall never vary and as such, they have to be strictly followed.

## Accounting Rules

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

<b>Assets = Own Funds + Liabilities</b>	
An increase in the asset, e.g., Vehicle can be brought about by:	A decrease in the asset, e.g., Cash may result in:
<ul style="list-style-type: none"> <li>❖ Decrease in another asset, e.g., Bank Account</li> <li>❖ Increase in liability, e.g., Loans or Payables.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Increase in another asset, e.g., Medical Equipment</li> <li>❖ Decrease in liability, e.g., Payment of Loans or payment of suppliers outstanding</li> <li>❖ Decrease in own funds through expenditure.</li> </ul>

1.19 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

1.20 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.

1.21 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

## Accrual System of Accounting

1.22 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.

1.23 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

1.24 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:

- a. 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.
- b. 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.
- c. 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 are conducted in that year.



- d. 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.
- e. 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.
- f. 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.
- g. It facilitates proper financial analysis and reporting.
- h. It captures “full” cost of servicing and helps in identifying financial viability of rendering services.
- i. It helps in providing timely, right quality and nature of information for planning, decision-making and control at each level of management.
- j. It assists in effective follow-up of receivables by the municipal body and proper ascertainment of payables by the municipal body.
- k. 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.
- l. It presents a true picture of the financial position of an organisation and helps in better financial management.

1.25 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.

## **Fund Basis of Accounting**

1.26 Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1.27 It is postulated that the fund basis of accounting helps in taking managerial decisions in a more conducive accounting environment. This is simply because Governmental operations are by their very nature diverse. The other major factor is the need to assure

legal compliance at every step. As a single Government entity is involved in multifarious activities - each with a specific purpose; some in the nature of business and others as a part of a Governmental activity, it implies that each activity/purpose must be accounted for separately. Therefore, including all the financial transactions in a single fund makes it difficult to analyze the way Government funds are being used or expended. The linked problem is that in Government, usually separate entities become responsible for particular groups of assets, unlike in the private sector where a single company will have all kinds of assets that are shown in its Balance Sheet.

## Accounting Concepts

2.1 'Accounting Concepts' are the basic principles, 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. The common accounting concepts are given below:

- **Entity Concept**
- **Going Concern Concept**
- **Money Measurement Concept**
- **Cost Concept**
- **Accounting Period Concept**
- **Accrual Concept**
- **Matching Concept**
- **Realisation Concept.**

### ***Entity Concept***

2.2 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.

2.3 For example, a ULB is a separate, independent and autonomous entity and is governed by a separate legislation and the regulations framed for/by it. The various stakeholders of the ULB, including citizens, State Government, environmentalists, etc., do not own the ULB. Thus, a separate Balance Sheet and Income and Expenditure Statement are prepared in respect of the operations of the ULB. This concept is applicable to all forms of organisations.

### ***Going Concern Concept***

2.4 Going concern concept implies that the enterprise has neither the intention nor the necessity of closing down or curtailing materially the scale of its operations. Thus, an enterprise is assumed to continue its operations for the foreseeable future. The organisation will continue for a long time, unless and until it has entered into a state of liquidation. Under this concept, the financial statements are prepared not only at defined period-end to measure the performance of the entity during that period, but also on the closure or liquidation of the entity. Further, under the HMC Act/APM Act, the Corporation/Municipality is a body corporate and has perpetual succession and common seal.

### ***Money Measurement Concept***

2.5 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***

2.6 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***

2.7 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***

2.8 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 to. 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.

### ***Matching Concept***

2.9 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***

2.10 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**

2.11 '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:

- Convention of Disclosure;
- Convention of Materiality;
- Convention of Consistency; and
- Convention of Conservatism.

### ***Convention of Disclosure***

2.12 The term “disclosure” implies that there must be a sufficient revelation of information, which is of material interest to owners, creditors, lenders, investors, citizens 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.

2.13 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***

2.14 An item should be regarded as material, if there is sufficient reason to believe that knowledge of it would influence the decision of informed creditors, lenders, investors, citizens 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.

2.15 For example, the expenditure incurred on repairs and maintenance of a certain asset of the ULB, 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***

2.16 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.

2.17 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 (Prudence Concept)***

2.18 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 contingent losses are taken into consideration and all contingent incomes are not taken into consideration. For example provision is made for diminution in value of investments, however, no provision is made for any appreciation in value of investments.

## Significant Accounting Policies & Principles

2.19 Accounting Policies are defined as “the specific accounting principles and the methods of applying those principles adopted by the organization in the preparation and presentation of financial statements”. (ICAI)

2.20 All significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed as notes to accounts in the Financial Statements of the ULB.

2.21 **Going Concern, consistency and accrual** are the fundamental accounting assumptions, which underlie in the preparation and presentation of financial statements.

### ***Disclosure of Deviation From Accounting Principles Adopted***

2.22 Where there is any deviation to accounting principles adopted by the ULB, while preparing its Financial Statements, the same shall be disclosed together with the reason and financial effect thereof. 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.

2.23 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.

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

### **Property and Other Taxes**

- a. Revenue in respect of property, advertisement 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, Distraint Fee, Warrant Fee and other fees charged shall be recognised when the bills for the same are raised.
- e. Revenue in respect of Fee for change of title (Property Transfer) shall be recognised on actual receipt.
- f. Collections to be made on behalf of State Government i.e., 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 for doubtful recovery of tax shall be made on the following norms:
    - 1. Outstanding for more than 2 year but not exceeding 3 years: 25%
    - 2. Outstanding for more than 3 years but not exceeding 4 years: 50%
    - 3. Outstanding for more than 4 years but not exceeding 5 years: 75%
    - 4. Outstanding for more than 5 years: 100%
  - j. While making provision for receivables as stated above, the relevant proportion “State Government Levies in 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 they pertain to previous years, then they 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 income of the year in which it is realized.
  - o. Demands raised with retrospective effect will be treated as income of the year in which demand raised.
  - p. Part-payments received in respect of Property and Other Tax levies shall be adjusted against penal interest, arrears demand and current demand.
  - q. Wherever self-assessment of taxes is 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



### **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, and 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.

### **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 for doubtful recovery 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%

- 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 or remissions of Cess for the current year shall be adjusted against the Income; and if they 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 Income of the year in which it is realized.
- i. Demands raised with retrospective effect will be treated as Income of the year in which demand raised.

### **Water Supply**

- a. Revenue in respect of Water 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 Connection Charges/Pipeline Service Charges for Water Supply shall be recognised on actual receipt.
- c. Revenue in respect of Disconnection Fee, Reconnection Fee and other fees 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 for doubtful recovery 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 Property Tax, which is as follows:
    - i. Outstanding for more than 2 years but not exceeding 3 years: 25%
    - ii. Outstanding for more than 3 years but not exceeding 4 years: 50%
    - iii. Outstanding for more than 4 years but not exceeding 5 years: 75%
    - iv. Outstanding for more than 5 years: 100%
  - If water charges demand is raised separately, the provisioning shall be as follows:
    - I. Outstanding for more than 2 years but not exceeding 3 years: 50%

II. Outstanding for more than 3 years: 100%

- 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 or remissions of taxes for the current year shall be adjusted against the income.
- 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 income of the year in which it is realized.

### **Assigned Revenues**

- a. Assigned revenues like Entertainment Tax, Profession 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.

### **Rentals, Fees and Other Sources of Income**

- a. Revenue in respect of Trade License Fees shall be accrued in the year to which it pertains and where the Demand is raise-based.
- b. Revenues in respect of rents from properties shall be accrued based on terms of agreement.
- c. 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.
- d. 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.
- e. Revenue in respect of Distraint Fee, Warrant Fee, Other Fees shall be recognised when the bills for the same are raised.
- f. Interest element and Penalties, if any, in demand shall be reckoned only on receipt.

- g. In respect of the demand outstanding beyond two (2) years, provision for doubtful recovery shall be made based on the following provisioning norms:
  - i. Outstanding for more than 2 years but not exceeding 3 years: 50%
  - ii. Outstanding for more than 3 years: 100%
- h. 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.
- i. Refunds or remissions of Other Incomes for the current year and previous years shall be adjusted against the income.
- j. Write-offs of Other Incomes shall be adjusted against the provisions made and to that extent, recoverable is reduced.
- k. Any subsequent collection or recovery of 'Receivables of Rental, Fees and Other Incomes' which were already written off shall be recognised as income of the year in which it is realized.

### **Health and Sanitation:**

- a. Revenue in respect of the following shall be recognised on actual receipt.
  - i. Hospital fees, maternity home fees, diagnostic centre fees and dispensary 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 rent of equipment provided to the contractors, deducted from their bills, shall be recognised as and when the deductions are made.
- c. All revenue expenditures incurred shall be recognised on admission of the bills for payment by the ULB. Provision shall be made at the year-end for all bills received upto a cut off date (30<sup>th</sup> April of next financial year).

### **Grants**

- a. 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 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 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.

### **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 Fund. However it shall 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 shall also be formed for meeting the Pension and other retirement benefits including Gratuity and Leave encashment.

- f. Contribution due towards Pension and other retirement benefit funds shall be recognised as an expense and a liability. State Government has defined following rates of contribution:
  - I. Pension : 9.50% of Maximum Scale of Pay of employees
  - II. In respect of employees working in Telangana Region, 1/7<sup>th</sup> of pay has to be remitted to State Government towards pensionary contribution.
  - III. Leave Salary: 11.50% of Pay of certain category of employees
- 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.

### **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 upto the date of commissioning of the assets and other incidental expenses incurred upto 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 and 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 (petty supervision charges) in respect of Deposit works shall be accrued along with expenditure of Deposit works.

## **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 material, 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 (FIFO).
- 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.

## **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 (30<sup>th</sup> April of next financial year).
- 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 expenditure for the period in which its benefit arises and/or services receive.
- 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.

## **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 upto 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.

### **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 a 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 Capital Contribution Account.

### **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 expenses, 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 expenses, 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.

### **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 upto the month of commissioning of the assets and other incidental and indirect expenses incurred upto 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. 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. 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 Rupee One.
- e. All assets costing less than Rs.5,000 (Rupees Five thousands) would be expensed / charged to Income & Expenditure Account in the year of purchase.
- f. 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.
- g. 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.
- h. Revaluation reserve shall be reduced by transfer of equivalent amount of depreciation charged on the revalued portion of the cost of the fixed asset.
- i. Depreciation shall be provided at the rates prescribed by the State Government. Depreciation on all fixed assets is to be provided consistently on either Written Down Value or Straight Line Method.
- j. 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.

- k. 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.
- l. Assets recorded in the Register, but not physically available shall be written-off after a specified period as defined by the State Government. Respective Corporation/Municipal Acts or Rules shall also define the authority levels for authorising the writes-off. However the specified period shall not exceed five years.

### **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 the 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 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 the 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) instalments 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

## **Loans**

- a. Interest/penal interest on loans shall be recognised as and when due. At period-ends, interest shall be accrued upto 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 gets reduced. In case of inadequate provisions, the write off shall be recognised as expenditure.

### **Addition to / Merger of Local Bodies**

- 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 the accounting principles adopted for preparation of financial statements of merging local bodies should be the 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

### **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.

### **Municipal Schools**

- a. Fees and fines received from primary/secondary schools shall be recognised on actual receipt.
- b. Contribution receivable from other local bodies/ municipalities / Government shall be recognised in the period in which they become due.

### **Transport Undertaking:**

- a. Revenue in respect of ticket charges and monthly passes shall be recognised on actual receipt.
- b. Payments to be made by the Transport Undertaking to the Municipal Fund shall be accounted on actual payment

### **Collections on behalf of State Government**

- a. 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.
- b. 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.

**Chart of Accounts**

3.1 Chart of Accounts (COA) defines the heads under which the transactions 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 collate to facilitate generation of various information reports. The structure suggested in this chapter, has been developed based on the recommendations of Task Force Report with limited modifications to meet the above said requirements.

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

**Codification Structure**

3.3 The codification structure proposed facilitates capture of all types 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 ULBs to which this Manual pertains and the minimum requirements of various stakeholders, certain mandatory information are prescribed. The mandatory groups are

- Functions
- Account Heads

3.4 Functions shall represent the various functions or services carried out by the ULB. Account Heads shall represent the nature of the income, expenditure, liability or asset.

3.5 Budgets in ULBs are centered around its functions. Functions are provided through various responsibility centres called Sections. Geographical dispersion of these activities may also be monitored, more so in the context of Wards, Wards Committees and other decentralization measures. Some ULBs identify its income and expenditure budgets at function, functionary and field level.

3.6 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.

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

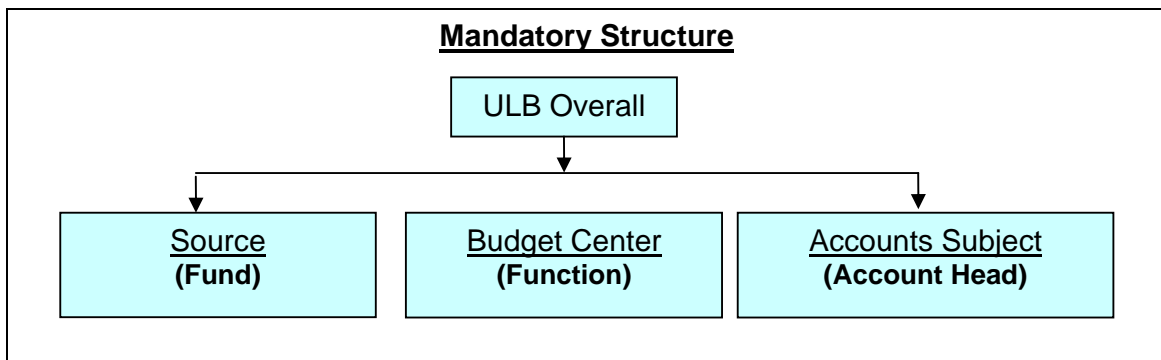
- Functionary (Responsibility centre/section)
- Field (Geographical centre)
- Fund

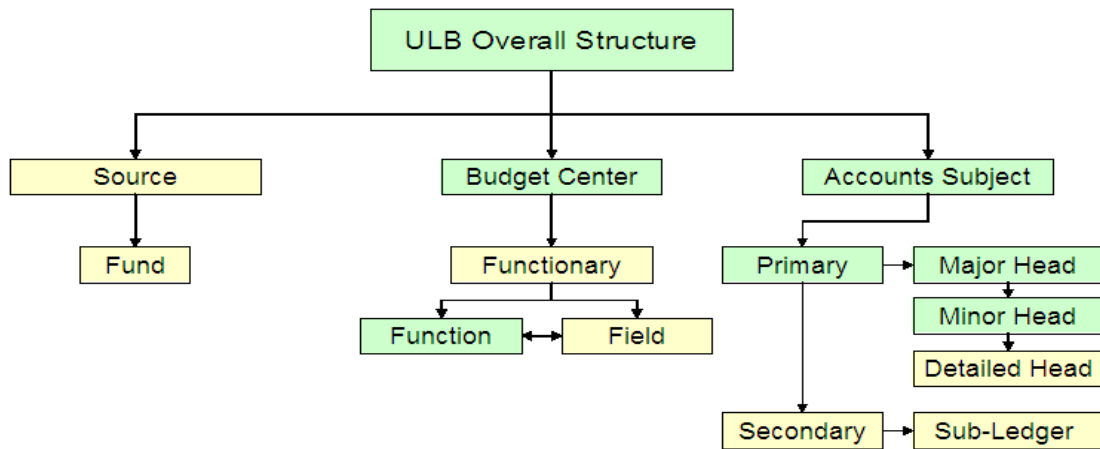
3.8 In all, there can be five groups, Function, Account Head Functionary, Field and Fund. Function, Functionary and Field are called Budgeting centres.

3.9 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 Head are mandatory for all ULBs and other levels will be decided by the States Government. This would mean that all ULBs would have to use the Function Codes and Account Codes as defined in this Manual only. Similarly, the ULBs which have decentralised accounting zones/circles etc and prepare budgets at these levels, would have to use the field group as mandatory.

3.10 An overview of the suggested structure for mandatory information and overall structure is provided in the exhibits given below as Exhibit 3.1 and 3.2.

**Exhibit 3.1**



**Exhibit 3.2**

3.11 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.

3.12 Accounts may be maintained in a decentralised set up. Each of the locations in which accounts are maintained is called Accounting Unit. For example, some ULBs may maintain accounts at Zonal level. 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.

3.13 In this case, the lowest Accounting unit is Zone. If the accounting unit is lower than that, say Circle, then accounts are prepared Circle wise and can be consolidated Zone wise as well as 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**

3.14 The codification logic for Function, Account Head, Fund, Functionary, Field and the ULB is explained below.

### **Functions**

3.15 Functions of the ULB can have three levels within it. First level under this group can represent various functions both obligatory and discretionary nature. Second Level in function could represent the particular type of service under a function and third level

can represent a particular cost centre, 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 flexibility to go up to 9 sub functions. The detailed codes for each of the functions as referred above is defined and given as COA. New codes or additions to this list of functions shall be made only at the national level.

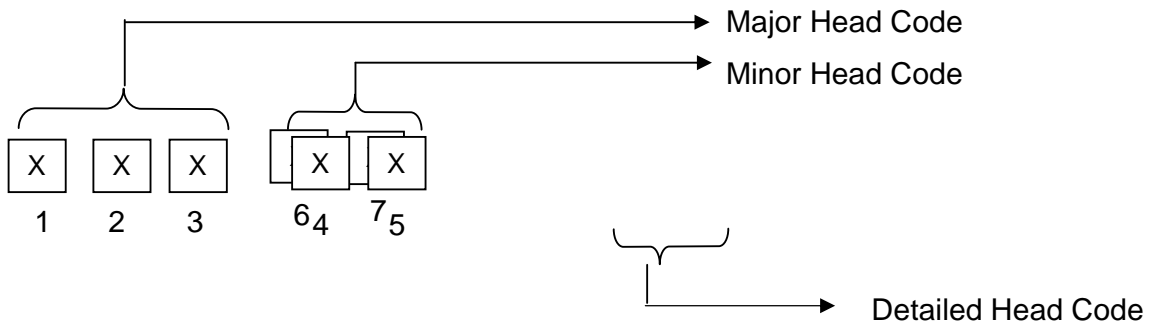
**Account heads**

3.16 Accounting subjects can be divided into two levels: Primary and Secondary. Primary account code represents the subject of the income, expenditure, liability or asset.

3.17 *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 (detailed head codes). The code is structured into:

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

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



3.19 *Major Head Code:* 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. Keeping in view of ULB requirements, all Major Head Codes are incorporated.

3.20 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 Expenditure’



- '3' shall denote an account relating to 'Capital Receipts & Liabilities'
- '4' shall denote an account relating to 'Capital Expenditures & Assets'

3.21 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

3.22 *Minor Head Code:* 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.

3.23 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 'Salaries, Wages and Bonus '
- 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'.

3.24 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.

3.25 *Detailed Head Code:* 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.

3.26 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 General'. Thus, the Account Code for this will be 110-01-01.
- Under the Minor Head Code of Account 210-10 covering Salaries, Wages and

Bonus, the Detailed Head Code 04 shall denote 'City Compensatory Allowance'. Thus, the Account Code for this will be 210-10-04.

- Under the Minor Head Code of Account 350-10 covering Creditors, the Detailed Head Code 01 shall denote 'Suppliers'. Thus, the Account Code for this will be 350-10-01.
- Under the Minor Head Code of Account 410-20 covering Buildings, the Detailed Head Code 01 shall denote 'Office Building'. Thus, the Account code for this will be 410-20-01

3.27 It is to be noted that the detailed heads are to be identified by State Governments. They can also give flexibility to the ULB to add new heads. List of detailed heads under minor heads are provided in Chart of Accounts.

3.28 Secondary Account Codes: This is optional and would depend on requirements of the ULBs. 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.

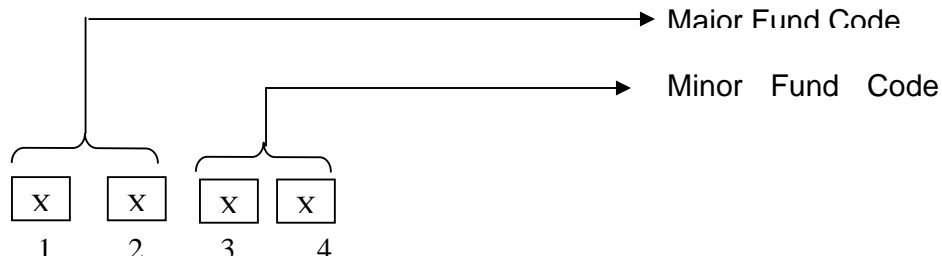
**Funds**

3.29 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

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

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



3.32 For example, General Municipal Fund can be a major fund and Urban Poverty Alleviation Fund can be Minor Fund within that.

### **Functionary**

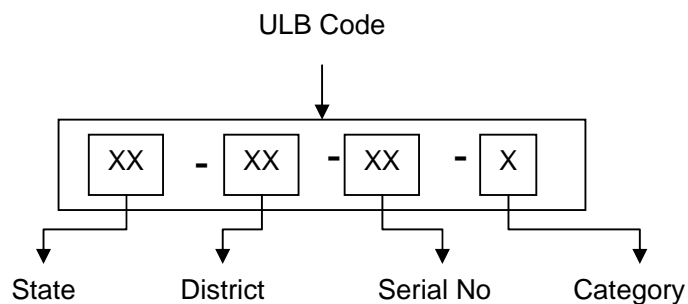
3.33 In the ULB set-up, demands for expenditure are drawn by the sections discharging the functions and become the responsibility centre for the assigned functions. Functionary group represents this. Each sub-level within this group typically can represent the organisational structure within the ULB. 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**

3.34 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 ULB. 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**

3.35 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 Government can prescribe a code for each Municipal body. This can be in the following format



3.36 Category can represent the way ULBs are classified within the State. (e.g. Corporation, Municipality, Grades etc.)

### **General Guidelines and Instructions for Usage of Chart of Accounts**

3.37 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 ULBs.
- Any requirement for an addition to Function head shall be requested by the State Government to the Central Government. The Central Government may constitute a Committee and the Committee set up in this regard can add new codes under this head.
- No Major Head 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 under Gol.
- State Government can add minor heads at the State level. All additions made shall be intimated to the Committee under Gol. The Committee may introduce additional minor codes as mandatory at some periodicity, based on the intimations received.
- State Government has to 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 the State. Detailed Heads unique to a particular ULB can also be added with the approval of the State Government.
- The Accounts Section shall maintain a Master Index of all the Codes of Account being utilised by the ULB.
- 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 Manual may not be used by every ULB.

### **Coding Applicability to Transactions and Illustrations**

3.38 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.

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

- a. **Admission Fee of Rs.1,000** collected by the primary school in an ULB, where the ULB maintains a 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 Enterprise Fund Group. (Code for Enterprise Fund – Education: 02-01)

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 Balance – Cash: 450-10-01)

Credit: Income

Level 1 Funds: Education Fund is a separate fund under the Enterprise Fund Group. (Code for Enterprise Fund – Education: 02-01)

Level 2 Budgeting Centres: This is an income under the Education function/ service collected by the Primary schools department. (Code for Education – Primary Schools: 82-00)

Level 3 Accounting subjects: Admission Fee is a User Charge under the Income from Fees and User Charges. (Code for Fees and User Charges – Other Fees: 140-40-02)

Accounting Entry to be passed is given below:

Code			Accounting Entry	Amount	
Fund *	Function	Account		Debit	Credit
02-01		450-10-01	Cash account Dr	Rs. 1,000	Rs.
02-01	82-00	140-40-02	To Fees & user charges– Admission Fee		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.

- 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 Enterprise Fund Group. (Code for Enterprise Fund – Water Supply and Sewerage 02-02)

Level 2 Budgeting Centres: This is an expense under the water supply function by the Public Works department. (Code for Water Supply 51-00)

Level 3 Accounting subjects: Electricity charges paid are revenue expenditure under the Operations and Maintenance Expense. (Code for Operations and Maintenance –Power & Fuel: 230-10-02)

Credit: Cash / bank

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

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: 450-21-02)

Code			Accounting Entry	Amount	
Fund *	Function	Account		Debit	Credit
02-02	51-00	230-10-02	Operations & Maintenance – Power & Fuel Dr To State Bank Of Hyderabad	Rs. 20,000	Rs.
02-02		450-21-02			20,000

\* 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.

c. **Purchase of Ambulance** for Hospital run by the ULB for Rs.20,000

Debit: Capital Expense

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

Level 2 Budgeting Centres: This is an expense under Hospital Services. (Code for Hospital Services: 35-00)

Level 3 Accounting subjects: Ambulance is an asset under the Vehicles. (Code for Capital Work In Progress – Heavy Vehicles: 412-00-71)

Credit: Liability

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

Level 2 Budgeting Centres: Not applicable for Control Accounts.

Level 3 Accounting subjects: Suppliers Control Account under the Liability head Other Liabilities (Code for Other Liabilities – Creditors: 350-10-01)

Code			Accounting Entry	Amount	
Fund *	Function	Account		Debit	Credit
01-01	35-00	412-00-71	CWIP- Heavy Vehicles Dr	Rs. 20,000	Rs.
01-01		350-10-01	To Creditors for Supplies		20,000

*\* 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.*

- D. **Payment of Other Liabilities** (Sundry Creditors) for purchase of Ambulance amounting to Rs.20,000 through Main Bank account.

Debits: Other Liabilities Account

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

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: 350-10-01)

Credit: Cash/Bank

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

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 – 450-21-02)

Code			Accounting Entry	Amount	
Fund *	Function	Account		Debit	Credit
01-01		350-10-01	Creditors for Supplies Dr	Rs. 20,000	Rs.
01-01		450-21-02	To State Bank Of Hyderabad		20,000

*\* 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.*

3.40 It may be noted that the two levels, i.e. the Fund and the Accounting subjects are to be captured for every debit and credit in an entry, whereas Budgeting Centre details are captured only for the respective budgetary control accounts, for example, Revenue Expenditure, Income and Capital Expenditure. Whenever Budgeting centres are not

applicable “00” may be used to denote the field. 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.

3.41 To summarise, Fund code shall be the 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.



## Chart of Accounts

**Fund Codes**

Major Fund		Minor Fund	
Code	Description	Code	Description
01	General Municipal Fund	0101	Municipal General Fund
		0102	Capital Projects Fund
		0103	Urban Poverty Alleviation Fund
		0104	Debt Service Fund
02	Enterprise Funds	0201	Primary Education Fund
		0202	Water Supply & Sewerage Fund
03	Fiduciary Fund	0301	Salary Reserve Fund
		0302	Pension Reserve Fund
		0303	General Provident Fund

**Function Codes**

Function Group Code		Function Group Code Description	
Function		Sub-Function	
Code	Description	Code	Description
<b>00</b>		<b>General Administration</b>	
01	Municipal Body	0101	General Body
		0102	Ward & Standing Committee
		0103	Secretariat
02	Administration	0201	General Administration
		0202	Public Relations
		0203	Information Technology
		0204	Legal
		0205	Vigilance
03	Finance, Accounts, Audit	0301	Finance & Accounts
		0302	Pre-Audit
04	Election	0401	Local Body Elections
		0402	MP/MLA Elections
05	Record Room	0500	Record Room
06	Estate	0600	Estate
07	Stores & Purchase	0701	Purchase
		0702	Stores
08	Workshop	0800	Workshop
09	Census	0900	Census
<b>10</b>		<b>Planning &amp; Regulations</b>	
11	City and Town Planning	1100	City and Town Planning
12	Building Regulation	1200	Building Regulation

Function Group Code		Function Group Code Description	
Function		Sub-Function	
Code	Description	Code	Description
13	Economic Planning	1300	Economic Planning
14	Encroachment Removal	1400	Encroachment Removal
15	Trade License / Regulations	1500	Trade License / Regulations
<b>20</b>		<b>Public Works</b>	
21	Roads and Pavement	2100	Roads and Pavement
22	Bridges and Fly-overs	2200	Bridges and Fly-overs
23	Subways & Causeways	2300	Subways & Causeways
24	Street Lighting	2400	Street Lighting
25	Storm water Drains	2500	Storm water Drains
26	Traffic Signals	2600	Traffic Signals
27	Guest Houses	2700	Guest Houses
<b>30</b>		<b>Health</b>	
31	Public Health	3100	Public Health
32	Epidemic / Prevention Control	3200	Epidemic / Prevention Control
33	Family Planning	3300	Family Planning
34	Primary Health Care	3400	Primary Health Care
35	Hospital Services	3500	Hospital Services
36	Burial and Cremations	3600	Burial and Cremations
37	Vital Statistics	3700	Vital Statistics
38	Prevention of Food Adulteration	3800	Prevention of Food Adulteration
39	Ambulance / Hearse Services	3900	Ambulance / Hearse Services
<b>40</b>		<b>Sanitation and Solid Waste Management</b>	
41	Solid Waste Management	4100	Solid Waste Management
42	Public Convenience	4200	Public Convenience
43	Veterinary Services	4300	Veterinary Services
44	Cattle Pounding	4400	Cattle Pounding
45	Slaughter Houses	4500	Slaughter Houses
<b>50</b>		<b>Civic Amenities</b>	
51	Water Supply	5100	Water Supply
52	Sewerage	5200	Sewerage
53	Fire Services	5300	Fire Services
54	Arts & Culture	5400	Arts & Culture
55	Community / Marriage Centers	5500	Community / Marriage Centers
56	Amusement	5600	Amusement
57	Museums	5700	Museums
58	Municipal Markets	5800	Municipal Markets
<b>60</b>		<b>Urban Forestry</b>	
61	Parks, Gardens	6100	Parks, Gardens
62	Play Grounds	6200	Play Grounds
63	Lakes and Ponds	6300	Lakes and Ponds

Function Group Code		Function Group Code Description	
Function		Sub-Function	
Code	Description	Code	Description
64	Urban Forestry	6400	Urban Forestry
65	Environment Conservation	6500	Environment Conservation
66	Zoos	6600	Zoos
<b>70</b>		<b>Urban Poverty Alleviation &amp; Social Welfare</b>	
71	Welfare of Women	7100	Welfare of Women
72	Welfare of Children	7200	Welfare of Children
73	Welfare of Aged	7300	Welfare of Aged
74	Welfare of Handicapped	7400	Welfare of Handicapped
75	Welfare of SC/ST/OBC	7500	Welfare of SC/ST/OBC
76	Slum Improvements	7600	Slum Improvements
77	Housing	7700	Housing
78	Urban Poverty Alleviation	7800	Urban Poverty Alleviation
79	Others	7900	Others
<b>80</b>		<b>Other Services</b>	
81	Electricity	8100	Electricity
82	Education	8200	Primary Education
83	Transportation	8300	Transportation
84	Facility for pilgrims	8400	Facility for pilgrims
<b>90</b>		<b>Revenues</b>	
91	Property Taxes	9100	Property Taxes
92	Octroi / Entry Cess	9200	Octroi / Entry Cess
93	Advertisement Tax	9300	Advertisement Tax
94	Professional Tax	9400	Professional Tax
95	Tax on Animals	9500	Tax on Animals
96	Tax on Vehicles	9600	Tax on Vehicles
97	Toll	9700	Toll
99	Other Taxes	9900	Other Taxes

**Municipality Codes**

District		Corporation/Municipality		*Grade Code
Code	Name	Code	Name	
11	Srikakulam			
		1101	Srikakulam	4
		1102	Amadalavalasa	6
		1103	Ichapuram	6
		1104	Palasa Kasibugga	6
		1105	Rajam	7
12	Vizianagaram			
		1201	Vizianagaram	2
		1202	Bobbili	5
		1203	Parvathipuram	4
		1204	Salur	5
13	Visakhapatnam			
		1301	Visakhapatnam	1
		1302	Anakapalle	4
		1303	Bheemunipatnam	5
14	East Godavari			
		1401	Kakinada	1
		1402	Rajahmundry	1
		1403	Amalapuram	4
		1404	Tuni	5
		1405	Samalkot	5
		1406	Ramachandrapuram	5
		1407	Pithapuram	5
		1408	Mandapeta	5
		1409	Peddapuram	6
15	West Godavari			
		1501	Eluru	1
		1502	Bhimavaram	3
		1503	Palakol	4
		1504	Tadepalligudem	4
		1505	Narsapur	4
		1506	Tanuku	4
		1507	Nidadavole	5

District		Corporation/Municipality		*Grade Code
Code	Name	Code	Name	
		1508	Kovvur	6
16	Krishna			
		1601	Vijyawada	1
		1602	Machilipatnam	3
		1603	Gudivada	3
		1604	Nuzivid	5
		1605	Jaggiahpeta	6
		1606	Pedana	6
17	Guntur			
		1701	Guntur	1
		1702	Tenali	3
		1703	Narasaraopeta	4
		1704	Chilakaluripet	4
		1705	Bapatla	5
		1706	Repalle	5
		1707	Ponnur	5
		1708	Macherla	5
		1709	Mangalagiri	6
		1710	Sattenapalli	6
		1711	Vinukonda	6
		1712	Piduguralla	6
18	Prakasham			
		1801	Ongole	2
		1802	Chirala	4
		1803	Markapur	5
		1804	Kandukur	5
19	Nellore			
		1901	Nellore	1
		1902	Gudur	5
		1903	Kavali	5
		1904	Venkatagiri	6
41	Chittoor			
		4101	Tirupathi	2
		4102	Chittoor	2
		4103	Madanapalle	4

District		Corporation/Municipality		*Grade Code
Code	Name	Code	Name	
		4104	Srikalahasti	5
		4105	Punganur	6
		4106	Palamaneru	6
		4107	Nagari	7
		4108	Putturu	7
42	Ananthapur			
		4201	Ananthapur	1
		4202	Hindupur	3
		4203	Guntakal	4
		4204	Tadipatri	4
		4205	Dharmavaram	5
		4206	Kadiri	5
		4207	Rayadurg	5
43	Kurnool			
		4301	Kurnool	1
		4302	Nandyal	3
		4303	Adoni	3
		4304	Yemmiganur	4
		4305	Dhone	6
44	Cuddapah			
		4401	Cuddapah	1
		4402	Proddatur	3
		4403	Rayachoti	6
		4404	Pulivendula	7
		4405	Jammalamadugu	7
		4406	Rajampeta	7
61	Warangal			
		6101	Warangal	1
		6102	Jangaon	6
62	Khammam			
		6201	Khammam	3
		6202	Kothagudem	4
		6203	Palvancha	5
		6204	Yellandu	6
		6205	Manuguru	6

District		Corporation/Municipality		*Grade Code
Code	Name	Code	Name	
		6206	Bhadrachalam	6
		6207	Sattupalli	7
63	Karimnagar			
		6301	Karimnagar	1
		6302	Ramagundam	3
		6303	Jagityal	5
		6304	Sircilla	6
		6305	Koratla	6
		6306	Metpalli	6
64	Adilabad			
		6401	Adilabad	4
		6402	Mancherial	4
		6403	Bellamapally	5
		6404	Nirmal	5
		6405	Kagaznagar	6
		6406	Mandamarri	6
		6407	Bhainsa	6
65	Nalgonda			
		6501	Nalgonda	4
		6502	Suryapet	4
		6503	Miryalguda	4
		6504	Bhongir	5
66	Medak			
		6601	Sangareddy	4
		6602	Siddipet	5
		6603	Sadasivapet	6
		6604	Zaheerabad	6
		6605	Medak	6
		6606	Ramachandrapuram	6
		6607	Patancharu	6
67	Mahabubnagar			
		6701	Mahabubnagar	4
		6702	Gadwal	6
		6703	Narayanapet	6
		6704	Wanaparthy	6

District		Corporation/Municipality		*Grade Code
Code	Name	Code	Name	
68	Nizamabad			
		6801	Nizamabad	1
		6802	Kamareddy	5
		6803	Bodhan	5
69	Ranga Reddy			
		6901	L. B. Nagar	2
		6902	Kukatpally	2
		6903	Malkajgiri	2
		6904	Kapra	2
		6905	Uppalkalan	2
		6906	Serilingampally	2
		6907	Qutubullapur	3
		6908	Rajendranagar	4
		6909	Alwal	5
		6910	Gaddiannaram	5
		6911	Vicarabad	5
		6912	Tandur	6
70	Hyderabad			
		7001	Hyderabad	1

### \* Grade Codes

Grade Code	Description
1	Municipal Corporation
2	Selection Grade Municipality
3	Special Grade Municipality
4	First Grade Municipality
5	Second Grade Municipality
6	Third Grade Municipality
7	Nagar Panchayat



**Field (Location \*) Codes**

Major Location		Minor Location		Locality/Ward	
Code	Description	Code	Description	Code	Name
1	East Zone	1	Circle 1	101	
				102	
		2	Circle 2	201	
				202	
2	North Zone	3	Circle 3	301	
				302	
		4	Circle 4	401	
				402	
3	West Zone	5	Circle 5	501	
				502	
		6	Circle 6	601	
				602	
4	South Zone	7	Circle 7	701	
				702	
		8	Circle 8	801	
				802	

\* Field codes applicable to ULBs for identification of localities

## Account Codes – Income

Major Head					
Code	Description				
Minor Head			Detailed Head		ℓ-Code
Code	Description	Code	Description		
<b>110</b>	<b>Tax Revenue</b>				
01	Property Tax	01	Properties – General	110-01-01	
		02	Vacant Land	110-01-02	
		03	State Government Properties	110-01-03	
		04	State Government Undertaking Properties	110-01-04	
		05	Central Government Undertaking Properties	110-01-05	
		06	Service Charges in lieu of Property Tax	110-01-06	
02	Water Tax	01	Properties – Water Tax	110-02-01	
		02	Direct Water Tax	110-02-02	
03	Sewerage Tax	01	Properties – Sewerage Tax	110-03-01	
04	Conservancy Tax	01	Properties – Conservancy Tax	110-04-01	
05	Lighting Tax	01	Properties – Lighting Tax	110-05-01	
06	Education Tax	01	Properties – Education Tax	110-06-01	
07	Vehicle Tax			110-07-00	
08	Tax on Animals			110-08-00	
11	Advertisement Tax	01	Land Hoardings	110-11-01	
		02	Bus Shelters	110-11-02	
		03	Hoardings on Vehicles	110-11-03	
		04	Traffic Signals	110-11-04	
		05	Adv. Tax on Cable Operators	110-11-05	
12	Pilgrimage Tax			110-12-00	
51	Octroi & Toll			110-51-00	
52	Cess			110-52-00	
80	Others Taxes	01	Tax on Cable Operators	110-80-01	
90	Tax Remission & Refund	01	Vacancy Remission	110-90-01	
<b>120</b>	<b>Assigned Revenues &amp; Compensations</b>				
10	Taxes and Duties collected by others	01	Surcharge on Stamp Duty for Transfer of Immovable Properties	120-10-01	
		02	Entertainment Tax	120-10-02	
		03	Profession Tax	120-10-03	
20	Compensation in lieu of Taxes / duties	01	Compensation in lieu of Octroi & Toll Tax	120-20-01	
		02	Compensation in lieu of Motor Vehicles Tax	120-20-02	
30	Compensations in lieu of Concessions	01	Property Tax compensations due to concessions to tax payers	120-30-01	

Major Head				
Code	Description			
Minor Head		Detailed Head		e-Code
Code	Description	Code	Description	
<b>130</b>	<b>Rental Income from Municipal Properties</b>			
10	Rent from Civic Amenities	01	Markets	130-10-01
		02	Auditoriums	130-10-02
		03	Function/Community Halls	130-10-03
		04	Playgrounds	130-10-04
		05	Staff Quarters	130-10-05
		06	Canteens	130-10-06
		07	Stalls in Slaughter Houses	130-10-07
		08	Lease of Canteen/Cycle Stands in slaughter houses	130-10-08
		09	Nurseries	130-10-09
		10	Lease/Rent from Parking Places	130-10-10
		11	Lease of Traffic Islands/ Central Media	130-10-11
		12	Lease of Land for Bus Shelters	130-10-12
		13	Lease of Jetties & Boats	130-10-13
		14	Lease of Advertisement Right	130-10-14
		15	Shopping Complexes	130-10-15
20	Rent from Office Buildings	01	Government	130-20-01
		02	Private	130-20-02
30	Rent from Guest Houses	01	Guest House	130-30-01
40	Rent from lease of lands	01	Lease of Land	130-40-01
80	Other rents			130-80-00
90	Rent remission and refund			130-90-00
<b>140</b>	<b>Fees &amp; User Charges</b>			
10	Empanelment & Registration Charges	01	Contractors, Agencies etc	140-10-01
		02	Technical Professionals	140-10-02
		03	P.W. Contractors	140-10-03
		04	Carts	140-10-04
		05	Patients	140-10-05
11	Licensing Fees	01	Trade License	140-11-01
		02	Cattle Pounding	140-11-02
		03	Licensing of Animals	140-11-03
		04	Slaughter House	140-11-04
		05	Butchers & Traders of Meat	140-11-05
		06	Encroachment Fee	140-11-06
12	Fees for Grant of Permit	01	Layout/Sub-division	140-12-01
		02	Building Permit Fee	140-12-02
		03	Fee for Erection of Hoardings	140-12-03
		04	Intensive Zoning Fee	140-12-04

Major Head				
Code	Description			
Minor Head		Detailed Head		e-Code
Code	Description	Code	Description	
		05	Film Shooting in Parks	140-12-05
		06	Animal Slaughtering Fee	140-12-06
		07	Beef Export Slaughtering Fee	140-12-07
13	Fees for Certificate or Extract	01	Copy of Plan/Certificate	140-13-01
		02	Birth & Death certificates	140-13-02
14	Development Charges	01	Building Development Charges	140-14-01
		02	Betterment Charges	140-14-02
		03	External Betterment Charges	140-14-03
		04	Special Development Contribution	140-14-04
		05	Impact Fee	140-14-05
		06	Un-Authorised Colony Improvement Contribution	140-14-06
		07	Open Space Contribution	140-14-07
		08	Parking Contribution	140-14-08
		09	Postage & Advertisement Charges	140-14-09
		10	Other town planning receipts	140-14-10
15	Regularization Fees	01	Building Regularization	140-15-01
20	Penalties and Fines	01	Penalty for Un-authorized Construction	140-20-01
		02	Contractors	140-20-02
		03	Continuing Penalty for Un-authorized Construction	140-20-03
		04	Spot Fines	140-20-04
40	Other Fees	01	Advertisement Fees	140-40-01
		02	Admission Fees	140-40-02
		03	Sports Fee	140-40-03
		04	Library Fees	140-40-04
		05	Survey fees	140-40-05
		06	Connection/ Disconnection Charges	140-40-06
		07	Notice Fees	140-40-07
		08	Warrant & Dstraint Fees	140-40-08
		09	Mutation Fees	140-40-09
		10	Property Transfer Charges	140-40-10
		11	Other Fees	140-40-11
50	User Charges	01	Medicines	140-50-01
		02	Examination Charges	140-50-02
		03	Ambulance	140-50-03
		04	Funeral Van	140-50-04
		05	Garbage Collection Charges	140-50-05

Major Head				
Code	Description			
Minor Head		Detailed Head		e-Code
Code	Description	Code	Description	
		06	Littering and Debris collection	140-50-06
		07	Septic Tank clearance	140-50-07
		08	Special Sanitation Charges	140-50-08
		09	Sewerage clearance charges	140-50-09
		10	Crematorium Charges	140-50-10
		11	Burial Ground Charges	140-50-11
		12	Pay & use toilets	140-50-12
		13	Water Supply	140-50-13
		14	Sale of Electricity	140-50-14
		15	Water Tanker	140-50-15
		16	Meter charges	140-50-16
		17	Fire Extinguishing	140-50-17
		18	Lighting charges	140-50-18
		19	Ticket charges	140-50-19
		20	Luggage charges	140-50-20
		21	Parking fees	140-50-21
		22	Pre-Paid Parking Fee	140-50-22
		23	Post-Paid Parking Fee	140-50-23
		24	Quality Control Charges	140-50-24
		25	Coaching Camp	140-50-25
		26	Gym	140-50-26
60	Entry Fees	01	Parks	140-60-01
		02	Playgrounds	140-60-02
		03	Swimming Pool	140-60-03
		04	Zoo	140-60-04
		05	Museum	140-60-05
		06	Monuments	140-60-06
		07	Gym	140-60-07
70	Service / Administrative Charges	01	Road Cutting & Restoration Charges	140-70-01
		02	Library Cess Collection Administrative Charges	140-70-02
		03	Plan Preparation Charges	140-70-03
		04	Removal of Un-authorized Hoardings	140-70-04
		05	Removal of Demolition	140-70-05
		06	Removal of Encroachments	140-70-06
		07	Removal of Public Nuisances	140-70-07
		08	Administrative Charges for Deposit Works	140-70-08
		09	NOC of Public Health Section	140-70-09

Major Head				
Code	Description			
Minor Head		Detailed Head		e-Code
Code	Description	Code	Description	
		11	Water Supply – Tap Estimation Charges	140-70-11
		12	Water Supply – Tap repairs	140-70-12
		13	Solvency Certificate	140-70-13
80	Other Charges	01	Compounding fee	140-80-01
90	Fees Remission and Refund	01	Refund of Fees	140-90-01
<b>150</b>	<b>Sale &amp; Hire Charges</b>			
10	Sale of Products	01	Tree-Guards	150-10-01
		02	House Number Plates	150-10-02
		03	Raw Water	150-10-03
		04	Nursery plants	150-10-04
		05	Grass, Flowers & Fruits	150-10-05
		06	Trees	150-10-06
		07	Rubbish	150-10-07
		08	Garbage	150-10-08
		09	Manure	150-10-09
		10	Compost	150-10-10
		11	Water meter	150-10-11
11	Sale of Forms & Publications	01	Tenders Schedules	150-11-01
		02	Data, Plans & Maps	150-11-02
		03	Forms & Pass Books	150-11-03
12	Sale of stores & scrap	01	Obsolete stores	150-12-01
		02	Scrap	150-12-02
30	Sale of others	01	Assets	150-30-01
		02	Old newspapers	150-30-02
40	Hire Charges for Vehicles	01	Cars, Jeeps and Buses	150-40-01
41	Hire Charges on Equipments	01	Rollers	150-41-01
		02	Tools & Equipments	150-41-02
		03	Medical Equipments	150-41-03
<b>160</b>	<b>Revenue Grants, Contribution and Subsidies</b>			
10	Revenue Grant	01	Road Maintenance Grant	160-10-01
		02	Per Capita Grant	160-10-02
		03	Census Grant	160-10-03
		04	Election Grants	160-10-04
		05	Family Welfare Grant	160-10-05
20	Re-imburement of expenses	01	Election Expenses	160-20-01
		02	External-aided Projects	160-20-02
		03	Family Planning Centre Expenses	160-20-03
		04	Family Planning Incentives	160-20-04

<b>Major Head</b>				
<b>Code</b>	<b>Description</b>			
<b>Minor Head</b>		<b>Detailed Head</b>		<b>ℓ-Code</b>
<b>Code</b>	<b>Description</b>	<b>Code</b>	<b>Description</b>	
		05	Anti Malaria Expenses	160-20-05
30	Contribution towards schemes	01	Swarna Jayanthi Shari Rojgar Yojana	160-30-01
		02	National Slum Development Project	160-30-02
		03	Integrated Development of Small and Medium Towns	160-30-03
		04	Integrated Low Cost Sanitation	160-30-04
		05	Water Supply –Donation	160-30-05
		06	Sewerage Donation	160-30-06
<b>170</b>	<b>Income from Investments</b>			
10	Interest	01	Fixed Deposits with Scheduled Banks	170-10-01
		02	Fixed Deposits with Private Banks	170-10-02
		03	Government Securities	170-10-03
		04	Post office deposits	170-10-04
20	Dividend	01	Mutual Fund Investments	170-20-01
30	Income from projects taken up on commercial basis			170-30-00
40	Profit in Sale of Investments	01	Mutual Fund Investment	170-40-01
80	Others	01	Application in Value of Investment	170-80-01
<b>171</b>	<b>Interest Earned</b>			
10	Interest from Bank Accounts	01	SB accounts	171-10-01
20	Interest on Loans and advances to Employees	01	House Building Advance	171-20-01
		02	Hire Purchase Quarters	171-20-02
		03	Conveyance Advance (Vehicle Advance)	171-20-03
		04	Marriage Advance	171-20-04
		05	Computer Advance	171-20-05
30	Interest on loans to others			171-30-00
80	Other Interest	01	Interest on Late Payment	171-80-01
		02	Interest on HP Sales	171-80-02
<b>180</b>	<b>Other Income</b>			
10	Deposits Forfeited	01	Security Deposits	180-10-01
11	Lapsed Deposits	01	Earnest Money Deposit	180-11-01
		02	Deposits	180-11-02
20	Insurance Claim Recovery			180-20-00
30	Profit on Disposal of Fixed assets			180-30-00

Major Head				
Code	Description			
Minor Head		Detailed Head		e-Code
Code	Description	Code	Description	
40	Recovery from Employees	01	Recovery of Private Trunk calls charges	180-40-01
		02	Recovery of Vehicle Use Charges	180-40-02
		03	Recovery of Water & Electricity Charges	180-40-03
		04	Recovery of cell phone charges	180-40-04
50	Unclaimed Refund Payable/ Liabilities Written Back	01	Liabilities	180-50-01
		02	Stale Cheques	180-50-02
60	Excess Provisions written back	01	Property Tax	180-60-01
		02	Advertisement Tax	180-60-02
		03	Trade License	180-60-03
		04	Rents	180-60-04
		05	Loans & Advances to Others	180-60-05
		06	Others	180-60-06
80	Miscellaneous Income	01	Pension & Leave Salary Contribution	180-80-01
		02	Bounced Cheques Realization Charges	180-80-02
		03	Fines Imposed by the Court	180-80-03
		04	Prior Period Income	180-80-04
		05	Penalties	180-80-05
		06	Other Income Un-Classified	180-80-06



## Account Codes – Expenses

Major Head					
Code	Description				
Minor Head			Detailed Head		ℓ-Code
Code	Description	Code	Description		
<b>210</b>	<b>Establishment Expenses</b>				
10	Salaries, Wages and Bonus	01	Basic Pay	210-10-01	
		02	Dearness Allowance	210-10-02	
		03	House Rent Allowance	210-10-03	
		04	CCA	210-10-04	
		05	Conveyance Allowance	210-10-05	
		06	Interim Relief	210-10-06	
		07	Surrender Leave Encashment	210-10-07	
		08	Performance Bonus	210-10-08	
		09	Honorarium/Sitting Fees to Corporators	210-10-09	
		10	Honorarium – others	210-10-10	
		11	Wages to workers through Placement Agencies	210-10-11	
		12	Pensionary Contribution	210-10-12	
		13	Anticipatory Pension	210-10-13	
		16	Family Planning Incentive	210-10-16	
		17	Graduate Allowance	210-10-17	
		18	Post Graduate Allowance	210-10-18	
		19	Stagnation Increment	210-10-19	
		20	Addl. House Rent Allowance	210-10-20	
		21	Dearness Pay	210-10-21	
		22	Special Pay	210-10-22	
20	Benefits and Allowances	01	Leave Travel Concession	210-20-01	
		02	Medical Reimbursement	210-20-02	
		03	Tuition Fees	210-20-03	
		04	Education Allowance	210-20-04	
		05	Uniform allowance	210-20-05	
		06	Workmen Compensations	210-20-06	
		07	Training	210-20-07	
		08	Concession in Bus-Pass	210-20-08	
		09	Staff Welfare Allowance	210-20-09	
		10	Educational Concession & Scholarships	210-20-10	
		11	Over Time Allowances	210-20-11	
		12	Special Allowance	210-20-12	
		13	Addl. Charge Allowance	210-20-13	
		14	Suspension Allowance	210-20-14	
		16	Night Shift Allowance	210-20-16	

Major Head				
Code	Description			
Minor Head		Detailed Head		ℓ-Code
Code	Description	Code	Description	
		17	Conveyance Allowance	210-20-17
		18	Non Private Practice Allowance	210-20-18
		19	Washing Allowance	210-20-19
		20	Physically Handicapped Allowance	210-20-20
		21	Tribal/Bad Climate Allowance	210-20-21
		22	Risk Allowance	210-20-22
		23	Typist Allowance	210-20-23
		24	Computer Allowance	210-20-24
		25	Academic Allowance	210-20-25
		26	Higher Classes Allowance	210-20-26
		27	Reading Allowance	210-20-27
		28	Supervisory Allowance	210-20-28
30	Pension	01	Service Pension	210-30-01
		02	Family Pension	210-30-02
		03	Provisional Pension	210-30-03
40	Other Terminal & Retirement Benefits	01	Leave encashment on retirement	210-40-01
		02	Death cum Retirement gratuity	210-40-02
		03	Commuted Pension	210-40-03
		04	Pension and Leave Salary Contributions for Deputationists	210-40-04
		05	General Provident Fund Shortfall	210-40-05
<b>220</b>	<b>Administrative Expenses</b>			
10	Rent, Rates and Taxes	01	Rents for Hired Premises	220-10-01
		02	Rates and Taxes	220-10-02
11	Office maintenance	01	Electricity Charges	220-11-01
		02	Water charges security expenses	220-11-02
		03	Office Security	220-11-03
12	Communication Expenses	01	Telephone	220-12-01
		02	Mobiles	220-12-02
		03	Faxes	220-12-03
		04	Leased Lines & Internet	220-12-04
20	Books & Periodicals	01	Newspapers & Journals	220-20-01
		02	Magazines	220-20-02
21	Printing and Stationery	01	Printing	220-21-01
		02	Stationery	220-21-02
		03	Computer Consumables	220-21-03
		04	Service postage	220-21-04
30	Traveling & Conveyance	01	Traveling – In land	220-30-01
		02	Traveling – Abroad	220-30-02

Major Head				
Code	Description			
Minor Head		Detailed Head		e-Code
Code	Description	Code	Description	
		03	Fuel – (Petrol & Diesel)	220-30-03
40	Insurance	01	Buildings	220-40-01
		02	Vehicles	220-40-02
		03	Electronic Equipment	220-40-03
		04	Furniture	220-40-04
		05	Inventory	220-40-05
50	Audit Fees	01	Statutory Audit Fee	220-50-01
		02	Certification Fee	220-50-02
		03	Out of Pocket Expenses	220-50-03
51	Legal Expenses	01	Legal Fees	220-51-01
		02	Cost of recoveries of tax revenue	220-51-02
		03	Cost of recoveries of other revenues	220-51-03
		04	Compensation ordered by courts	220-51-04
52	Professional and other Fees	01	Consultancy Charges	220-52-01
		02	Other Professional Charges	220-52-02
60	Advertisement and Publicity	01	Advertisement – Print Media	220-60-01
		02	Advertisement -TV & Radio media	220-60-02
		03	Hoardings	220-60-03
		04	Hospitality Expenses	220-60-04
		05	Organisation of Festivals	220-60-05
61	Membership & subscriptions			220-61-00
80	Others			220-80-00
<b>230</b>	<b>Operations &amp; Maintenance</b>			
10	Power & Fuel	01	Power Charges for Street Lighting	230-10-01
		02	Power charges for water pumping	230-10-02
		03	Power charges for other services	230-10-03
		04	Fuel to Heavy Vehicles	230-10-04
		05	Fuel to Light Vehicles	230-10-05
		06	Fuel supply for field staff vehicles	230-10-06
20	Bulk Purchases	01	Sanitation/Conservancy Material	230-20-01
		02	Purchase of Medicines	230-20-02
30	Consumption of Stores	01	Engineering Stores	230-30-01
		02	Transport Stores	230-30-02
		03	Medical Stores	230-30-03
		04	Central Stationary Stores	230-30-04
40	Hire Charges	01	Machinery Rent	230-40-01
		02	Vehicles	230-40-02
50	Repairs & maintenance Infrastructure Assets	01	Main Roads	230-50-01

Major Head				
Code	Description			
Minor Head		Detailed Head		ℓ-Code
Code	Description	Code	Description	
		02	By-lane Roads	230-50-02
		03	Bridges	230-50-03
		04	Fly-Overs	230-50-04
		05	Water Supply Lines	230-50-05
		06	Sewerage Lines	230-50-06
		07	Storm Water Drains	230-50-07
		08	Traffic Signals	230-50-08
		09	Street Lighting	230-50-09
		10	Burial Grounds	230-50-10
51	Repairs & maintenance - Civic Amenities	01	Major Parks	230-51-01
		02	Minor Parks	230-51-02
		03	Colony Parks	230-51-03
		04	Stadium	230-51-04
		05	Play Grounds	230-51-05
		06	Swimming Pools	230-51-06
		07	Nursery	230-51-07
		08	Play Materials	230-51-08
		09	Public Toilets	230-51-09
		10	Market Yards	230-51-10
		11	Parking Lots	230-51-11
		12	Avenue and Other Plantations	230-51-12
52	Repairs & maintenance – Buildings	01	Community Halls	230-52-01
		02	Commercial Complex	230-52-02
		03	Office Buildings	230-52-03
		04	Staff Quarters	230-52-04
53	Repairs & maintenance – Vehicles	01	Heavy Vehicles	230-53-01
		02	Light Vehicles	230-53-02
59	Repairs & maintenance – Others	01	Furniture & Fixtures	230-59-01
		02	Computers & Net Work	230-59-02
		03	Electronic Equipment	230-59-03
		04	Office Equipment	230-59-04
		05	Survey & Drawing Equipment	230-59-05
		06	Plant & Machinery	230-59-06
		07	Conservancy Tools	230-59-07
80	Other operating & maintenance expenses	01	Garbage Clearance	230-80-01

Major Head				
Code	Description			
Minor Head		Detailed Head		ℓ-Code
Code	Description	Code	Description	
		02	Testing & Inspection	230-80-02
		03	Field Survey & Inspection	230-80-03
		04	Water Purification	230-80-04
		05	Mapping, Plotting & Drawing Expenses	230-80-05
		06	Naming & Numbering of Streets	230-80-06
		07	Demolition & Removal Expenses	230-80-07
		08	Quality Control Expenses	230-80-08
		09	Prevention of Epidemics	230-80-09
		10	Collection and Testing of Food Samples	230-80-10
		11	Expenses on Unclaimed Dead Bodies	230-80-11
		12	Control of Stray Animals	230-80-12
		13	Sanitation/Conservancy Expenses	230-80-13
		14	Intensive/Special Sanitation including for Fairs & Festivals	230-80-14
		15	Maintenance of Garbage Dumping Yards/Transfer Stations	230-80-15
		16	Maintenance of slaughter houses	230-80-16
<b>240</b>	<b>Interest &amp; Finance Charges</b>			
10	Interest on Loans from Central Government			240-10-00
20	Interest on Loans from State Government			240-20-00
30	Interest on Loans from Government Bodies & Associations			240-30-00
40	Interest on Loans from International Agencies			240-40-00
50	Interest on Loans from Banks & Other Financial Institutions			240-50-00
60	Other Interest	01	Bonds	240-60-01
		02	Finance Lease	240-60-02
		03	Hire Purchase	240-60-03
70	Bank Charges	01	Miscellaneous Bank Charges	240-70-01
80	Other Finance Expenses	01	Expenses on Issue of Bonds	240-80-01
		02	Surveillance Fee	240-80-02
		03	Transaction Processing For Collections	240-80-03
<b>250</b>	<b>Programme Expenses</b>			

Major Head				
Code	Description			
Minor Head		Detailed Head		ℓ-Code
Code	Description	Code	Description	
10	Election Expenses	01	Local Body Elections	250-10-01
		02	MLA/MP Elections	250-10-02
20	Own Programme	01	Environmental Awareness Programme	250-20-01
		02	Urban Malaria Eradication	250-20-02
		03	Study Tour/Trainings	250-20-03
		04	Seminars	250-20-04
		05	Voluntary Garbage Disposal Programme	250-20-05
		06	Cultural Programmes	250-20-06
		07	Community Organisation / Mobilisation	250-20-07
		08	Special Nutrition Programme	250-20-08
		09	Summer/Winter Coaching Camps	250-20-09
30	Share in Programme of others	01	Family Welfare Programme	250-30-01
		02	Financial Aid for Urban Self Help Groups	250-30-02
		03	Disbursements to T&S / DWCUA & Self Help groups under SJSRY	250-30-03
		04	Shilparamam Greening/Others	250-30-04
<b>260</b>	<b>Revenue Grants, Contribution and Subsidies</b>			
10	Grants			260-10-00
20	Contributions			260-20-00
30	Subsidies			260-30-00
<b>270</b>	<b>Provisions and Write off</b>			
10	Provisions for Doubtful receivables	01	Property Tax	270-10-01
		02	Advertisement Tax	270-10-02
		03	Others	270-10-03
20	Provision for other Assets	01	Inventory	270-20-01
		02	Investments	270-20-02
		03	Loans & Advances to others	270-20-03
30	Revenues written off	01	Property Tax	270-30-01
		02	Advertisement Tax	270-30-02
		03	Assigned Revenue	270-30-03
40	Assets written off	01	Stores	270-40-01
		02	Investments	270-40-02
		03	Decline in Fixed Assets	270-40-03
		04	Loans & Advances to others	270-40-04
50	Miscellaneous Expense written off	01	Deferred Revenue Expenses	270-50-01

Major Head				
Code	Description			
Minor Head		Detailed Head		ℓ-Code
Code	Description	Code	Description	
<b>271</b>	<b>Miscellaneous Expenses</b>			
10	Loss on disposal of Assets			271-10-00
20	Loss on disposal of Investments	01	Mutual Fund Investment	271-20-01
30	Decline in Value of Investments			271-30-00
80	Other miscellaneous expenditure			271-80-00
<b>272</b>	<b>Depreciation</b>			
20	Buildings			272-20-00
30	Roads & Bridges			272-30-00
31	Sewerage and Drainage			272-31-00
32	Waterways			272-32-00
33	Public Lighting			272-33-00
40	Plant & machinery			272-40-00
50	Vehicles			272-50-00
60	Office & Other Equipments			272-60-00
70	Furniture, Fixtures, Fittings and Electrical Appliances			272-70-00
80	Other Fixed Assets			272-80-00
<b>280</b>	<b>Prior Period Item</b>			
	<b>Income</b>			
10	Taxes			280-10-00
20	Other – Revenues			280-20-00
30	Recovery of revenues written off			280-30-00
40	Other Income			280-40-00
	<b>Expenses</b>			
50	Refund of Taxes			280-50-00
60	Refund of Other – Revenues			280-60-00
80	Other Expenses			280-80-00
<b>290</b>	<b>Transfer to Reserve Funds</b>			
10	Transfer to Capital Funds	01	City Development Fund	290-10-01
		02	UCD Fund	290-10-02
20	Transfer to Earmarked Funds	01	Sinking Fund	290-20-01
		02	Salary Reserve Fund	290-20-02
		03	Pension Reserve Fund	290-20-03
30	Revenue Surplus	01	General Reserve	290-30-01
		02	Surplus of Income Over Expenditure	290-30-02

## Account Codes – Liability

Major Head				
Code	Description			
Minor Head		Detailed Heads		e-Code
Code	Description	Code	Description	
<b>310</b>	<b>Municipal Fund</b>			
10	General Fund	01	Revenue Transfers	310-10-01
90	Excess of Income over Expenditure			310-90-00
<b>311</b>	<b>Earmarked Funds</b>			
10	Special Funds	01	City Development Fund	311-10-01
		02	Urban Poverty Alleviation Fund	311-10-02
		03	Abatement of Pollution of Rivers	311-10-03
		04	Preservation of Heritage sites fund	311-10-04
		05	Revolving Fund	311-10-05
50	Sinking Funds	01	City Development Bonds	311-50-01
70	Trust or Agency Funds	01	Salary Reserve Fund	311-70-01
		02	Pension Fund	311-70-02
		03	General Provident Fund	311-70-03
		04	Leave Salary and Gratuity Fund	311-70-04
		05	Employee Welfare Fund	311-70-05
		06	Old age Pension	311-70-06
		07	Widow Pension	311-70-07
		08	Disabled Pension	311-70-08
<b>312</b>	<b>Reserves</b>			
10	Capital Contribution			312-10-00
11	Capital Reserve			312-11-00
20	Borrowing Redemption reserve			312-20-00
30	Special Funds (Utilised)			312-30-00
40	Statutory Reserve			312-40-00
50	General Reserve			312-50-00
60	Revaluation Reserve	01	Fixed Assets	312-60-01
<b>320</b>	<b>Grants , Contribution for specific purposes</b>			
10	Central Government	01	Adarsh Basti Scheme	320-10-01
		02	Abatement of Pollution of Rivers	320-10-02
20	State Government	01	Water Supply	320-20-01
		02	XIIth Finance Commission	320-20-02



Major Head					
Code	Description				
Minor Head		Detailed Heads			ℓ-Code
Code	Description	Code	Description		
		03	MP Local Area Development	320-20-03	
		04	Assembly Constituency Development Programme	320-20-04	
		05	Clean & Green Programme	320-20-05	
		06	Janmabhoomi Programme	320-20-06	
		07	Mega City Project (MCP)	320-20-07	
		08	Improvement of Cities	320-20-08	
		09	Charminar Pedestrianisation Project	320-20-09	
		10	Rain Water Harvesting (RWH)	320-20-10	
		11	Make City Green	320-20-11	
		12	MRTS Project	320-20-12	
		13	TWINS/e-Seva Project	320-20-13	
		14	National Slum Development Programme (NSDP)	320-20-14	
		15	Swarna Jayanthi Shahri Rozgar Yojana (SJSRY)/NRY	320-20-15	
		16	Balika Samrudhi Yojana (BSY)	320-20-16	
		17	Local Water Supply & Sewerage in Slums	320-20-17	
		18	Urban Community Development (UCD)	320-20-18	
		19	IPP VIII Project	320-20-19	
		20	Natural Calamities Grant	320-20-20	
		21	Reimbursement from Govt Departments including R&B	320-20-21	
		22	Abatement of Pollution of Rivers	320-20-22	
		23	Others	320-20-23	
30	Other Government Agencies	01	Green House Gas Pollution Prevention Project	320-30-01	
40	Financial Institutions			320-40-00	
50	Welfare Bodies			320-50-00	
60	International Organizations	01	Water & Sanitation Programme (World Bank)	320-60-01	
		02	Urban Management/Cities Alliance Programme (UNCHS – World Bank)	320-60-02	
80	Others	01	Public Contribution for Works	320-80-01	
		02	Abatement of Pollution of River (Industry Contribution)	320-80-02	
<b>330</b>	<b>Secured Loans</b>				
10	Loans from Central Government	01	Short Term Loan	330-10-01	

Major Head					
Code	Description				
Minor Head		Detailed Heads			ℓ-Code
Code	Description	Code	Description		
		02	Long Term Loan	330-10-02	
20	Loans from State Government	01	Short Term Loan	330-20-01	
		02	Long Term Loan	330-20-02	
30	Loans from Government Bodies & Association			330-30-00	
40	Loans from International Agencies			330-40-00	
50	Loans from Banks & Other Financial Institutions	01	From Banks	330-50-01	
		02	From Other Financial Institutions	330-50-02	
		03	Institutional Agencies	330-50-03	
60	Other Term Loans	01	HUDCO Loans	330-60-01	
		02	Others	330-60-02	
70	Bonds & Debentures	01	City Development Bonds	330-70-01	
80	Other Loans			330-80-00	
<b>331</b>	<b>Unsecured Loans</b>				
10	Loans from Central Government	01	Short Term Loan	331-10-01	
		02	Long Term Loan	331-10-02	
20	Loans from State Government	01	Short Term Loan	331-20-01	
		02	Long Term Loan	331-20-02	
30	Loans from Government Bodies & Association			331-30-00	
40	Loans from International Agencies			331-40-00	
50	Loans from Banks & Other Financial Institutions	01	From Banks	331-50-01	
		02	From Other Financial Institutions	331-50-02	
		03	Institutional Agencies	331-50-03	
60	Other Term Loans	01	HUDCO Loans	331-60-01	
70	Bonds & Debentures	01	City Development Bonds	331-70-01	
80	Other Loans			331-80-00	
<b>340</b>	<b>Deposits Received</b>				
10	From Contractors / Suppliers	01	Ernest Money Deposit	340-10-01	
		02	Retention Money Deposit	340-10-02	
		03	Further Security Deposit	340-10-03	
20	Deposits – Revenues	01	Rental Deposits	340-20-01	
		02	Security Deposits	340-20-02	

Major Head					
Code	Description				
Minor Head		Detailed Heads			ℓ-Code
Code	Description	Code	Description		
30	From Staff			340-30-00	
80	From Others			340-80-00	
<b>341</b>	<b>Deposit works</b>				
10	Civil works	01	State Government Departments	341-10-01	
		02	Public Sector Undertakings	341-10-02	
		03	Private Organizations & Citizens	341-10-03	
20	Electrical works	01	State Government Departments	341-20-01	
		02	Public Sector Undertakings	341-20-02	
		03	Private Organizations & Citizens	341-20-03	
80	Others	01	State Government Departments	341-80-01	
		02	Public Sector Undertakings	341-80-02	
		03	Private Organizations & Citizens	341-80-03	
<b>350</b>	<b>Other Liabilities</b>				
10	Creditors	01	Suppliers	350-10-01	
		02	Contractors	350-10-02	
		03	Expenses	350-10-03	
11	Employee liabilities	01	Salary Payable	350-11-01	
		02	Pension Payable	350-11-02	
		03	Leave Salary Payable	350-11-03	
		04	Terminal Benefits Payable	350-11-04	
		05	GPF Payable	350-11-05	
		06	Unpaid Salaries	350-11-06	
		07	Contributory Pension Payable	350-11-07	
12	Interest Accrued and due	01	Central Government Loans	350-12-01	
		02	State Government Loans	350-12-02	
		03	International Agencies	350-12-03	
		04	Financial Institutions	350-12-04	
		05	Bonds	350-12-05	
		06	Others	350-12-06	
20	Recoveries payable	01	GPF	350-20-01	
		02	GPF –Employees on Deputation	350-20-02	
		03	GIS	350-20-03	
		04	Profession Tax	350-20-04	
		05	APGLI	350-20-05	
		06	LIC	350-20-06	
		07	Banks Loan	350-20-07	
		08	TDS from Employees	350-20-08	
		09	APWEF	350-20-09	

Major Head				
Code	Description			
	Minor Head	Detailed Heads		ℓ-Code
Code	Description	Code	Description	
		10	Court Recoveries	350-20-10
		11	House Rent (Other than Municipal Quarters)	350-20-11
		12	SCCS(SD)	350-20-12
		13	KCCS(SD)	350-20-13
		14	NGOCCS	350-20-14
		15	SMUCCS	350-20-15
		16	MDCCS	350-20-16
		17	LCCS	350-20-17
		18	DGCCS	350-20-18
		19	TWF	350-20-19
		20	MBF	350-20-20
		21	KNCCS	350-20-21
		22	SCCS	350-20-22
		23	KCCS	350-20-23
		24	Other Employee Deductions	350-20-24
		25	TDS from Contractors	350-20-25
		51	Turnover Tax	350-20-51
		52	APGST	350-20-52
		53	CST	350-20-53
		54	Service Tax	350-20-54
		55	NAC	350-20-55
		56	Seignorage Charges	350-20-56
		57	TDS Payable Interest	350-20-57
		58	Other Recoveries From Contractors	350-20-58
		61	Court Attachments	350-20-61
		62	PH Employees Coop Society	350-20-62
		63	DCC Bank	350-20-63
30	Government Dues payable	01	Library Cess	350-30-01
		02	Education Cess	350-30-02
		03	Court Attachment	350-30-03
40	Refunds payable	01	Taxes	350-40-01
		02	Family Benefit Fund Settlements	350-40-02
		03	Group Insurance Settlements	350-40-03
		04	Unutilized Grants	350-40-04
		05	Deposit Works	350-40-05
		06	Development Charges to UDA	350-40-06
		07	Others	350-40-07

<b>Major Head</b>					
<b>Code</b>	<b>Description</b>				
<b>Minor Head</b>		<b>Detailed Heads</b>			<b>ℓ-Code</b>
<b>Code</b>	<b>Description</b>	<b>Code</b>	<b>Description</b>		
41	Advance Collection of Revenues	01	Property Tax	350-41-01	
		02	Advertisement Tax	350-41-02	
		03	Trade License	350-41-03	
		04	Rent	350-41-04	
80	Others	01	Stale Cheque	350-80-01	
		02	Compensation Payable	350-80-02	
		03	Lease Charges payable	350-80-03	
		04	Advances under HP	350-80-04	
		05	Election deposit from candidates	350-80-05	
90	Sale Proceeds	01	Attached Properties	350-90-01	
		02	Assets	350-90-02	
		03	Stores	350-90-03	
<b>360</b>	<b>Provisions</b>				
10	Provisions for Expenses	01	Establishment Expenses	360-10-01	
		02	Administrative Expenses	360-10-02	
		03	Operations & Maintenance	360-10-03	
20	Provision for Interest	01	Interest Accrued and not due	360-20-01	
30	Provision for Other Assets	01	Inventory	360-30-01	
		02	Investments	360-30-02	
40	Provisions for Doubtful receivables	01	Property Tax	360-40-01	
		02	Advertisement Tax	360-40-02	
		03	Trade License	360-40-03	
		04	Rents	360-40-04	

## Account Codes – Assets

Major Head				
Code	Description			
Minor Head		Detailed Heads		ℓ-Code
Code	Description	Code	Description	
<b>410</b>	<b>Fixed Assets</b>			
10	Land	01	Open Space	410-10-01
		02	Grounds	410-10-02
		03	Parks	410-10-03
		04	Gardens	410-10-04
20	Buildings	01	Office Buildings	410-20-01
		02	Commercial Complex	410-20-02
		03	Hospitals, Dispensaries & Health Posts	410-20-03
		04	Community Halls & Reading Rooms	410-20-04
		05	Gust Houses	410-20-05
		06	Staff Quarters	410-20-06
		07	Public Latrines & Urinals	410-20-07
30	Roads & Bridges	01	Concrete Road	410-30-01
		02	Black Topped Roads	410-30-02
		03	Link Roads, Parallel Roads & Slip Roads	410-30-03
		04	Footpaths & Table Drains	410-30-04
		05	Bridges & Culverts	410-30-05
		06	Fly-overs & Over Bridges	410-30-06
		07	Subways & Causeways	410-30-07
31	Sewerage and Drainage	01	Underground Drains	410-31-01
		02	Open Drains	410-31-02
32	Water works	01	Water works	410-32-01
		02	Open/bore Wells	410-32-02
		03	Reservoirs	410-32-03
33	Public Lighting	01	Modern Lighting On Main Roads	410-33-01
		02	Modern Lighting On Lanes, By-lanes	410-33-02
40	Plant & Machinery			410-40-00
50	Vehicles	01	Ambulance	410-50-01
		02	Buses	410-50-02
		03	Cars & Jeeps	410-50-03
		04	Cranes	410-50-04
		05	Trucks	410-50-05
		06	Tankers	410-50-06
60	Office & Other Equipments	01	Air Conditioners	410-60-01

Major Head				
Code	Description			
Minor Head		Detailed Heads		ℓ-Code
Code	Description	Code	Description	
		02	Computers	410-60-02
		03	Faxes	410-60-03
		04	Photocopiers	410-60-04
		05	Refrigerators	410-60-05
		06	Network Equipment	410-60-06
70	Furniture, Fixtures, Fittings and Electrical Appliances	01	Cabinets & Partitions	410-70-01
		02	Cupboards	410-70-02
		03	Fans	410-70-03
		04	Electrical Fittings	410-70-04
		05	Tables & Chairs	410-70-05
80	Other Fixed Assets			410-80-00
90	Assets under Disposal	01	Valuable Assets	410-90-01
		02	Scraped Assets	410-90-02
<b>411</b>	<b>Accumulated Depreciation</b>			
20	Buildings	01	Office Buildings	411-20-01
		02	Commercial Complex	411-20-02
		03	Hospitals, Dispensaries & Health Posts	411-20-03
		04	Community Halls & Reading Rooms	411-20-04
		05	Gust Houses	411-20-05
		06	Staff Quarters	411-20-06
		07	Public Latrines & Urinals	411-20-07
30	Roads & Bridges	01	Concrete Road	411-30-01
		02	Black Topped Roads	411-30-02
		03	Link Roads, Parallel Roads & Slip Roads	411-30-03
		04	Footpaths & Table Drains	411-30-04
		05	Bridges & Culverts	411-30-05
		06	Fly-overs & Over Bridges	411-30-06
		07	Subways & Causeways	411-30-07
31	Sewerage and Drainage	01	Underground Drains	411-31-01
		02	Open Drains	411-31-02
32	Waterways	01	Bore wells	411-32-01
		02	Open Wells	411-32-02
		03	Reservoirs	411-32-03
33	Public Lighting	01	Modern Lighting On Main Roads	411-33-01
		02	Modern Lighting On Lanes, By-lanes	411-33-02
40	Plant & Machinery			411-40-00

Major Head				
Code	Description			
Minor Head		Detailed Heads		e-Code
Code	Description	Code	Description	
50	Vehicles	01	Ambulance	411-50-01
		02	Buses	411-50-02
		03	Cars & Jeeps	411-50-03
		04	Cranes	411-50-04
		05	Trucks	411-50-05
		06	Tankers	411-50-06
60	Office & Other Equipments	01	Air Conditioners	411-60-01
		02	Computers	411-60-02
		03	Faxes	411-60-03
		04	Photocopiers	411-60-04
		05	Refrigerators	411-60-05
		06	Network Equipment	411-60-06
70	Furniture, Fixtures, Fittings and Electrical Appliances	01	Cabinets & Partitions	411-70-01
		02	Cupboards	411-70-02
		03	Fans	411-70-03
		04	Electrical Fittings	411-70-04
		05	Tables & Chairs	411-70-05
80	Other Fixed Assets			411-80-00
<b>412</b>	<b>Capital Work-In-Progress</b>			
00	General	11	Land Acquisition	412-00-11
		12	Garbage Dumping Yards	412-00-12
		13	Parking Lots	412-00-13
		14	Major Parks	412-00-14
		15	Colony Parks	412-00-15
		16	Traffic Islands/Central Media	412-00-16
		17	Raising of Nurseries	412-00-17
		18	Playgrounds/Stadia	412-00-18
		19	Purchase of Plants/ Translocation of Plants	412-00-19
		21	Office Buildings	412-00-21
		22	Markets, Shopping Complexes & Other Remunerative Enterprises	412-00-22
		23	Community Halls & Reading Rooms	412-00-23
		24	School Buildings	412-00-24
		25	Hospitals, Dispensaries, Health Posts	412-00-25
		26	Public Latrines & Urinals	412-00-26
		27	Burial Grounds/Crematoria	412-00-27
		31	Bridges & Culverts	412-00-31



Major Head				
Code	Description			
Minor Head		Detailed Heads		e-Code
Code	Description	Code	Description	
		32	Fly-Overs	412-00-32
		33	Rail Over/Under-Bridges	412-00-33
		34	Subways & Causeways, Foot over Bridges	412-00-34
		41	Road Development/Upgradation	412-00-41
		42	Link, Parallel and Slip Road	412-00-42
		43	Road Widening	412-00-43
		44	Footpaths and Table Drains	412-00-44
		45	Junction Improvements	412-00-45
		46	Station Area Development	412-00-46
		47	Traffic Signals & Signage	412-00-47
		48	Local Rail Transit Infrastructure	412-00-48
		51	Major Storm Water Drains	412-00-51
		52	Minor Storm Water Drains	412-00-52
		53	Rainwater Harvesting	412-00-53
		54	Sewerage Lines	412-00-54
		55	Sewerage Treatment Plants	412-00-55
		56	Conservation of Rivers/Lakes	412-00-56
		57	Construction of Dhobighats	412-00-57
		61	Modern Lighting on Major Roads	412-00-61
		62	Modern Lighting in Lanes and Byelanes	412-00-62
		71	Heavy Vehicles	412-00-71
		72	Light Vehicles	412-00-72
		73	Other Vehicles	412-00-73
		81	Office Equipment	412-00-81
		82	Computers, Servers & Net Work Equipment	412-00-82
		83	Urban Mapping – GIS	412-00-83
		84	Hospital Equipment	412-00-84
		85	Play and Sports Equipment	412-00-85
		86	Water Fountains	412-00-86
		87	Dumber Bins/Garbage Dust and Litter Bins	412-00-87
		88	Machinery and Equipment	412-00-88
		91	Furniture	412-00-91
		92	Fixtures and Fittings	412-00-92
10	Specific Grants			412-10-00
20	Special funds			412-20-00
30	Specific Schemes			412-30-00
<b>420</b>	<b>Investments - General Fund</b>			

Major Head				
Code	Description			
Minor Head		Detailed Heads		e-Code
Code	Description	Code	Description	
10	Central Government Securities			420-10-00
20	State Government Securities			420-20-00
30	Debentures and Bonds			420-30-00
40	Preference Shares			420-40-00
50	Equity Shares			420-50-00
60	Units of Mutual Funds	01	Open Ended Debt Fund	420-60-01
		02	Open Ended Equity Fund	420-60-02
80	Other Investments	01	Fixed Deposits	420-80-01
90	Accumulated Provision	01	Decline in Investment Value	420-90-01
<b>421</b>	<b>Investments - Other Funds</b>			
10	Central Government Securities			421-10-00
20	State Government Securities			421-20-00
30	Debentures and Bonds			421-30-00
40	Preference Shares			421-40-00
50	Equity Shares			421-50-00
60	Units of Mutual Funds	01	Open Ended Debt Fund	421-60-01
		02	Open Ended Equity Fund	421-60-02
80	Other Investments	01	Fixed Deposits with Banks	421-80-01
90	Accumulated Provision	01	Decline in Investment Value	421-90-01
<b>430</b>	<b>Stock - in- hand</b>			
10	Stores	01	Engineering Stores	430-10-01
		02	Transport Stores	430-10-02
		03	Medical Stores	430-10-03
		04	Central Stationary Stores	430-10-04
20	Loose Tools			430-20-00
80	Others			430-80-00
<b>431</b>	<b>Sundry Debtors (Receivables)</b>			
10	Receivables for Property Taxes	01	Private Properties	431-10-01
		02	Government Properties	431-10-02
		03	Vacant Lands	431-10-03
19	Receivable for Other Taxes	01	Private Properties	431-19-01
		02	Government Properties	431-19-02
20	Receivables for Cess			431-20-00

Major Head				
Code	Description			
Minor Head		Detailed Heads		ℓ-Code
Code	Description	Code	Description	
30	Receivable for Fees & User Charges	01	Water Supply	431-30-01
		02	Trade Licence	431-30-02
40	Receivable from other sources	01	Rent	431-40-01
		02	Interest Accrued & Due	431-40-02
		03	Interest Accrued but not due	431-40-03
		04	Interest Receivable On Employee Loans	431-40-04
		05	Other Rent	431-40-05
50	Receivable from Government	01	State Government	431-50-01
		02	Central Government	431-50-02
		03	Government Departments	431-50-03
		04	Public Sector Undertakings	431-50-04
80	Receivables control accounts	01	Property Taxes	431-80-01
<i>State Govt Cess/ levies in Taxes - Control accounts</i>				
91	State Govt Cess/ levies in Property Taxes - Control account			431-91-00
92	State Govt Cess/ levies in Water Taxes - Control account			431-92-00
99	State Govt Cess/ levies in Other Taxes - Control account			431-99-00
<b>432</b>	<b>Accumulated Provisions against Debtors (Receivables)</b>			
10	Provision for outstanding Property Taxes			432-10-00
11	Provision for outstanding Water Taxes			432-11-00
12	Provision for outstanding Other Taxes			432-12-00
20	Provision for outstanding Cess			432-20-00
30	Provision for outstanding Fees & User Charges			432-30-00
40	Provision for outstanding other receivable			432-40-00

Major Head				
Code	Description			
Minor Head		Detailed Heads		e-Code
Code	Description	Code	Description	
91	State Govt Cess/ levies in Property Taxes - Provision account			432-91-00
92	State Govt Cess/ levies in Water Taxes - Provision account			432-92-00
99	State Govt Cess/ levies in Other Taxes - Provision account			432-99-00
<b>440</b>	<b>Pre-paid Expenses</b>			
10	Establishment			440-10-00
20	Administration	01	Rent, Rates Taxes	440-20-01
		02	Insurance	440-20-02
30	Operations & Maintenance	01	Annual Maintenance Contracts	440-30-01
<b>450</b>	<b>Cash and Bank balance</b>			
10	Cash	01	Cash On Hand	450-10-01
		02	Cash In Transit	450-10-02
		51	Cheques-in-hand	450-10-51
		91	Inter Bank Account Fund Transfer	450-10-91
	<b>Balance with Bank - Municipal Fund</b>			
21	Nationalised Banks	01	State Bank of India	450-21-01
		02	State Bank of Hyderabad	450-21-02
		03	Andhra Bank	450-21-03
		04	Canara Bank	450-21-04
22	Other Scheduled Banks	01	ICICI Bank	450-22-01
		02	IDBI Bank	450-22-02
		03	HDFC Bank	450-22-03
23	Scheduled Co-operative Banks			450-23-00
24	Post Office			450-24-00
	<b>Balance with Bank - Special Funds</b>			
41	Nationalised Banks	01	State Bank Of India	450-41-01
		02	State Bank Of Hyderabad	450-41-02
		03	Andhra Bank	450-41-03
		04	Canara Bank	450-41-04
42	Other Scheduled Banks	01	ICICI Bank	450-42-01
		02	IDBI Bank	450-42-02
		03	HDFC Bank	450-42-03
43	Scheduled Co-operative Banks			450-43-00

Major Head				
Code	Description			
Minor Head		Detailed Heads		e-Code
Code	Description	Code	Description	
44	Post Office			450-44-00
<b>Balance with Bank - Grant Funds</b>				
61	Nationalised Banks	01	State Bank Of India	450-61-01
		02	State Bank Of Hyderabad	450-61-02
62	Other Scheduled Banks			450-62-00
63	Scheduled Co-operative Banks			450-63-00
64	Post Office			450-64-00
<b>460</b>	<b>Loans, Advances and Deposits</b>			
10	Loans and advances to employees	01	House Building Advance	460-10-01
		02	Conveyance Advance	460-10-02
		03	Computer Advance	460-10-03
		04	Festival Advance	460-10-04
		05	Education Advance	460-10-05
		06	Miscellaneous Advance	460-10-06
20	Employee Provident Fund Loans			460-20-00
30	Loans to Others			460-30-00
40	Advance to Suppliers and contractors	01	Suppliers	460-40-01
		02	Contractors	460-40-02
		03	Expenses	460-40-03
		04	Materials Issued to Contractors	460-40-04
50	Advance to others	01	Employees for works	460-50-01
		02	Travel Advance	460-50-02
		03	Imprest	460-50-03
		04	Executing agency for projects	460-50-04
60	Deposits with external Agencies	01	Telephone	460-60-01
		02	Electricity	460-60-02
		03	Petrol Pumps	460-60-03
80	Other Current Assets	01	HP Installments receivable	460-80-01
<b>461</b>	<b>Accumulated Provisions against Loans, Advances and Deposits</b>			
10	Loans to Others			461-10-00
20	Advances			461-20-00
30	Deposits			461-30-00
<b>470</b>	<b>Other Assets</b>			
10	Deposit Works – Expenditure	01	Civil Works	470-10-01
		02	Electric Works	470-10-02

Major Head				
Code	Description			
Minor Head		Detailed Heads		e-Code
Code	Description	Code	Description	
		03	Other Works	470-10-03
20	Inter Unit Accounts			470-20-00
		51	Inter Fund Transfer	470-20-51
30	Interest Control Payable			470-30-00
<b>480</b>	<b>Miscellaneous Expenditure to be written off</b>			
10	Loan Issue Expenses	01	Deferred Revenue Expenses	480-10-01
20	Discount on Issue of loans			480-20-00
30	Others			480-30-00

**ACCOUNTING PROCEDURES****CHAPTER 4***Transformation Of Data Into Meaningful Information*

4.1 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**

4.2 Books of accounts shall be maintained separately for each financial year. 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 ULB 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, Water Supply, Public Works, Special Funds etc., as has been provided in the applicable rules and regulations. Format of Cash Book is provided in Form GEN – 1
- 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. Format of Journal Book is provided in Form GEN – 2.
- c. Ledger (Form GEN-3) shall be a 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 account to another). 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. Format of Ledger is provided in GEN – 3

### **Accounting Documents**

4.3 Vouchers prepared at the ULB 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 ULB 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**

4.4 The specific books of accounts, forms and registers to be maintained at various Sections of the ULB are defined in the Manual depending on the rules and regulations governing them. However inputs required from various sections 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 4.1 below:



**Table 4.1**  
**General Registers and Forms**

Sr. No.	Name of the Form	Form Number
1	Cash Book	GEN-1
2	Journal Book	GEN-2
3	Ledger	GEN-3
4	Receipt Voucher	GEN-4
5	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	Notice/Bill	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	Document 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 Expense Subsidiary Ledger	GEN-34
35	Asset Replacement Register	GEN-35
36	Register of Public Lighting System	GEN-36

4.5 The formats of all books, registers, and forms referred in this chapter and those listed (Form GEN-1 to GEN-36) above are annexed to this chapter.

## Procedure for Income Accounting

### Accrual Income Accounting

4.6 Authentic information shall be called for accounting of income on accrual basis. From serving of bill to collection, provisioning, write off and change in demand accounting procedures and information needs have been explained below

Activity	Information From Revenue Section	Form	Accounting Entry
Serving of Demand (Bill)	<p>Copy of the demand served shall be kept in serial order.</p> <p>Particulars of each demand shall be entered in demand register maintained by the Section concerned.</p> <p>Demand Register shall be maintained ward wise.</p> <p>Demand Register shall contain demand (bill) particulars, amount bifurcation for each component of demand and total amount.</p> <p>Summarization of these registers shall be done at periodic intervals ideally once in a month.</p> <p>Information in format GEN-22 on monthly basis shall be furnished to the Account Section.</p>	GEN – 22 (Monthly)	<p>On receipt of summary statement of bills raised in format GEN-22 from the concerned Sections, accounting entry (Journal Voucher) for accruing income shall be passed.</p> <p>As per accounting rules mentioned in the Chapter – 1 following accounting entry shall be passed</p> <p><b>Debit</b> – Receivables A/c (Personal A/c - Debit the receiver of money / services / goods)</p> <p><b>Credit</b> – Income A/c (Nominal A/c - Credit Income or gains)</p> <p>Narration : (Being the _____ receivable for the month/half year/year of _____ accounted as per the Statement Enclosed)</p>
Collection	Each collection shall be entered in Demand registers against the demand bill.	GEN – 9 (Daily)	Daily collection information furnished by the Cashier / Shroff shall be verified with the Income Auditor

	<p>Daily collections shall be remitted to the Cashier/ Shroff after verification of Income Auditor</p> <p>Information in format GEN-9 on daily basis shall be furnished to the Accounts Section.</p>		<p>as per information furnished in GEN-9.</p> <p>Cash Receipt Voucher and Bank Receipt Voucher shall be passed for each collection point based on the information furnished in (GEN – 12) after cross verification with GEN-9. Deviation between these reports shall be intimated to the concerned sections.</p> <p><b>Debit</b> Cash/Bank A/c (Real Account-What comes in)</p> <p><b>Credit</b> Receivable A/c (Personal Account – Credit the giver)</p> <p>Narration (Being amount collected at _____ collection point against demand on _____)</p>
<p>Bounced Cheques</p>	<p>Collection entries shall be reversed in the Revenue Register based on the bounced Cheques information received from Accounts Section in format GEN – 10.</p> <p>Notice shall be issued to the person who issued the cheque.</p> <p>Steps shall be initiated to realize the amount.</p>	<p>GEN-10 (Daily)</p>	<p>Bounced cheques shall be collected from the bank on daily basis.</p> <p>Bounced cheques information shall be entered in Cheques Register - GEN-10</p> <p>Bounced Cheques information shall be prepared Section wise/ward wise on daily basis.</p> <p>Bounced Cheques and GEN-10 shall be forwarded to the Section concerned.</p>

			<p>Following Accounting Entry Shall be passed</p> <p><b>Debit</b> - Receivable A/c (Personal Account – Debit the receiver)</p> <p><b>Credit</b> – Bank A/c (Real Account – Credit what goes out)</p> <p>Narration (Being the reversal of Bounced Cheques Amount on _____)</p>
Provision	<p>Demand balances shall be arrived on periodic intervals. Monthly GEN-20 shall be prepared showing summary of uncollected bills with year-wise bifurcation.</p>	<p>GEN-20 (Monthly)</p>	<p>On receipt of GEN-20, the Section shall calculate provision in accordance with the accounting policies.</p> <p>The Provision against the uncollected bills shall be provided at the end of each month.</p> <p>Following Journal voucher shall be passed</p> <p><b>Debit</b> Provision for Doubtful Receivables A/c (Nominal Account – Debit expenditure or losses)</p> <p><b>Credit</b> Accumulated Provision for Doubtful Receivables A/c (Real Account – Credit what goes out)</p> <p>Narration (Being the provision on doubtful receivables provided for the month of _____)</p>

			Exact reverse entry shall be passed to reduce the excess provision created if any in earlier period.
Write Off	Demand served and collection not possible shall be written off with the approval of appropriate authority based on the information received from the concerned Section.	GEN -20	<p>Based on the proposal for write off received in Form GEN –20, Accounts Section shall record necessary entries.</p> <p>Following Journal Voucher shall be passed.</p> <p><b>Debit</b> Income Written Off A/c (Nominal Account – Debit expenditure or losses)</p> <p><b>Credit</b> Receivables A/c (Real Account – Credit what goes out)</p> <p>Narration (Being the _____ Receivable written off as per the statement enclosed)</p>

### Procedure for Income Accounting on Collection

4.7 Where there is no proper system of rising demand, then income shall be accounted on collection basis. These transactions are like providing service or goods against collection.

4.8 Concerned Sections shall maintain collection registers and enter full particulars. Procedures and information needs for accounting of collection based income has been explained below

Activity	Information From Revenue Section	Form	Accounting Entry
Collection	Each collection shall be entered in Demand Registers.  Daily collections shall be remitted	GEN–12 (Daily)	Daily collection information furnished by the Cashier/Shroff shall be verified with the Income Auditor as per

	<p>to the Cashier/Shroff after verification of Income Auditor</p> <p>Information in Format GEN-12 on daily basis shall be furnished to the Accounts Section.</p>	<p>information furnished in GEN-12.</p> <p>Cash Receipt Voucher and Bank Receipt Voucher shall be passed for each collection point based on the information furnished in GEN-12 after cross verification with GEN-9. Deviation between these reports shall be intimated to the concerned sections.</p> <p><b>Debit</b> Cash/Bank A/c (Real Account-What comes in)</p> <p><b>Credit</b> Respective Income A/c (Nominal – Credit income and gains)</p> <p>Narration (Being amount collected at _____ collection point on _____)</p>
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### **Procedure to be followed for Accounting of Collections**

4.9 The collections in respect of the receipts of the ULB may be made at Collection Offices/counters (i.e. at the Head Office, Circle Office, Ward Offices, Sections, Single-Window, etc.) or at other Collection Centres (i.e. branches of Designated Banks, e-Seva Centers, other Collection Centres and Online). The general procedure for the receipt, deposit and accounting of the collections shall be as follows:

- a. **Collections 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 cash/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 may be used by the Cashier of the ULB for depositing with Bank.
- b. **Deposit of amount collected:** The amount collected (cash, cheques as well as drafts) in the circle/ward office by the Cashiers shall be deposited with Head Office of ULB

or designated bank account. The Cashier in the Head Office accounts for the amount and deposit in the designated bank account. The deposit shall be made in designated bank account on the same day or on the next working day.

- c. Collections at collection centres: The Collection Centre receiving cash/cheque/draft shall issue a Receipt (Form GEN-8) to acknowledge the receipt of cash/cheque/draft. The receiving Collection Centre shall record the receipts in the Receipt Register maintained in Form GEN -9. The amount collected (cash, cheques as well as drafts) in the collection centers shall be deposited with Head Office of ULB or designated bank account.
- d. Entry in Collection Register. The Collection Offices and Collection Centres shall record the particulars of each Receipt issued in the Collection Register, maintained account head wise in Form GEN-11, on a daily basis. This Collection Register shall be maintained in triplicate, where one copy can be sent to the concerned Section along with one copy of the Bill/Challan collected, if any, one can be sent to the Accounts section 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 receipts directly from the payers, shall also prepare a Summary of Daily Collection in Form GEN – 12.
- g. Preparation of Bank Receipt Voucher. The Accounts Section 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	10,000		Cash Book, Ledger
340-10-03	To Deposit Contractors – Security Deposit A/c		10,000	
Narration: Being entry for security deposit received by cheque and deposit in Main Bank a/c				

- 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.)	Bank Amount (Rs.)	Sr. No.	Date	Pymt. Vchr. No.	Code of Account	Particulars of Payment	L/F	Cash Amount (Rs.)	Bank Amount (Rs.)
	1/1/04		340-10-03	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	L/F	Amount (Rs.)	Date	Code of Account	Particulars	L/F	Amount (Rs.)
					1/1/04	450-21-02	By SBH 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.)	Credit Amount (Rs.)	Books to be entered into
450-21-02	SBH Account	Dr.	25,000		Cash Book, Ledger
431-80-01	To Receivables control account – Property Tax	Cr.		25,000	

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.)	Bank Amount (Rs.)	Sr. No.	Date	Pymt. Vchr. No.	Code of Account	Particulars of Payment	L/F	Bank Amount (Rs.)	Bank Amount (Rs.)
	1/1/04		431-80-01	To Recevables control account – Property Tax			25,000								

(Extracted Cash Book)

**Receivables Control Account**

Dr.

Cr.

Date	Code of Account	Particulars	L/F	Amount (Rs.)	Date	Code of Account	Particulars	L/F	Amount (Rs.)
					1/1/04	450-21-02	By SBH Account		25,000

- k. The entries to be passed for recording the collection of revenues have been provided in Chapter 5
- l. Updation of Subsidiary Ledgers. The Accounts Section shall maintain separate Subsidiary Ledger for each of the Major Heads of Income in Form GEN – 33. The Subsidiary Ledgers would provide function-wise break-up of above-mentioned income earned/received by the ULB 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 Sections. 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 Section 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 4.2**  
**Function Wise Income Subsidiary Ledger**

Function : Health							
Dt.	Ref. No.	Particulars	Total Amount Rs.	Income Rs.			
				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			
	:						
	:						
		<b>Total for the month</b>	<b>19,000</b>	<b>5,000</b>	<b>13,500</b>	<b>500</b>	
		Cum. total at the beginning of the month	2,000	1,200	600	200	
		Cum. Total at the end of the month	<b>21,000</b>	<b>6,200</b>	<b>14,100</b>	<b>700</b>	

- 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 function may be prepared from the Subsidiary Ledgers in the following format (Table 4.3).

**Table 4.3**  
**Summary of major head wise Income**

Sl. No	Function code	Functions Head	Total Income Rs.	Major Heads of Income Rs.			
				Revenue Grants	Fees & User charges	Sale & Hire Charges	...
1	30	Health	19,000	5,000	13,500	500	
2	20	Public Works					
3	50	Civic Amenities					
4		.....					
<b>Total for the major Heads of Income</b>			<b>19,000</b>	<b>5,000</b>	<b>13,500</b>	<b>500</b>	

- 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) and communicated to the concerned officer for follow-up action. The details should be intimated to the Accounts Section by the Collection Office/Centre who has actually deposited the cheques and co-ordinating with the bank, through a Statement on Status of Cheques Received (Form GEN-10).
- s. Based on the Statement on Status of Cheques Received (Form GEN-10), and in case the cheque is dishonored, the Accounts Section 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 Section shall pass the following entry for reversal of receipt.

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
340-10-03	Deposit from contractors – Security Deposit	Dr	10,000	Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		10,000	
Narration: Being entry for Cheque dishonored				

- t. Subsidiary Ledgers shall be adequately updated for the reversal entry to be passed in respect of Fees and User Charges and Sale and Hire Charges due to dishonour of cheques.
- u. An administrative charge (as per ULB operations manual/guidelines) 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 Section shall prepare a Contra Voucher (Form GEN-6). Accounting entries relating to this is explained below under 'Accounting for Contra entries.'

## Procedure for Expenditure Accounting

4.10 Preparation of Bill for payment. On the basis of work completed as per 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.

4.11 Recording of Contractor's bill in respect of Original Work. On receipt of the processed bill, the particulars are 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
412-00-41	CWIP–Road Development A/c Dr	50,000		Journal Book, Ledger
350-10-02	To Creditors – Contractors A/c		44,000	
340-10-03	To From Contractors – Security Deposits		2,500	
460-40-02	To Advance to Contractors		500	
350-20-25	To TDS from Contractors Bills		1,000	
350-20-55	To Recoveries Payable – NAC		1,500	
460-40-04	To Advance to Contractors – Material Issued to Contractors		500	
Narration: Being entry for admission of Road Development work bill of Sri-----				

4.12 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.

4.13 At period-end, the Sections incurring expenditure on capital projects shall submit a Summary Statement of Status on Capital Work-in-Progress in Form PW – 1 (refer Chapter 8) 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 in Form PW – 2 (refer Chapter 8)).

4.14 The Contractors Control Account shall be a Control Account in which the liability for amount payable to various contractors for works executed shall be credited and the amount paid shall be debited.

4.15 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. The Accounts Section 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 in Form PW – 2 (refer Chapter 8) and pass the following entry:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
350-10-02	Creditors – Contractors A/c	Dr	44,000		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c			44,000	
Narration: Being entry for payment to Sri ----- contractor					

4.16 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 Section 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 Section shall pass the following entry:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
350-20-25	Recoveries Payable – TDS from Contractors	Dr	1,000		Cash Book, Ledger
350-20-55	Recoveries Payable–NAC	Dr	1,500		
450-21-02	To State Bank of Hyderabad A/c			2,500	
Narration: Being entry for payment of work bill deductions					

4.17 Recording of difference between the Stores Issue Rate and the Recovery Rate for material issued to Contractors. The Accounts Section shall determine the difference between the Stores Issue Rate and the Recovery Rate for material issued to Contractors. To record the difference, the Accounts Section 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:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
460-40-04	Material issued to contractors A/c	Dr	50		Journal Book, Ledger
412-00-41	To Capital Work-in- Progress - Roads			50	
Narration: Being entry for material issued to contractor Sri ----- for road works					

- b. In case of Adverse Rate Variance, where Stores Issue Rate is greater than

Recovery rate from the Contractor for materials issue:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
412-00-41	Capital Work-in-Progress – Roads A/c Dr	20		Journal Book, Ledger
460-40-04	To Material issued to Contractors A/c		20	
Narration: Being entry for adjustment of rate differences				

### **Procedure to be followed For Accounting of Payments**

4.18 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 ULB or at the Accounts Section as per the procedures laid down for ULB in this behalf. The concerned Section 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 Sections, the Section shall forward the bills to the Pre-Audit/Accounts Section for payment. Payment is made through Payment Order (Form GEN-14).
- c. Bill Passing/ Approval of bills: Before release of payment, the Pre-Audit/Accounts Section, whoever is responsible for passing the bill 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 Section;
  - Whether adequate budget provision/appropriation is available under the particular head.
  - Whether evidence of entry into Purchase/Fixed Assets/Investments Register with folio and reference numbers are attached/ available;
  - Whether 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/Masurement Book or Fixed Asset Register or Register of Bills for Payment, the same shall be noted on the Payment Order and shall be returned to the respective Section.
- e. The concerned Section shall resolve the query raised (in d. above), make the necessary changes in the Payment Order and 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 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 Section (Form GEN-13). Journal Voucher shall also be 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 chapter, e.g., Chapter-6 - Revenue Expenditures.
- j. Preparation of cheque. On verification of the Cash/Bank Payment Voucher, a cheque shall be prepared. 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 Section.
- l. Recording of entry for payment. After the signing of the Cash / Bank Payment Voucher, the Accounts Section shall pass the entry for the payment.

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

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
220-10-02	Rent, Rates & Taxes A/c Dr.	5,000		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		5,000	
Narration: Being entry for payment of rent to Sri-----				

- 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.)	Bank Amount (Rs.)	Sr. No.	Date	Pymt. Vchr. No.	Code of Account	Particulars of Payment	L/F	Cash Amount (Rs.)	Bank Amount (Rs.)
									1/1/04		220-10-02	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.)	Date	Code of Account	Particulars	Folio	Amount (Rs.)
1/1/04	450-21-02	To S.B.H A/c		5,000			←		

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.)	Credit Amount (Rs.)	Books to be entered into
350-10-02	Creditors - Contractors Control Account	Dr.	1,00,000		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c	Cr.		1,00,000	

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.)	Sr. No.	Date	Pymt. Vchr. No.	Code of Account	Particulars of Payment	L/F	Bank Amount (Rs.)
								1/1/04		350-10-02	By Contractors Control Account		1,00,000

**Contractors Control Account**

Dr.

Cr.

Date	Code of Account	Particulars	Folio	Amount (Rs.)	Date	Code of Account	Particulars	Folio	Amount (Rs.)
1/1/04	450-21-02	To State Bank of Hyderabad A/c		1,00,000					

- o. Updation of Subsidiary Ledgers for expenditures. The Accounts Section 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 ULB on a daily basis. Separate folios shall be maintained for each function. When an expenditure is incurred, it will be first recorded in the Cash Book on the payment side or in the credit side of Journal Bill. 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 4.4**  
**Function wise Expenses Subsidiary Ledger**

Function:

Date	Ref. No.	Particulars	Total Amount Rs.	Major Heads of Expenses Rs.			
				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		
	:						
	:						
		<b>Total for the month</b>	<b>37,000</b>	<b>10,000</b>	<b>4,000</b>	<b>23,000</b>	
		Cum. total at the beginning of the month	NIL	NIL	NIL	NIL	
		Cum. Total at the end of the month	<b>37,000</b>	<b>10,000</b>	<b>4,000</b>	<b>23,000</b>	

- 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 functions may be prepared from the Subsidiary Ledgers in the following format (Table 4.5).

**Table 4.5**  
**Summary of major head wise expenses**

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

- 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**

4.19 For transactions other than those involving cash and/or bank, the Accounts Section 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:

4.20 For recording the entry in respect of the raising of demand of Property and Other Taxes, the Accounts Section 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.)	Credit Amount (Rs.)
1	1/1/04	XXX	431-10-01 110-01-01	Receivables for Property Taxes (Year...) To Property tax – Residential Properties		50,000	50,000

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

**Property tax – Residential properties Account**

Dr.

Cr.

Date	Code of Account	Particulars	Folio	Amount (Rs.)	Date	Code of Account	Particulars	Folio	Amount (Rs.)
					1/1/04	431-10-01	By Receivables of Property Taxes (Year...)		50,000



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

4.22 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	1,000		Cash Book, Ledger
150-11-01	To Sale Forms - Tenders		1,000	
Narration: Being entry for receipt of income on sale of Tender Forms				

If the entry has been wrongly passed as follows:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	1,000		Cash Book, Ledger
140-10-03	To Registration Charges – PW Contractors		1,000	
Narration: Being entry for receipt of incomes as Registration Charges				

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

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
140-10-03	Registration Charges – PW Contractors	1,000		Journal Book, Ledger
150-11-01	To Sale of Forms – Tender		1,000	
Narration: Being entry for rectification of entry wrongly credited to Registration Charges instead of credited to Sale of Forms				

### **Permanent/Official Advance**

4.23 For Permanent Advance (imprest cash) provided to the various officers/Sections 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 Sections in Form GEN-17. The details of

the other advances given shall be recorded in the Register of Advance maintained in Form GEN-16. The concerned Section shall prepare Payment Order (Form GEN-14) for replenishment of the Permanent Advance.

4.24 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.

4.25 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**

4.26 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.

4.27 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 Reconciliation Procedures under Chapter 9, as items not accounted by the ULB. Accounting entry for Bank Charges shall be as follows:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
240-70-01	Bank Charges A/c Dr	10,000		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c Narration: Being entry for Bank Charges paid		10,000	

### **Stale/Obsolete Cheques**

4.28 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.

4.29 At period end, the Accounts Section shall review the Cheque Issue Register (Form GEN-15) and the Bank Reconciliation Statements (format provided in Table 9.2 of Chapter 9 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	10,000		Cash Book, Ledger
350-80-01	To Other Liability – Liability in respect of Stale Cheques		10,000	
Narration: Being entry for notional receipt of Stale Cheques				

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

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-80-01	Other Liability – Liability in respect of Stale Cheques Dr	10,000		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		10,000	
Narration: Being entry for fresh payment against the stale cheque				

4.31 Liability in respect of Stale Cheques account shall be reviewed periodically and those Stale cheques which were not revalidated for a period of 6 months from the date of original issue shall be reversed as 'Write back of Liability for Stale Cheques' under Other Incomes of the ULB. Accounts Section shall pass the following entry for recognition of other income:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-80-01	Other Liability – Liability in respect of Stale Cheques Dr	2,000		Cash Book, Ledger
180-50-01	To Unclaimed Liabilities written back – Stale Cheques		2,000	
Narration: Being entry for recognition as income of stale cheques which are not revalidated for the period of 3 months from the date of original issues				

### **General Instruction for Payments**

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

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

4.34 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.

4.35 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 authorizing 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. The Bank Charges for the draft shall be collected from the person making the request.

4.36 At period end, the officers/Sections to whom the Permanent Advance is provided shall prepare a Payment Order for the replenishment of the expenditure incurred upto the period end and submit it to the Accounts Section within 5 days from the end of the period.

4.37 In respect of cheques, which are cancelled or lost, the Accounts Section 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.

4.38 State Government 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

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

### **Accounting for Contra Entries**

4.40 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 Section shall prepare a Contra Voucher (Form GEN-6). In respect of Contra Entries, the following entries shall be passed:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
For recording cash deposited into bank				
450-21-02	SBH Bank A/c Dr	10,000		Cash Book, Ledger
450-10-01	To Cash on Hand		10,000	
For recording cash withdrawn from bank				
450-10-01	Cash on Hand Dr	10,000		Cash Book, Ledger
450-21-02	To SBH Bank A/c		10,000	
For recording transfer of funds from one bank to another				
450-21-02	State Bank of Hyderabad A/c Dr	10,000		Cash Book, Ledger
450-41-02	To SBH (CDF) A/c		10,000	

4.41 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 City Development Fund Bank Account, then the following entry shall be passed to rectify the error:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	2,000		Cash Book, Ledger
450-41-02	To State Bank of Hyderabad (CDF) A/c		2,000	
Narration: Being entry for rectification of wrong entry				

**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.)	Bank Amount (Rs.)	Sr. No.	Date	Pymt. Vchr. No.	Code of Account	Particulars of Payment	L/ F	Cash Amount (Rs.)	Bank Account (Rs.)
	1/1/04		450-41-02	To SBH (CDF) A/c			2,000	←							

**Cash Book of \_\_\_\_\_ (CDF)**

Receipt								Payment							
Sr. No.	Date	Rcpt. Vchr. No.	Code of Account	Particulars of Receipt	L/ F	Bank Amount (Rs.)	Bank Amount (Rs.)	Sr. No.	Date	Pymt. Vchr. No.	Code of Account	Particulars of Payment	L/ F	Bank Amount (Rs.)	Bank Amount (Rs.)
									1/1/04		450-21-02	By SBH A/c			2,000 ←

## **Banking arrangements**

4.42 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.

### 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 Advices
- Issue Account Statements on a weekly basis or for such other periods
- Tele banking facilities
- Salary Credit for employees

## **Internal Controls**

4.43 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 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 Section 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 Section 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 Section shall ensure compliance with the month-end procedure described in Chapter 9.
- k. The Accounts Section shall also comply with month-end procedure in respect of:
  - Operations and Maintenance Expenses as described in Chapter 6 – Public Works,
  - Employee related expenses as described in Chapter 6 - Employee Related Transactions, and
  - Administrative Expenses as described in Chapter 6 – 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 6 months from the date of original issue shall be identified and reversed as other income of the ULB.
- m. The Accounts Section shall ensure stamping of all the bills, once approved for payment to ensure the same bill is not processed once again.
- n. The Accounts Section shall ensure that all the bank charges accounted based on the bank reconciliation statement are supported with original bank debit advices.
- o. The Accounts Section shall certify all Reconciliation Statements.



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 Amount (Rs.)	Sr. No.	Date	Pymt. Vchr. No.	Code of Account	Particulars of Payment	L/F	Cash Amount (Rs.)	Bank Amount (Rs.)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

**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 reservation 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 cheques drawn
- The amount 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 initialed by some responsible officer other than the writer of Cash book
- Cash book should be closed daily

Name of the ULB: \_\_\_\_\_

**JOURNAL BOOK**

<b>Sr. No.</b>	<b>Date</b>	<b>Jrnl. Vchr. No.</b>	<b>Code of Account</b>	<b>Particulars</b>	<b>L/F</b>	<b>Debit Amount (Rs.)</b>	<b>Credit Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>

Name of the ULB: \_\_\_\_\_

**LEDGER**

\_\_\_\_\_ Account

**Dr.**

**Cr.**

<b>Date</b>	<b>Code of Account</b>	<b>Particulars</b>	<b>L/F</b>	<b>Amount (Rs.)</b>	<b>Date</b>	<b>Code of Account</b>	<b>Particulars</b>	<b>L/F</b>	<b>Amount (Rs.)</b>
1	2	3	4	5	6	7	8	9	10

Form GEN-4

Name of the ULB: \_\_\_\_\_

**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	Challan No. for Remittance of Money	Amount (Rs.)
Function	Functionary				
1	2	3	4	5	6
<b>Total</b>					
<b>Prepared by:</b>		<b>Verified by:</b>		<b>Approved by:</b>	<b>Posted by:</b>
<b>Date:</b>		<b>Date:</b>		<b>Date:</b>	<b>Date:</b>

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.

Name of the ULB: \_\_\_\_\_

**PAYMENT VOUCHER**

NAME OF THE FUND: \_\_\_\_\_

Name of the Bank: \_\_\_\_\_

Date: \_\_\_\_\_

Section: \_\_\_\_\_

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
<b>Total (in words):</b>						
<b>Prepared by:</b>		<b>Verified by:</b>		<b>Approved by:</b>		<b>Posted by:</b>
<b>Date:</b>		<b>Date:</b>		<b>Date:</b>		<b>Date:</b>
				<b>Received Payment</b>		
				<b>Signature of Receiver</b>		

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.

Name of the ULB: \_\_\_\_\_

**CONTRA VOUCHER**

Date: \_\_\_\_\_

Contra Voucher No: \_\_\_\_\_

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

Note:

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

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
		<b>Total</b>			
		<b>Prepared By</b>	<b>Verified By</b>	<b>Approved By</b>	<b>Posted By</b>
		<b>Date</b>	<b>Date</b>	<b>Date</b>	<b>Date</b>

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.

**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.



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 thru 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

Name of the ULB: \_\_\_\_\_

**STATEMENT ON STATUS OF CHEQUES RECEIVED**  
**FROM \_\_\_\_\_ TO \_\_\_\_\_**

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.

Name of the ULB: \_\_\_\_\_

COLLECTION REGISTER OF \_\_\_\_\_ FOR THE YEAR 20\_\_ to 20\_\_

Section: \_\_\_\_\_

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										
<b>Prepared By*** :</b> _____ <b>Checked By*** :</b> _____ <b>Date:</b> _____											
<b>Entered By :***</b> _____ <b>Checked By :***</b> _____											

\* Specify the head of Income Account under which collection is made

\*\* Specify the identification details in respect of the cheque, e.g., Bill No. in case of Property &amp; 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 (GEN – 9) for the day and also the amount as per the 'Summary of daily collections' (GEN – 12)

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 Section	Name of the Revenue Head	Amount (Rs.)	Amount (Rs.)	Deposited With*
1	2	3	4	5	6
<b>Revenue accounted for on Cash basis #</b>					
1	Tax Section	Property Transfer Charges			
2	Water Supply	Water Connection Charges			
		Water Tanker Charges			
		Road Damage Charges			
3	Town Planning Section	Building Permit Fee			
<b>Revenue accounted for on Accrual basis</b>					
4	Tax Section	Property Tax			
5	Water Supply	Water Charges			
<b>Grand Total</b>					
<b>Amount in Words : Rupees</b> _____					
<b>Receipt No. issued by the Collection Office:</b>					
<b>(in case collections are deposited with Collection Office)</b>					
	Cash	_____	<b>Rs:</b> _____		
	Cheque	_____	<b>Rs:</b> _____		
	(For cheques realised)				
	<b>Total</b>		<b>Rs.</b> _____		
<b>Prepared By** :</b> _____			Examined and entered		
<b>Checked By** :</b> _____			<b>Accountant/Authorised Officer</b>		
<b>Dated:</b>			<b>Dated:</b>		

\* 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.

# Example of cash basis of accounting:

- Transfer charges relating to Transfer of Properties has to be recognised only on actual receipt basis

Name of the ULB: \_\_\_\_\_

**REGISTER OF BILLS FOR PAYMENT FOR THE YEAR \_\_\_\_\_**

**Function:** \_\_\_\_\_

Sr. No.	Date of presentation by the Supplier/ Contractor	Name of Supplier/ Contractor	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

Note: For each entry made; record the name, designation, and signature of the person making the entry and the person checking the entry.

Name of the ULB: \_\_\_\_\_

**PAYMENT ORDER**

Payment Order No: \_\_\_\_\_ Date: \_\_\_\_\_ Cheque No: \_\_\_\_\_

Name and address of Payee:

Stock / Bills for Payment:

Reference to \_\_\_\_\_ Book / Register

Head of Account:

Bank Account No:

Amount Claimed by The Party: Rs. \_\_\_\_\_ Vide Bill No: \_\_\_\_\_ Date: \_\_\_\_\_

Recommended by the Section: Rs. \_\_\_\_\_ Vide Bill No: \_\_\_\_\_ Date: \_\_\_\_\_

Admitted by the Pre-Audit: Rs. \_\_\_\_\_ Vide JV No: \_\_\_\_\_ Date: \_\_\_\_\_

Amount Paid: Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_)

I have examined the claim and found it correct in all respects.		
Date .....	Date .....	
Accounts Officer		Commissioner or Authorised Officer
Pay Rupees .....(in words) .....	To The Accountant for payment.	
Date Accounts Officer	Date Commissioner or Authorised Officer	
Received payment of Rs. .... ( in words) ..... ..... in full settlement of the claim.	Paid by cheque/draft No. .... date .....	
	and entered in the cash book on Page .....	
Stamp	Accounts Officer Commissioner or Authorised Officer	
Payees Signature		

Name of the ULB: \_\_\_\_\_

**CHEQUE ISSUE REGISTER**

Sr. No.	Date	Bank Payment Voucher No. & Date	Payment Order No. & Date	Name of the Payee	Nature of Payment	Cheque/ Draft No.	Date of 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.

Name of the ULB: \_\_\_\_\_

## REGISTER OF ADVANCES FOR THE YEAR 20 \_\_\_\_ to 20 \_\_\_\_

Sr. No.	Date	Name of the person to whom advance is paid	Particulars of the advance	Bank Payment Voucher No. & Date	Payment Order No. & 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.



Name of the ULB: \_\_\_\_\_

**REGISTER OF PERMANENT ADVANCE**

Of \_\_\_\_\_ for the year \_\_\_\_\_

Initial disbursement/Recoupment of 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 entry and the person checking the entry.

Name of the ULB: \_\_\_\_\_

**REGISTER OF DEPOSITS FOR THE YEAR 20\_\_ to 20\_\_**  
*In respect of* \_\_\_\_\_

Section: \_\_\_\_\_

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 entry and the person checking the entry.

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
<b>Total</b>							
Amount in Words: Rupees _____							
<b>Prepared By :*</b> _____				<b>Examined and entered</b>			
<b>Checked By :*</b> _____				<b>Accountant/Authorised Officer</b>			
<b>Dated:</b> _____				<b>Dated:</b> _____			

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

Name of the ULB: \_\_\_\_\_

DEMAND REGISTER OF \_\_\_\_\_ \* INCOME FOR THE YEAR 20\_\_ to 20\_\_

\_\_\_\_\_ Section

\_\_\_\_\_ Ward or Circle

Sr. No.	Date	Bill No.	Name of the person from whom income is due	Particulars	Demand								Collections						
					Revenue* (Rs.)	Revenue* (Rs.)	Distrant Fee (Rs.)	Warrant Fee (Rs.)	Other Fees (Rs.)	Penalty (Rs.)	Others (Specify) (Rs.)	Total (Rs.)	Receipt Number & Date of collection	Revenue* (Rs.)	Revenue* (Rs.)	Distrant 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.)	Distrant Fee (Rs.)	Warrant Fee (Rs.)	Other Fees (Rs.)	Penalty (Rs.)	Others (Specify) (Rs.)	Total (Rs.)	Revenue* (Rs.)	Revenue* (Rs.)	Distrant 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. Provide a reference of the Bill No. for Notice Fee, Warrant Fee, Other Fees and Penalty in Column No. 3.
2. Provide a reference of Form GEN-25 (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.

Name of the ULB: \_\_\_\_\_

**NOTICE/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 Arrear		
1	2	3	4	5	6	7	8
Property & Other Taxes							
Tax revenues (specify)							
Distant Fee							
Warrant Fee							
Other Fees							
Penalty							
Others, Specify _____							
<b>Total</b>							
<b>Add: Cess</b>							
<b>Total Bill Raised</b>							
Less: Advance Adjusted							
<b>Balance Payable</b>							
**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/warrant 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							
<b>Prepared By:***</b> _____							
<b>Office:</b> _____				<b>Checked By:***</b> _____			
<b>Dated:</b> _____				<b>Commissioner/Authorised Officer</b>			

\* Specify each &amp; 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.

Name of the ULB: \_\_\_\_\_

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

Date: \_\_\_\_\_

Sr. No. \_\_\_\_\_

_____ Ward	Arrears (Rs.)					Current Year's Arrear	Current Demand (Rs.)	Total (Rs.)
	Year (Others)	Year (-3)	Year (-2)	Year (-1)				
Particulars (Revenue Head-wise)	1	2	3	4	5	6	7	8
Property & Other Taxes								
Tax revenues (specify)								
Distrant 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 _____								
<b>Prepared By :*</b> _____					<b>Examined and entered</b>			
<b>Checked By :*</b> _____					Authorised Officer			
<b>Dated:</b> _____					<b>Dated:</b>			

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

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

Name of the ULB: \_\_\_\_\_

**REGISTER OF DISTRANT FEE, WARRANT FEE, OTHER FEES AND PENALTIES CHARGED**

*In respect of* \_\_\_\_\_

Sr. No.	Date	Name and Address of the payer	Particulars	Fresh Bill No.	Distrant Fee				Warrant Fee				Other Fee			Penalty			Remarks
					Notice No.	Date of Issue	Date of Service	Fee Charged (Rs.)	Warrant No.	Date of Issue	Date of Service	Fee Charged (Rs.)	Particulars	Date of Charge	Fee Charged (Rs.)	Bill No./ Document No. by which levied	Date of Document	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-20 (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.

Name of the ULB: \_\_\_\_\_

**SUMMARY STATEMENT OF DISTRANT 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					
<b>Total</b>					
Amount in Words : Rupees : _____					
<b>Prepared By*</b> : _____			<b>Examined and entered</b>		
<b>Checked By*</b> : _____			<b>Authorised Officer</b>		
<b>Dated:</b>			<b>Dated:</b>		

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



Name of the ULB: \_\_\_\_\_

**REGISTER OF REFUNDS, REMISSIONS & WRITE-OFF FOR THE YEAR 20\_\_ - \_\_**

*in respect of* \_\_\_\_\_

S. No.	Date	Name and Address of the person/ party	Particulars (Refunds/ Remissions/ Write-offs)	Year in respect of which granted	Order Number & Date	Authority, i.e., under which 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.)	Warrant 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-20).
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.

Name of the ULB: \_\_\_\_\_

**SUMMARY STATEMENT OF REFUNDS AND REMISSIONS  
FOR THE PERIOD \_\_\_\_\_**

in respect of\* \_\_\_\_\_

\_\_\_\_\_ Section S. No. \_\_\_\_\_

Particulars	Refunds		Remissions**	
	Receivables of Revenue	Revenue received in advance	Refunds payable	
1	2	3	4	
<b>Arrears</b>				
<b>Year (Others)</b>				
<b>Year (-3)</b>				
<b>Year (-2)</b>				
<b>Year (-1)</b>				
<b>Current Year (20XX)</b>				
<b>Total</b>				

Amounts in Words : Rupees \_\_\_\_\_

Prepared By :\*\*\* \_\_\_\_\_ Examined and entered

Checked By :\*\*\* \_\_\_\_\_ 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

Name of the ULB: \_\_\_\_\_

**SUMMARY STATEMENT OF WRITE-OFFS****FOR THE PERIOD** \_\_\_\_\_*in respect of\** \_\_\_\_\_\_\_\_\_\_ *Section**S. No.* \_\_\_\_\_

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

\* 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



Name of 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.

**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: \_\_\_\_\_

S. 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 Lands	Cost of acquisition/ construction / improvement (Rs.) (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
<b>Total for the year 20**-20**</b>									
<b>Total for the year 20**-20**</b>									

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)						
<b>Total for the year 20**-20**</b>									
<b>Total for the year 20**-20**</b>									

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 of 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 Structures owned by the ULB.
7. In Remarks column, indicate whether the ULB has the ownership right to the property or only utilisation rights.

Name of the ULB: \_\_\_\_\_

**REGISTER OF MOVABLE PROPERTY**

S. 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
<b>Total for the year 20**-20**</b>												
<b>Total for the year 20**-20**</b>												



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)										
<b>Total for the year 20**-20**</b>													
<b>Total for the year 20**-20**</b>													

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 ULB.
2. At the end of the accounting year, the amount in column 17 in respect of 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, the cost of improvement is to be added to the total of current year's opening written down value.
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 section-wise, and 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 improvement 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 along with the description of the property in column No. 3.
9. In case of Vehicles, specify the vehicle No., registration No., Engine No. and Chassis No. along with the description of the vehicle, year of manufacture and make in column No. 3.
10. In Remarks column, indicate whether the ULB has the ownership right to the property or 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 ULB.

Name of the ULB: \_\_\_\_\_

**REGISTER OF LAND**

Asset Identification No.: \_\_\_\_\_  
 Sketch the boundaries of the Land: \_\_\_\_\_  
 Description/Use 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: \_\_\_\_\_

S. No.	Date of acquisition / improvement	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 / improvement (Rs.)	To whom paid	Purpose of Expenditure	Source of Funds	Specify how land is being currently used	Date of Disposal	Receipt Voucher No.	Name of the person to whom land is disposed	Value Realised (Rs.)	Initials of the Authorised Officer	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

S. No.	Date of acquisition / improvement	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 / improvement (Rs.)	To whom paid	Purpose of Expenditure	Source of Funds	Specify how land is being currently used	Date of Disposal	Receipt Voucher No.	Name of the person to whom land is disposed	Value Realised (Rs.)	Initials of the Authorised Officer	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
<b>Total for the year 20**-20**</b>															
<b>Total for the year 20**-20**</b>															

Notes:

1. Details of all lands belonging to the ULB, 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 the 'Remarks' column.
4. For each entry made, record the name, designation and aignature 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 ULB.

Name of the ULB: \_\_\_\_\_

**FUNCTION –WISE INCOME SUBSIDIARY LEDGER**

**Function:**

S. No	Function Code	Functions Head	Total Income (Rs.)	Major Heads of Income						
				Tax Revenue	Assigned Revenue	Rental Income from Properties	Fees & User Charges	Sale & Hire Charges	Revenue Grants	.....
1	2	3	4	5	6	7	8	9	10	11
<b>Total for the month (Rs.)</b>										
<b>Cumulative total at the beginning of the month (Rs.)</b>										
<b>Cumulative total at the end of the month (Rs.)</b>										

Note: For each Major Income Head, columns for functions relevant to the incomes only will be opened.

Name of the ULB: \_\_\_\_\_

**FUNCTION –WISE EXPENDITURE SUBSIDIARY LEDGER****Function:**

SI. No.	Function Code	Functions Head	Total Expenditure (Rs.)	Major Heads of Expenditure						
				Establishment	Administrative	Operations & Maintenance	Interest & Finance	Programme	Revenue Grants	.....
1	2	3	4	5	6	7	8	9	10	11
<b>Total for the month (Rs.)</b>										
<b>Cumulative total at the beginning of the month (Rs.)</b>										
<b>Cumulative total at the end of the month (Rs.)</b>										

Note: For each major expenditure head, columns for functions relevant to the expenditures only will be opened.

Name of the ULB: \_\_\_\_\_

**ASSET REPLACEMENT REGISTER**

S. No.	Source			Utilised					Ref. No. of Fixed Asset Register *	Balance (Rs.)
	Date of transfer to Asset Replacement Register	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		
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.

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: \_\_\_\_\_

S. No.	Asset Identification No.	Number of lamp posts	Length of cables used (meters)	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
<b>Total for the year 20**-20**</b>											
<b>Total for the year 20**-20**</b>											



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)						
<b>Total for the year 20**-20**</b>									
<b>Total for the year 20**-20**</b>									

**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 of 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, the cost of improvement is to be added to the current year's opening written down value.
4. Cost incurred in acquisition and erection of lampposts and 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.

5.1 Revenue Income is 'gross' inflow of receivables (which include Recoverables like taxes, fees, lease amounts, etc.), cash or other consideration arising in the course of the ordinary activities of the administration of the ULB from the rendering of services, sale of goods and interest on investments, rents from shopping complexes, levy of fees for conduct of trades, etc.

### **Accrual Basis of Accounting for Revenue Income**

5.2 Accrual basis of accounting attempts to record the financial effects of the transactions and other events of an enterprise in the period in which they occur rather than recording them in the period(s) in which cash is received. In accrual basis of accounting, revenue incomes are reflected in the accounts in the period in which they accrue.

5.3 The goal of accrual basis of accounting is to relate the accomplishments (measured in the form of revenues) and the efforts i.e. service delivery (measured in terms of costs). The reported net income measures an organization's performance during a period rather than merely listing its cash receipts and payments.

### **Pre-requisite for recognition of revenue on accrual basis**

#### ***Revenue should be Measurable***

5.4 Revenue is recognised if it is **measurable** at the time of sale or the rendering of service or the use of resources of the enterprise by others.

#### ***Revenue should be Determinable***

5.5 For recognition of revenue, the consideration receivable from the sale of goods or from the rendering of services or from the use of resources of organization by others, is reasonably **determinable**. When such consideration is not determinable within reasonable limits, the recognition of revenue shall be postponed.

#### ***Reasonable Certainty in Realisation***

5.6 Income shall be recognised on accrual basis only when there is no significant uncertainty regarding the amount and the ultimate collection of such income.

## Collection Based Accounting of Income

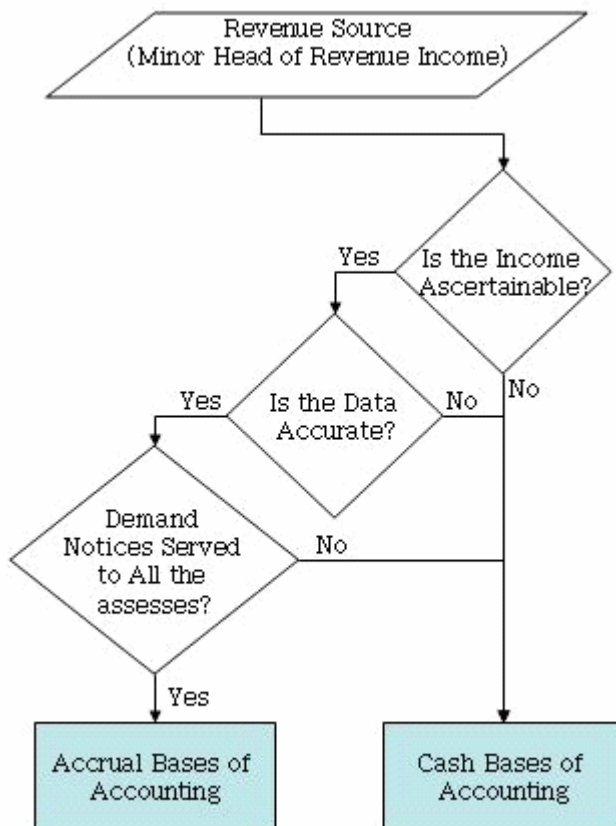
5.7 Incomes, which are not ascertainable in advance, have to be recognized on collection basis. In respect of collection of release-based incomes, such as assigned revenues, fees and user charges, income will be recognised as and when it is received.

### Major Heads of Revenue Income Accounts

5.8 Major Head of account starts with '1' denotes Revenue Income and based on the nature of Revenue Income, Major Heads are classified into following:

<b>Major Head Code</b>	<b>Major Head Description</b>
110	Tax Revenue
120	Assigned Revenues and Compensation
130	Rental Income from Municipal Properties
140	Fees and User Charges
150	Sale and Hire Charges
160	Revenue Grants, Contributions and Subsidies
170	Income from Investments
171	Interest Earned
180	Other Income

5.9 Accrual basis of accounting system could be followed for most of the above income sources. However, at the outset, where demand under any income head cannot be ascertained owing to absence of a definite and authentic basis for ascertaining income due, such incomes may be accounted for on collection basis. Over a period of time, accrual may be adopted depending on the capability of the system in determining amounts due thereunder. Following flow chart shall guide for adopting the basis of accounting for each stream of Revenue Income



5.10 Demand assessed and receivable shall be accounted in the respective Income Receivable account. Any amount collected over and above what is due, would be accounted for as income collected in advance account. This would subsequently be transferred to the income account during the relevant period. Relevant period means the period / financial year to which the income relates.

5.11 Demand assessed and remaining uncollected in a year would be transferred to the respective “Income’s Receivable–Arrears a/c” in the beginning of the next year.

## Tax Revenue

5.12 Tax is a legally imposed levy for having certain properties or profession. These are in general nature and tax payer shall not have right to ask for the exact utilization (benefits) of his tax payment. Taxes levied and administered by the ULBs shall be classified under the following minor heads.

## List of Minor heads under Major Head 110 - Tax Revenue

Minor Head Code	Minor Head Description
01	Property Tax
02	Water Tax
03	Sewerage/Drainage Tax
04	Conservancy Tax
05	Lighting Tax
06	Education Tax
07	Vehicle Tax
08	Tax On Animals
11	Advertisement Tax
12	Pilgrimage Tax
51	Octroi & Toll
52	Cess
80	Others Taxes
90	Tax Remission & Refund

## Property Tax

5.13 Property Tax is the main source of income of ULBs in Andhra Pradesh. The property tax is levied on residential and non-residential properties. Property Tax is collected from owners of the Property. Properties are generally owned by Private Persons, State or Central Government, Public Sector Undertakings and other Organizations.

5.14 General, Water, Drainage, Lighting and Conservancy are collected as component of Property Tax.

### ***Specific Policies relating to Property Tax***

1. In case of new or changes in assessments, tax can be accrued in the month in which the demand is served.
2. The following revenues shall be recognised only on actual receipt
  - i. Interest and Penalties, if any, in Property Tax demand.
  - ii. Fee on property transfer (transfer of title).

3. Revenue in respect of Distraint Fee, Warrant Fee, and Other Fees charged shall be recognised when the bills for the same are raised;
4. Collections to be made on behalf of State Government i.e., 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."
5. Revenue in respect of Rebate from State Government for collections 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;
6. Wherever self-assessment of taxes is prevalent, income can be accrued 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.
7. 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. So, income should be recognised only in respect of the current year property tax demand.

### ***Self Assessment***

5.15 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 in the assessment records. On due date, a Summary Statement of Bills Raised shall be prepared by the Tax Section as provided earlier and income shall be accrued as in the normal case.

5.16 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.

### ***Scheme of Accounting Entries***

5.17 Tax Bills (Demand): A Summary Statement of Bills Raised shall be prepared ward-wise and tax-head-wise, in Form GEN -22 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 for accruing property tax bills.

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
a) Recording of demand raised on existing assessments:				
431-10-01	Receivable for Property Taxes - Private Properties Dr.	7,70,000		Journal Book, Ledger
110-01-01	To Property Tax – General		2,00,000	
110-01-02	To Property Tax – Vacant Land		3,00,000	
110-02-01	To Water Tax		50,000	
110-03-01	To Sewerage Tax		50,000	
110-04-01	To Conservancy Tax		50,000	
110-05-01	To Lighting Tax		50,000	
431-91-00	To State Govt. Cesses/ levies in Property Taxes – Control account		70,000	
Narration: Being the Property Tax Demand raised for the month of _____ Accounted.				

5.18 In case of certain new assessments, demand may be raised for an earlier period, i.e., earlier to the financial year in which the assessment is made. In such cases, the demand should be split according to the period to which it relates and income related to earlier period shall be recorded as additional information.

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
b) Recording of demand raised in case of new assessments, where demand raised for earlier year (s):				
431-10-01	Receivables for Property Taxes -Private Properties Dr	4,400		Journal Book, Ledger
110-01-01	To Property Tax – General		2,000	
110-01-01	To Property Tax – General (Year)		2,000	
431-91-00	To State Govt. Cesses/ levies in Property Taxes – Control Account		400	
Narration: Being the property tax demand due for the previous years not accounted.				

5.19 Recording of tax collections. Based on Summary of Daily Collection (Form GEN-12) received from the various Collecting Offices / Centers, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad a/c	Dr	5,10,000	Cash Book, Ledger
431-80-01	To Receivables Control Accounts – Property Taxes		5,10,000	
Narration: Being Property tax collection				

5.20 Recording of cost of recovery: Expenditure incurred in respect of attachment and sale of the properties of the defaulters shall be recorded as cost incurred on recovery, and the accounting entry is as follows.

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
220-51-02	Legal Expenses – Cost of Recovery of Tax Revenues	Dr.	300	Journal Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		300	
Narration: Being entry for cost incurred on recovery of Tax Revenues				

5.21 Recording of collection on sale of Attached Property: On the basis of the Summary of Daily Collection (Form GEN-12) received from the various Collection Offices and Collection Centers, the following entry shall be passed:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
Collections on sale of attached property				
450-21-02	State Bank of Hyderabad A/c	Dr	5,00,000	Journal Book, Ledger
350-90-01	To Sale Proceeds – Attached Properties		5,00,000	
Narration: Being entry for collection on sale of attached property.				

5.22 The Tax Section shall send the details of the adjustment of the amount collected to the Accounts Section. Based on the intimation received from the Tax Section, the Accounts Section shall pass the following entry:



Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-90-01	Sale Proceeds - Attached Properties A/c Dr	5,00,000		Journal Book, Ledger
431-80-01	To Receivable Control Accounts – Property Taxes		1,00,000	
350-30-03	To Government Dues Payable – Court Attachments		50,000	
350-40-01	To Refunds Payable		3,50,000	
Narration: Being entry for allocation of sale proceeds to property taxes due, Government Dues payable and refunds payable on attached properties				

5.23 The Tax Section 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 Section for payment. On making the payment, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-30-03	Government Dues Payable – Court Attachments	50,000		Cash Book, Ledger
350-40-01	Refunds Payable - Taxes	3,50,000		
450-21-02	To State Bank of Hyderabad		4,00,000	
Narration: Being entry for payment of Government dues and refunds payable on attached properties.				

5.24 The entries for adjustment of collection against year-wise receivables 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 has been discussed above.

5.25 To record the receipt of cost of recovery, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
431-80-01	Receivables Control Accounts - Property Taxes	20,000		Journal Book, Ledger
220-51-02	To Legal Expenses- Cost of Recovery of Tax Revenues		20,000	
Narration: Being entry to record the receipt of cost of recovery of legal expenses				

5.26 **Fee for Property Transfer:** The ULB may charge fees for transfer of property. The revenue for the Property Transfer Charges levied shall be recognised on collection basis.

5.27 **Provisioning:** In respect of demand outstanding beyond two (2) years, provision for doubtful recovery shall be made on the following norms:

- i) Outstanding for more than 2 years, but not exceeding 3 years: 25%
- ii) Outstanding for more than 3 years, but not exceeding 4 years: 50%
- iii) Outstanding for more than 4 years, but not exceeding 5 years: 75%
- iv) Outstanding for more than 5 years: 100%

The provision is made in the form of debit at the end of the year only for accounting purpose and it should neither be considered as reduction in demand nor be treated as written off.

### **Internal controls**

5.28 The following internal controls shall be observed by the ULB in respect of Property and Other Taxes related transactions:

1. The **Tax Section** shall ensure that, Bills / Demands are raised on a monthly/quarterly/half yearly basis for Property and Other Taxes.
2. The **Accounts Section** shall ensure that taxes are accrued in the month in which it is due and pass Journal entries for all the bills/demands raised for property & other taxes before accounting for the collection.
3. The **Accounts Section** and the **Tax Section** 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.

4. The **Accounts Section** and the **Tax Section** shall carry out a quarterly reconciliation in respect of the amount collected and the year-wise amount outstanding. The balances in the Ledger Accounts maintained at the Accounts Section and the Demand Register maintained at the Tax Section shall be reconciled.
5. 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.
6. The Tax Section shall ensure that the Receipt / Summary of daily collection prepared, provides reference to the Tax Collection Register.
7. 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 authority and the amounts, which they would be competent to write-off.
8. The Head of the Accounts Section shall certify all Reconciliation Statements.
9. The Commissioner of the ULB shall specify such appropriate calendar of returns / reports for monitoring.

## Water Supply

5.29 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.

5.30 ULBs are entitled to charge the users for the provision of these services. The charges for the water supply are recovered as a Tax along with the Property Tax, based on the Rental Value of the property; or as a charge based on consumption or at a fixed amount or both.

5.31 The following are the revenue sources in relation to water supply:

- Water Tax (Component of Property Tax)
- Water supply Charges
- Meter Rent for Water Supply
- Connection Charges for Water Supply/Pipeline Service Charges
- Water Tanker Charges, and
- Road Damage Recovery Charges

## Accounting Principles

5.32 The accounting principles as discussed in the Tax Revenue head will apply for the Water Tax. The specific Accounting Principles that govern the recording, accounting and treatment of transactions relating to **Water Supply and Sewerage** are given below:

1. Revenue in respect of Water Tax, Water Supply Charges, Water Meter Rent, Sewerage/Drainage Charges etc 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.
2. Revenue in respect of Distraint Fee, Warrant Fee, and Other Fees shall be recognised when the bills for the same are raised.
3. Revenue in respect of Connection Charges for Water Supply/Pipeline service charges shall be recognised on actual receipt.
4. Revenue in respect of Water Tanker Charges and Road Damage Recovery Charges, Penalties etc shall be recognised on actual receipt.

5.33 In respect of the demand outstanding beyond two (2) years, provision towards doubtful recovery shall be made. If water tax is collected as a component in Property Tax, provisioning shall be made in the same way as Property Tax explained under Property Tax.

5.34 If water tax demand is raised separately, provision for doubtful recovery shall be made as follows:

1. Outstanding for more than 2 year but not exceeding 3 years: 50%
2. Outstanding for more than 3 years: 100%

## Income to be accounted on actual receipt basis

5.35 The following incomes in respect of Water Supply shall be accounted on actual receipt basis:

- Connection Charges for Water Supply/Pipeline Service Charges;
- Water Tanker Charges;
- Road Damage Recovery Charges; and
- Penalties levied in respect of Water Supply related matters.

5.36 The Collection Offices and Collection Centers authorized to collect the above incomes shall prepare a Summary of Daily Collection (Form GEN-12) and send it to the Water Supply Section and the Accounts Section.

5.37 Recording of collection. On the basis of the Summary of Daily Collection (Form GEN-12) received from the various Collection Offices and Collection Centers, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	100		Cash Book, Ledger
140-40-06	To Other Fees – Connection Charges		50	
140-50-15	To User Charges - Water Tanker		30	
140-70-01	To Service/ Administrative Charges Road Damage Recovery		10	
140-20-01	To Penalties & Fines		10	
Narration: Being entry to record collection of Water Tax				

## **WATER DEPOSITS**

5.38 The Water Supply Section may receive deposits towards Water Connections, Water Meters, Water Tankers, etc. The Collection Offices and Collection Centers authorized to collect Water Deposits shall prepare a Summary of Daily collection (Form GEN-12) and send it to the Water Supply Section and the Accounts Section.

5.39 Recording of collection. The Accounts Section 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 Centers:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c	100		Cash Book, Ledger
340-20-02	To Deposit Revenues- Water Supply		100	
Narration: Being entry to record the receipt of Deposit collected for water supply				

5.40 Recording of adjustment of deposits. The Water Supply Section shall send details of deposits adjusted in the Summary Statement of Deposits Adjusted (Form GEN-19) to the Accounts Section on a monthly basis. To record the adjustment of Water Deposit, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
340-20-02	Deposit Revenues –Water Supply Dr	25		Journal Book, Ledger
431-30-01	To Receivables for Fees & User Charges - Water Supply (Year...)		25	
Narration: Being entry to record the adjustment of water supply deposits to fees and user charges				

5.41 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 Section for the deposits to be refunded. On refund of Water Deposit, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
340-20-02	Deposit Revenues –Water Supply	50		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		50	
Narration: Being entry to record refund of Deposit collected for Water Supply				

5.42 Recording of income in respect of lapsed deposit. Deposits not claimed within three (3) years period from the date on which it becomes payable, shall be lapsed and shall not be repayable to the party. At the end of the accounting year, the Water Supply Section shall prepare a list of such lapsed deposits. To recognise the income, on obtaining the approval of the Authorised Officer, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
340-20-02	Deposit Revenues - Water Supply	10		Journal Book, Ledger
180-11-02	To Lapsed Deposit		10	
Narration: Being entry for recording Lapsed Deposit transferred to Revenue Account.				

## Internal controls

5.43 The following internal controls shall be observed by the ULB in respect of Water Supply related transactions:

1. The Accounts Section and the Water Supply Section shall reconcile the balances at the beginning of the accounting year in respect of the year-wise Water Supply Income receivables (as appearing in the Balance Sheet of the previous year) with the year-wise total of the arrears recorded in the Demand Register.
2. A quarterly reconciliation shall be carried out by the Accounts Section and the Water Supply Section in respect of the amount collected and the year-wise amount outstanding between the balances in the Ledger Accounts maintained at the Accounts Section and the Demand Register maintained at the Water Supply Section.
3. A quarterly reconciliation shall be carried out by the Accounts Section and the Water Supply Section in respect of the deposits outstanding, between the balances in the Ledger Accounts maintained at the Accounts Section and the Deposit Register maintained at the Water Supply Section.
4. The officer 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 the ULB.
5. The Water Supply Section shall ensure that the Receipt / Summary of Daily Collection prepared, provides reference to the Water Supply Income Collection Register.
6. All Reconciliation Statements shall be certified by the Head of the Accounts Section.
7. The Commissioner shall specify such appropriate calendar of returns /reports for monitoring.

## Assigned Revenues

5.44 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 augmentation of resources of the ULBs. The ratio of the share in revenues is determined on the basis of the revenues collected in the ULB areas and the recommendations of the State Finance Commissions on devolution of funds to ULBs.

5.45 The following are the Minor Heads under Major Head 120 - Assigned revenues

Minor Head Code	Minor Head Description
10	Taxes and Duties collected by others
20	Compensation in lieu of Taxes / duties
30	Compensations in lieu of Concessions

In these revenues, the demands could not be ascertained in advance. Hence, the actual receipts are taken as income.

#### 5.46 ACCOUNTING PRINCIPLES

1. Assigned revenues shall be accounted during the year only upon actual collection. However, at year-end alone, these revenues shall be accrued if sanction order (or proceedings) is passed and the amount is ascertained.
2. 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

5.47 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 Section 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	1,00,000		Cash Book, Ledger
120-10-01	To Duty on Transfer of Properties		60,000	
120-10-02	To Entertainment Tax		40,000	
Narration: Being recording of collection in respect of assigned revenues.				

5.48 Recording of accruing of assigned revenues: At the end of the accounting period, the Accounts Section 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
431-50-01	Receivables from State Government Dr	80,000		Journal Book, Ledger, Grant Register
120-10-01	To Duty on Transfer of Properties		20,000	
120-10-02	To Entertainment Tax		25,000	
120-20-02	To Motor Vehicles Tax		35,000	
Narration: Being entry to record of collection in respect of assigned revenues.				

5.49 Recording of receipt of Accrued Assigned Revenues. At the time of receipt of amounts against the accrued revenues of the earlier period, the following entry shall be passed.

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	9,000		Journal Book, Ledger and Grant register
431-50-01	To Receivables from State Government		9,000	
Narration: Being receipt of assigned revenues for which the provision was created earlier				

5.50 Recording of write off of outstanding assigned revenues: At the end of the year, the Accounts Section shall review the outstanding of 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
270-30-03	Revenues Written Off -Assigned revenues	500		Journal Book, Ledger,
431-50-01	To Receivables from State Government		500	
Narration: Being entry to record write off of Assigned revenues				

5.51 The Commissioner shall specify such appropriate calendar of returns/reports for monitoring.

## **Rentals, Fees & Other Incomes**

5.52 Based on their nature, all revenue receipts shall be accounted either on Accrual based accounting or Cash based accounting.

5.53 The essential features of accrual basis of accounting should be applied to see whether the particular revenue to be accounted on accrual basis.

The essential requirements for the recognition of revenue under accrual basis of accounting are:

- **Revenue should be Measurable**
- **Revenue should be Determinable**

5.54 The incomes in which the demand is ascertainable and can be raised in regular course of operations shall be recognized in the period in which they become due.

### **5.55 Incomes to be accounted on accrual basis**

#### 1. RENTAL INCOMES

- Rent from Markets/ Shopping Complexes
- Rent from Office Buildings
- Rent from Guest Houses
- Rent from Auditorium, Art Galleries
- Rent / lease from Parking Zones

#### 2. Trade License Fees

### **5.56 Incomes to be accounted on Cash basis**

#### FEES AND USER CHARGES

- Parking Fees
- Library Fees
- Fees for Pay & Use Toilets
- Slaughtering Fees
- Cattle Pounding Fees

#### SALE AND HIRE CHARGES

- Sale of Scrap;
- Sale of Forms & Documents;
- Sale of Tender Forms;
- Sale of Garbage/Manure;
- Sale of Trees,
- Sale of Fruits;
- Sale of Grass;
- Sale of Nursery Plants;
- Sale of Flowers; etc.
- Hire Charges of Road Rollers;
- Hire Charges of Tools & Equipment;

#### **5.57 Other Accounting Principles**

- Based on the contract, revenue in respect of advertisement rights shall be accounted on accrual basis or cash basis.
- 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.
- In respect of the demand outstanding beyond two (2) years, provision for doubtful recovery shall be made based on the following norms:
  - i) Outstanding for more than 2 years, but not exceeding 3 years: 50%
  - ii) Outstanding for more than 3 years: 100%

5.58 Any additional provision 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 they pertain to previous years, then they shall be treated as prior period items.
- Write-offs of Other Incomes shall be adjusted against the provisions made and to that extent recoverables gets reduced.

- Any subsequent collection or recovery of 'Receivables of Rentals, Fees and Other Incomes' which were already written off shall be recognised as income of the ULB during the year.

## **Accounting records and procedures**

5.59 The specific Forms, Registers for Other Income (e.g., Summary Statement of Year-wise Head-wise Collection of Rents or similar incomes) are Forms OTH –1 to OTH –4 are annexed to this chapter.

### **Accounting for incomes to be accounted on Actual receipt basis Collection**

5.60 **Recording of Collection of income.** In respect of 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c	10,000		Cash Book, Ledger
140-60-01	To Fees & User Charges – Entry Fee - Parks		7,000	
150-10-01	To Sale & Hire Charges – Sale of Tree Guards		3,000	
Narration: Being entry to record receipt of Fees & User Charges / Sale & Hire Charges				

5.61 Tender Form Fees: For tender forms sold to the intended bidders, a receipt shall be issued for the amount received in Form GEN – 8.

5.62 The Public Works Section 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.

5.63 The procedure to be followed with reference to these incomes for remittance and/or deposit of collections made to the Accounts Section or in the Bank shall be the same as provided in the Chapter 4 on General Accounting Procedure.

5.64 Recording of Tender Form Fees: On the basis of the Summary of Daily Collection (Form GEN – 12) received from the Public Works Section, the Accounts Section shall pass the following accounting entries:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c	Dr	1,000	Cash Book, Ledger
150-11-01	To Sale of Tender Forms		1,000	
Narration: Being entry to record the receipt of Tender Forms sales				

5.65 Similar accounting entries shall be passed in respect of other incomes earned by the Public Works Section.

5.66 'Fees & User Charges': Where the Public Works Section 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.

### Receipt of Incomes in Advance

5.67 In case, where the Income that is accounted on actual receipt basis is received in advance, i.e., before providing the services/goods, it shall be recorded as income on collection. In case the amount collected is to be refunded, the refund shall be recorded as expenditure.

5.68 For example, 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c		1,000	Cash Book, Ledger
140-10-01	To Fees & User Charges – Empanelment of Contractors		1,000	
Narration: Being entry to record receipt of Fees & User Charges				

**5.69 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 Section shall pass the following entry on payment of the refund:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
140-90-01	Refund Fees & User Charges	1,000		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		1,000	
Narration: Being entry to record refund of Fees & User Charges for which service is not provided				

## Rent Deposits

5.70 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.

5.71 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	10,000		Cash Book, Ledger
340-20-01	To Deposits Revenues –Rent		10,000	
Narration: Being entry to record receipt of Rent Deposit				

5.72 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 Sections shall send the details of deposits adjusted in the Summary Statement of Deposits Adjusted (GEN- 19) to the Accounts Section on monthly basis. If Rent Deposit of Rs.5,000/- has been adjusted against Rent Income, to record the adjustment of deposits, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
340-20-01	Deposit Revenues – Rent	5,000		Journal Book, Ledger
130-10-01	To Rental Income from Municipal Properties-Markets		5,000	
Narration: Being entry to record adjustment of Rent Deposit towards Rental income due				

5.73 **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 Sections for the refund of the deposits. On refund of the balance Rent Deposit, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
340-20-01	Deposit Revenues – Rent	5,000		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		5,000	
Narration: Being entry to record refund of Rent Deposit.				

5.74 **Recording of income in respect of lapsed deposit.** Deposits not claimed within 3 years 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 Sections shall prepare a list of such lapsed deposits. To recognise the income, on obtaining the approval of the Authorised Officer, the Accounts Section shall pass the following entry (assuming Rent Deposit of Rs.1,000 has lapsed):

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
340-20-01	Deposit Revenues – Rent	1,000		Journal Book, Ledger, Deposit Register
180-11-02	To Lapsed Deposit – Rent Deposits		1,000	
Narration: Being entry to record adjustment of Lapsed deposit against Revenues				

5.75 Similar entries as above shall be passed for recording 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**

5.76 The accounting of the various aspects relating to Incomes accounted on accrual basis has been discussed in Tax revenues with example of Property Tax.

### **A. Rental Income**

5.77 The rental incomes earned out of shopping complexes, markets, office buildings, etc shall be entered in the relevant Demand Registers (Form Gen 20). The registers shall be maintained as per the provisions of the Act and rules governing the ULBs.

Recording of Income collections Summary of Daily Collections (Form GEN-12)

5.78 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.

5.79 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 Sections and sent to the Accounts Section to record the details of collection.

Accounts Section shall pass the same entry as explained in Tax Revenues.

### **Deposits**

5.80 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.

### **Provision for Unrealised Revenue Receivables**

5.81 Recording of provision for unrealized income/doubtful recovery. The demand outstanding beyond two (2) years, provision for doubtful recovery shall be made as per norms given below:

- i) Outstanding for more than 2 years but not exceeding 3 years: 50%



- ii) Outstanding for more than 3 years: 100%

5.82 For example, provision for the year ended March 31, 2004 is as under:

- i) 50% of outstanding Receivables of Rent for the year ended March 31, 2002
- ii) 100% of outstanding Receivables of Rent for the year ended March 31, 2001 and before.

5.83 Additional provision or reversal of excess provision for the current period shall be calculated similar to computations explained in Tax Revenues.

## **Write-offs**

5.84 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 'Summary Statement of Write off' by the respective Sections in Form OTH -4. This Form has to be prepared on a monthly basis and forwarded to the Accounts Section and based on which, the write off shall be adjusted against the provision made and pass the similar entries as explained in Tax revenues.

## **B. License Fees**

5.85 The license fee is 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. Similar accounting entries shall be passed as explained in Tax Revenues.

### **5.86 INTERNAL CONTROLS**

- The Accounts Section and the respective Sections 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 Accounts Section and the respective Sections in respect of the amounts collected and the arrears outstanding between the balances standing in the Ledger maintained at the Accounts Section and the Demand Registers maintained at the respective Sections.
- A monthly reconciliation shall be carried out by the Accounts Section and the respective Sections in respect of the various deposits collected, between the balances standing in the Ledger maintained at the Accounts Section and the Deposit Registers maintained at the respective Sections.

- The respective Sections shall ensure that the Receipt/Challan for Remittance of Money prepared provides reference to the Consolidated Collection Register.
- The Commissioner shall specify such appropriate calendar of returns/reports for monitoring.
  - Levy of 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, and Plumbers;
  - Development Charges; etc.
- All Reconciliation Statements shall be certified by the Head of the Accounts Section:

## **Grants**

5.87 ULBs may be receiving grants from the State Government or Central Government or from other national and international agencies. These Grants may be received for creating assets in order to earn income therefrom or for providing infrastructure facilities in the municipal areas.

## **Nature of Grants**

5.88 Grants received by the ULB may be in the nature of capital or revenue.

5.89 **Capital Grant:** Capital Grant is usually received for capital expenditure i.e. for 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.

5.90 **Revenue Grant:** Revenue Grant is generally received 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. These Grants may be for specific purpose or for non-specific (General) purpose.

5.91 Grants may be for a non-specific purpose, i.e., General Grants or for a specific purpose, i.e., Specific Grants.

## **Specific grants**

5.92 These Grants are received for carrying out specific projects/schemes or for meeting specific expenditures. These Grants can be for Revenue Expenditure or for Capital expenditure. 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. expenditure incurred by the ULB.

**Illustrative list of Specific Grants:**

5.93 Revenue Grants for meeting expenditure incurred during the ordinary course of activities of the ULB:

- Per-capita Grant,
- Grant for Chemicals used for Water Supply Works, etc.

5.94 Revenue Grants for operating specific projects/schemes:

- Election Grant
- Census Grant,
- Pulse Polio Grant,
- Family Welfare Grant,
- Tuberculosis Control Grant,
- Malaria Control Grant,
- Aids Awareness Grant,
- School Children Health Program Grant, etc.

5.95 Capital Grants for meeting capital expenditures under specific projects/schemes:

- Andhra Pradesh Urban Reforms and Municipal Services
- Andhra Pradesh Urban Services for the Poor (APUSP)
- Mega City
- Integrated Development of Small and Medium Town (IDSMT)
- Integrated Low Cost Sanitation (ILCS)
- National Slum Development Programme
- Backward Classes Development Grant,
- Integrated Urban Areas Development
- Grants for Construction Public Toilets
- Swarna Jayanty Sahari Rozgar Yojana (SJSRY)
- Jawaharlal Nehru National Urban Renewal Mission (JNNURM), etc

5.96 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.

5.97 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.

5.98 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.

## General Grants

5.99 Grants received for general (unspecified) purposes are usually in the form of a lump sum payment from the State Government to facilitate meeting certain expenditure (usually revenue in nature) relating to the ULB's activities.

## Accounting principles

5.100 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Grants:

- General Grants, which is of a revenue nature, shall be recognised as income on actual receipt.
- Grants towards revenue expenditure, received prior to the expenditure incurred, shall be treated as a liability till such time the expenditure is incurred.
- 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.
- Grants received towards capital expenditure shall be treated as a liability till such time 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.
- 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.

- Grants in the form of non-monetary assets (such as fixed assets given at a concession 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).
- 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

5.101 The Accounts Section 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 / REVENUE GRANTS**

5.102 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 Section 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c	1,00,000		Cash Book, Ledger, Grant Register
160-10-01	To Revenue Grant – Road Maintenance Grant		1,00,000	
Narration: Being recording of receipt of General Grant (details of Grant)				

5.103 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 Section shall pass the following entry in its books:

Account	Amount (Rs.)	Books to be
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Code	Description	Debit	Credit	entered into
240-20-00	Interest on Loans from State Government Dr	5,000		Journal Book, Ledger, Loans Register and Grants Register
220-11-01	Office Maintenance -Electricity Charges Dr	10,000		
160-10-02	To Revenue Grant – Per Capita Grant		15,000	
Narration: Being recording of recovery of expenditure from the receipt of General Grant (details of Grant)				

## Specific Grants

### 5.104 Recording of grant received in advance:

Grants received in advance shall be deposited in their respective Designated Grant Bank Accounts and they shall be accounted for in the following manner.

5.105 The details of the Grant Sanction Order shall be recorded in the Grant Register (Form G-1). On receipt of the grant, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-61-02	State Bank of Hyderabad A/c Dr	1,00,000		Grant Cash Book, Ledger, Grant Register
160-30-01	To Swarna Jayanthi Shahari Rojgar Yojana		1,00,000	
Narration: Being entry to record receipt of Government Grants for specific purpose				

1. Separate Cash Books (Form GEN-1) shall be maintained in respect of all grants.
2. 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 Revenue Expenditure
3. Payment to contractor/supplier in respect of a Specific Grant received in advance: Any payment made to a contractor/supplier 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.

4. 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 Section shall update the Grant Register (Form G-1) for the same and pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	1,000		Grant Cash Book, Cash Book, Grant Register
450-61-02	To State Bank of Hyderabad A/c		1,000	
Narration: Being entry for recording transfer of funds on utilization of common stores				

5.106 Investment of Funds from Specific Grant received in advance:

Investments made from Specific Grants received in advance shall be entered in a Grant Investment Register to be maintained in Form IN-1 (refer Chapter 8). The accounting entries /procedures to be followed for investments of such moneys are similar to those followed in respect of other investments.

5.107 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 Section.

### Grants Received As Nodal/ Implementation Agency

5.108 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.

5.109 The accounting entries in respect of receipt and utilization are same as specific Grants explained above.

### Period End Procedures

- 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 Section for accounting and payment within 15 days from the end of the accounting period.

- 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 un-utilised Specific Grants received in advance**

5.110 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.

5.111 Recognition of liability for repayment of grant The following entry shall be passed for the recognition of the liability.

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
160-10-01	Road Maintenance Grant Dr	10,000		Journal Book, Ledger, Grant Register
350-40-04	To Refund of Unutilized Grants		10,000	
Narration: Being unutilised grant payable back to ----- on completion of the period/purpose.				

5.112 Payment of un-utilised Specific Grant The un-utilised Specific Grant received in advance shall be repaid from the respective Designated Grant Bank Account. On payment, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-40-04	Refund of Unutilized Grants Dr	10,000		Grant Cash Book, Ledger, Grant Register
450-21-02	To State Bank of Hyderabad		10,000	
Narration: Being payment of un-utilized Specific Grants to -----				



## **Specific Grants Received as Reimbursement of Expenditure incurred by the ULB**

5.113 Specific Grants received as reimbursement of expenditures could be 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.

5.114 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
431-50-01	Receivable from State Government Dr	40,000		Journal Book, Ledger, Grant Register
160-20-01	To Re-imburement of Election Expenses		40,000	
Narration: Being grant receivable as reimbursement of revenue expenditure				

- b) Recording of receipt of grant: On receipt of the grant, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	30,000		Cash Book, Ledger, Grant Register
431-50-01	To Receivable from State Government		30,000	
Narration: Being entry for receipt of grant as reimbursement of revenue expenditure				

## Period-end Procedure

5.115 At the period-end, it shall be ensured that revenue expenditure incurred under the grant scheme but remaining outstanding for re-imburement 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 Recognition of grant income on sanction of the grant.

## Write-off of Grant Receivable

5.116 Recording of write-off of grant receivable The Accounts Section 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 decides to write-off any grants receivable, based on the Write-off Order, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
270-30-03	Revenues Written off – Grants	1,000		Journal Book, Ledger, Grant Register
431-50-01	To Receivable from State Government		1,000	
Narration: Being entry for write off of Grants as per the Write off Order ----				

## Adjustment of grant receivable from the State Government against ULB's dues to the State Government

5.117 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.

5.118 Recording of adjustment of State Government dues against grant receivable. On receiving the intimation from the State Government regarding such adjustment, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-30-01	Government Dues Payable – Library Cess	10,000		Journal Book, Ledger, Grant Register
431-50-01	To Receivables from State Government		10,000	
Narration: Being entry to record adjustment of State Government dues against Grants receivable.				

### Internal controls

5.119 The following internal controls shall be observed by the ULB in respect of Grants related transactions:

- The Accounts Section shall ensure that the grant received for a specific purpose shall not be utilised for any other purpose.
- The Accounts Section and the Sections 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).
- The Accounts Section 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 Section.
- The Accounts Section shall, after entry in Cash Book 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 Form GEN-8 provides reference of Grant Register.
- The Head of the Accounts Section shall certify all Reconciliation Statements.
- The Commissioner shall specify such appropriate calendar of returns /reports for monitoring.

### Income from Investments

5.120 The ULBs invest surplus funds available with it as per Acts and Rules. Accounting Standard - 9 issued by ICAI deals with the basis for recognition of revenue. Revenue arising from Interest / Dividend should be recognized only when there is significant certainty as to measurability and collectability.

5.121 The interest revenue shall be recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

5.122 Dividends from investments in shares are recognized on actual receipt.

### **Recording of receipt of interest/dividend on investments from the Municipal Fund.**

5.123 To record the receipt of interest/dividend on the Municipal Fund Investments, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c	1,000		Cash Book, Ledger, Investment Register
170-10-01	To Interest on Fixed Deposits with Scheduled Banks		800	
170-20-01	To Dividend on Mutual Fund Investments		200	
Narration: Being entry to record receipt of Interest / Dividend from Investments				

### **Recording of receipt of interest / dividend on investments from the Special Funds and Grants:**

5.124 Interest / dividend received on investments representing accretion to the Special Fund or Grant cannot be utilized for any purpose other than the purpose for which the Special Fund or Grant has been received. The Interest / Dividend shall be deposited in the respective Special Fund or Grant Bank Account.

5.125 Recording of interest/dividend received on Special Fund Investments. To record the interest/dividend received on Special Fund Investments, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank Of Hyderabad	1,000		Cash Book, Ledger, Investment Register, Special Fund Register
311-10-02	To Urban Poverty Alleviation Fund		1,000	
Narration: Being entry to record receipt of interest / dividend from specific fund				

5.126 Recording of interest/dividend received on Grant Investments. To record the interest/dividend received on Grant Investments, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	1,000		Cash Book, Ledger, Investment Register, Grant Register
320-20-02	To 12 <sup>th</sup> Finance Commission		1,000	
Narration: Being entry to record receipt of Interest / Dividend on Grant investments				

5.127 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 (refer Chapter 7), Grants Register maintained in Form G-1.

### ***Period-end Procedures***

5.128 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.

5.129 Example: Assuming interest on Municipal Fund Investment of Rs. One lakh is payable half yearly on 30<sup>th</sup> June and 31<sup>st</sup> December at 10% per annum, which implies that interest of Rs.5,000 is receivable on 31<sup>st</sup> December 2004 of the current accounting year and

Rs.5,000 is receivable on 30<sup>th</sup> June 2005 of the next accounting year. However, interest for the period from the date of last receipt, i.e., 31<sup>st</sup> 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.7,500 (10% on Rs. One 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<sup>st</sup> 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 up to 31<sup>st</sup> March 2005 of Rs.2,500 shall be accounted as 'Interest accrued but not due'. The entries for accounting of interest accrued and accrued but not due are explained below.

### Recording of Interest accrued and accrued but not due on Municipal Fund Investments.

5.130 At period-end, to record the interest accrued on Municipal Fund Investments; the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
431-40-02	Interest accrued & due on Municipal Fund Investment Dr	5,000		Journal Book, Ledger, Investment Register
431-40-03	Interest accrued but not due on Municipal Fund Investment Dr	2,500		
170-10-01	To Interest On Fixed Deposits with Scheduled Banks		7,500	
Narration: Being entry to record the Interest accrued and accrued but not due for the period				

In the case where interest is accrued on the Special Funds or Grants for specific purpose, the accrued interest will be credited to that Fund itself.

### Maturity/Disposal of Investment

5.131 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.

### ***Internal controls***

5.132 The Accounts Section shall ensure that interest/dividend on investments is actually received as per the terms of the investments.

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.



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
Rental Incomes				
Trade License Fees				
Advertisement Taxes				
Others, Specify _____				
<b>Total</b>				
Amount in Words : Rupees _____				
Advance adjusted against demand raised**				
<b>Prepared By*:</b> _____	<b>Examined and entered</b>			
<b>Checked By* :</b> _____	<b>Accountant/Authorised Officer</b>			
<b>Dated:</b> _____	<b>Dated:</b> _____			

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

\*\* Provide year-wise details in respect of advance adjusted against demand raise

\_\_\_\_\_ *Name of the ULB*

**SUMMARY STATEMENT OF YEAR-WISE HEAD-WISE COLLECTION  
OF OTHER INCOMES FOR THE PERIOD \_\_\_\_\_**

\_\_\_\_\_ *Collection Centre*

Sr. No. \_\_\_\_\_

*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
<u>Collection in respect of incomes accounted on accrual basis</u>						
Rental Incomes						
Trade License fees						
Advertisement Taxes						
Others, Specify _____						
Sub-Total						
<u>Collection in respect of incomes accounted on actual receipt basis</u>						
Sale of Fixed assets/scrap						
Water Tanker Charges						
Penalties						
Fines						
Others, Specify _____						
Sub-Total						
Receipt of Cost of Recovery, if any						
Others, Specify _____						
<b>Total Collection</b>						
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 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
Rental Incomes					
Trade License fees					
Advertisement Taxes					
Sale of Fixed assets/scrap					
Water Tanker Charges					
Advance received in respect of Other incomes					
Others, Specify _____					
<b>Total</b>					
Amount in Words : Rupees _____					
<b>Prepared By*</b> : _____			<b>Examined and entered</b>		
<b>Checked By*</b> : _____			<b>Accountant/Authorised Officer</b>		
<b>Dated:</b> _____			<b>Dated:</b> _____		

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

\_\_\_\_\_ *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
Rental Incomes					
Trade License fees					
Advertisement Taxes					
Others, Specify _____					
<b>Total</b>					
Amount in Words : Rupees _____					
<b>Prepared By* :</b> _____			<b>Examined and entered</b>		
<b>Checked By* :</b> _____			<b>Accountant/Authorised Officer</b>		
<b>Dated:</b> _____			<b>Dated:</b> _____		

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

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	6
Water Tax					
Water Supply Charges					
Water Meter Rent					
Notice Fee					
Warrant Fee					
Penalties					
Others, Specify _____					
<b>Total</b>					
Amount in Words : Rupees _____					
Advance Adjusted:					
Against demand raised *					
<b>Prepared By** :</b> _____	<b>Examined and entered</b>				
<b>Checked By** :</b> _____	<b>Accountant/Authorised Officer</b>				
<b>Dated:</b> _____	<b>Dated:</b> _____				

\* Provide year-wise details in respect of advance adjusted against demands raised.

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

*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
<u>Collection in respect of incomes accounted on accrual basis</u>						
Water Tax						
Water Supply Charges						
Water Meter Rent						
Notice Fee						
Warrant Fee						
Other Fees						
Penalties						
Others, Specify _____						
<b>Sub-Total</b>						
<u>Collection in respect of incomes accounted on actual receipt basis</u>						
Water connection charges						
Road damage recovery charges						
Water Reconnection Charges						
Water Tanker Charges						
Water Charges for Specific Needs						
Others, Specify _____						
<b>Sub-Total</b>						

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 _____ <b>Total Collection</b> <b>Prepared By* :</b> _____ <b>Checked By* :</b> _____ <b>Dated:</b> _____						
			<b>Examined and entered</b> <b>Accountant/Authorised Officer</b> <b>Dated:</b> _____			

\* 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.

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 _____						
<b>Total</b>						
Amount in Words : Rupees _____						
<b>Prepared By* :</b> _____			<b>Examined and entered</b>			
<b>Checked By* :</b> _____			<b>Accountant/Authorised Officer</b>			
<b>Dated:</b> _____			<b>Dated:</b> _____			

\* 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 column for each of the entry in order to account for the refunds/remissions accordingly.



\_\_\_\_\_ *Name of ULB*

**SUMMARY STATEMENT OF WRITE OFFS FOR THE PERIOD** \_\_\_\_\_  
*in respect of Water Supply Income*

*Sr. No.* \_\_\_\_\_

<b>Particulars</b>	<b>Year (Others) Rs.</b>	<b>Year (-2) Rs.</b>	<b>Year (-1) Rs.</b>	<b>Current Year (Rs) Rs.</b>	<b>Total Rs.</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Water Tax					
Water Supply Charges					
Water Meter Rent					
Notice Fee					
Warrant Fee					
Penalties					
Others, Specify _____					
<b>Total</b>					
Amount in Words : Rupees _____					
<b>Prepared By*</b> : _____			<b>Examined and entered</b>		
<b>Checked By*</b> : _____			<b>Accountant/Authorised Officer</b>		
<b>Dated:</b>			<b>Dated:</b>		

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

**REVENUE EXPENDITURE****CHAPTER 6***Need Of The Hour – Extract Value for Money*

6.1 “Revenue Expenditure” is 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. Revenue Expenditure, Provisions and Appropriations are classified as the following Major Heads.

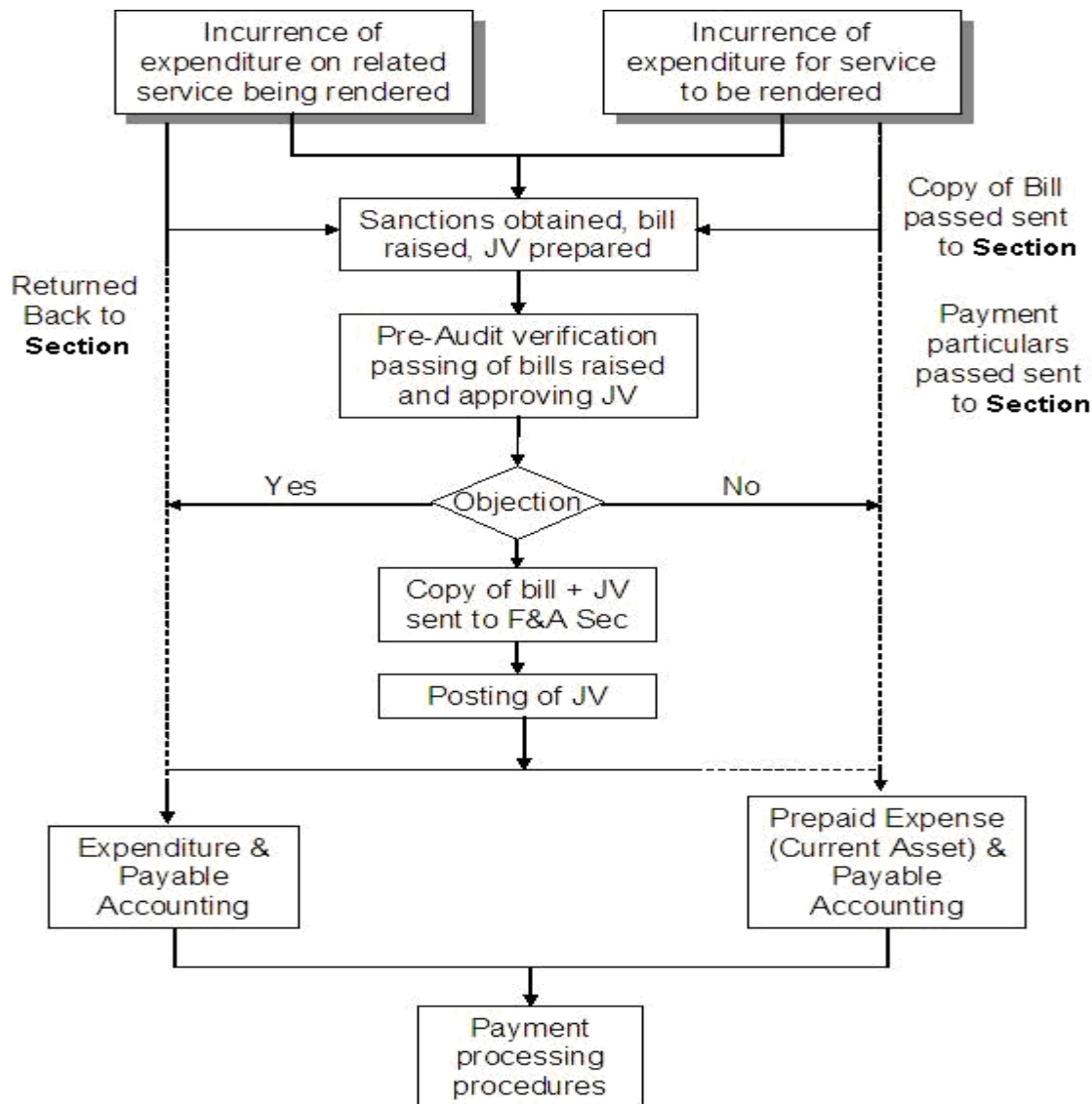
<b>Major Head Code</b>	<b>Major Head Description</b>
210	Establishment Expenditure
220	Administrative Expenditure
230	Operations & Maintenance
240	Interest & Finance Charges
250	Programme Expenditure
260	Revenue Grants, Contribution and Subsidies
270	Provisions and Write off
271	Miscellaneous Expenditure
272	Depreciation
280	Prior Period Item
290	Transfer to Reserve Funds

6.2 Under accrual basis of accounting, costs are matched either against revenues or against the relevant time period to determine periodic Income and Expenditure. Further, costs which are not charged against income of the period, are carried forward. If any particular item of cost has lost its utility or its power to generate future revenue, the same is written off as an expense in that period.

**Procedure for Expenditure Accounting**

6.3 The procedure in respect of payments, which shall be applicable for all payments made by the ULB including payment of suppliers' / contractors' bills, refund of taxes, refund of deposits, investments made, loan repayments etc., is explained hereunder:

Exhibit 6.1

**Expenditure Accounting**

6.4 **Receipt of bills / claims:** The bills or claims shall be received at the various functions (sections) of the ULB as per the procedures laid down for ULBs in this behalf. The concerned Section 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.

6.5 **Preparation of Payment Order:** On approval of the Bills by the concerned authorities at the respective Sections, the Section shall forward the bills for payment. Payment Order shall be prepared in Form GEN-14 to make payment.

6.6 Bill Passing/ Approval of bills: Before release of a payment, the Pre-Audit/Accounts Section 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 Section;
- Whether adequate budget provision/appropriation is available under the particular head.
- Whether evidence of entry into Purchase/Fixed Assets/Investments Register with folio and reference numbers are attached/available;
- In the case of release of security or other caution deposits relating to construction or acquisition of fixed assets, work / job completion certificate has to be received and a copy of it shall be attached with the Payment Voucher;
- Whether goods receipt / gate pass note is attached with the Payment Voucher. Whether Items / stock are received in good condition / satisfactory condition as per specification of the Purchase Order.
- Ensure that the bills under 'Payment Order' are already entered in the registers such as Fixed Assets/Stocks/Investments, etc.
- 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/Masurement 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 Section.
- The concerned Section shall resolve the query raised, 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.

6.7 Forwarding for payment. After satisfactory verification of the Payment Order and its supporting documents, the Payment Order shall be released for payment. On approval of payment, entry shall be made in the Register of Bills for Payment (Form GEN-13) maintained at Pre-Audit/Accounts Section. Pre-Audit/Accounts Section shall prepare Journal Voucher.

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

6.9 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.

6.10 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 Section.

6.11 List of Registers, forms and documents shall be maintained for recording of expenditure transactions are as follows.

Sl. No.	Particulars	Format No	Purpose
1.	Register of Bills for Payment	Form GEN - 13	On satisfactory verification, the bills/claims shall be entered into the Register
2.	Payment Order	Form GEN - 14	Authorisation for making payment against bills / claims
3.	Cash / Bank Payment Voucher	Form GEN - 5	Particulars of payment made and authorization for payment
4.	Cheque Issue Register	Form GEN - 15	Details of payments released through cheques shall be maintained in the Register
5.	Function – Wise Expenditure Subsidiary Ledger	Form GEN - 34	For recording function-wise expenditure
6.	Statement of Outstanding Liability for Expenditure	Form GEN - 28	Details of the accrued expenditure from the bills received at the end of the accounting period shall be entered in the statement.
7.	Register of Advances	Form GEN-16	Name of the person and particulars of advance shall be maintained in the register
8.	Consolidated Pay Bill summary roll of the establishment for the month	Form ES - 1	Salary Expense and corresponding liability shall be recognized.
9.	Register of Employee Loans /Advances	Form ES - 2	Loans and Advances given to employees shall be recorded.
10.	Register of Interest on Loans to Employees	Form ES - 3	Interest charged on loans and advances given to employees recorded.
11.	Un-paid Salary Register	Form ES - 4	Payment of Salary not taken by the employees maintained in the register
12.	Pension Payment Order	Form ES - 5	Details of pension payment shall be recorded
13.	Pension Register	Form ES - 6	Details of pension liability for each pensioner shall be maintained in the register

## Establishment Expenditure

6.12 Establishment expenditure are related to the transactions of personnel cost such as salary, benefits and allowances to employees and pension, terminal benefits to retired employees. Establishment Expenditure is one of the major revenue expenditure for the ULB. Following are the Minor and Detailed Account heads used for recording the Establishment expenditure.

<b>210 Establishment Expenditure</b>			
<b>Minor Code</b>	<b>Minor Head Description</b>	<b>Detailed Code</b>	<b>Detailed Head Description</b>
10	Salaries, Wages and Bonus	01	Basic Pay
		02	Dearness Allowance
		03	House Rent Allowance
		04	CCA
		05	Conveyance Allowance
		06	Interim Relief
		07	Surrender Leave Encashment
		08	Performance Bonus
		09	Honorarium/Sitting Fees to Corporators/ Councillors
		10	Honorarium – others
		11	Wages to workers through Placement Agencies
		12	Pensionary contribution
		13	Anticipatory Pension
20	Benefits and Allowances	01	Leave Travel Concession
		02	Medical Reimbursement
		03	Tuition Fees
		04	Education Allowance
		05	Uniform allowance
		06	Workmen Compensations
		07	Training
		08	Concession in Bus-Pass
		09	Staff Welfare Allowance
		10	Educational concessions & Scholarships
		11	Over Time Allowances
		12	Special allowance
		13	Additional charge allowance
		14	Suspension allowance
30	Pension	01	Service Pension
		02	Family Pension
		03	Provisional Pension
40	Other Terminal & Retirement Benefits	01	Leave encashment on Retirement
		02	Death cum Retirement gratuity
		03	Commuted Pension

		04	Pension and Leave Salary Contributions for deputationists
		05	General Provident Fund shortfall

6.13 Processing of payroll and related approvals are decentralised and shall be carried out by Drawing and Disbursing Officer (DDO) of concerned sections. The Pre-Audit Section shall obtain a Consolidated Pay Bill summary in Form ES- 1 from the Sections along with Pay Bills.

6.14 Salary, allowances and corresponding liability

Reference Document: Consolidated Pay Bill Summary ES - 1

6.15 On the basis of the Consolidated Pay Bill, the Pre-audit Section shall pass the accounting entries every month for recognising the expense and the corresponding liability:

Accounting Entry:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
210-10-01	Basic Pay	Dr	10,000		Journal Book, Ledger, Register of Employee Advances, Register of Loans to Employees, Register of Interest on Loans to Employees
210-10-02	Dearness Allowance	Dr.	1,600		
210-10-03	House Rent Allowance	Dr	2,500		
350-20-01	To Recoveries Payable – GPF			1,500	
350-20-08	To Recoveries Payable – TDS from Employees			1,000	
350-11-01	To Salaries Payable - Employee Liabilities			11,600	
Narration: Being entry to record Salary bill for the month of -----					

6.16 The Accounts Section shall maintain a separate Function-wise Expense Subsidiary Ledger in Form GEN – 34 for recording Function-wise Expenditure.

### 6.17 Reference Registers / Documents

Register of Employee Loans/Advances (Form ES-2)

Register of Interest on Loans to Employees (Form ES-3)

## 6.18 Payment of Salaries

Salaries can be paid to the employees either

- (i) by Cheque or
- (ii) by directly crediting the amount to employees' bank accounts; or
- (iii) in cash

Accounting entry for payment of salary by cash (if paid fully)

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-11-01	Salaries Payable - Employee Liabilities - Dr	11,600		Cash Book, Ledger
450-10-01	To Cash on hand A/c		11,600	
Narration: Being entry for payment of salary by cash				

Accounting Entry for payment of salary by bank (if paid fully)

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-11-01	Employee Liabilities -Net Salaries Payable Dr	11,600		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		11,600	
Narration: Being entry for payment of salary by bank				

## Payment of statutory deductions made from salaries

6.19 For discharging liabilities towards statutory deductions (e.g., Income Tax, Profession Tax, GPF etc.), on payment, the Accounts Section shall pass the following entries:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-20-08	Recoveries Payable – TDS from Employees	1,000		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		1,000	
Narration: Being entry for remittance of TDS to IT Authorities for the month of -----				



Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-20-01	Recoveries Payable – GPF	1,500		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		1,500	
Narration: Being entry for remittance of GPF to GPF Trust Fund for the month of -----				

## Unpaid Salaries

6.20 If the salary remains unpaid to the employees, it shall be recorded in the Unpaid Salary Register. The register shall have the details for unpaid salary as well as subsequent payment of salary.

6.21 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.

Reference Register: Unpaid Salary Register (Form ES-4).

6.22 **Depositing of unpaid salaries in bank** In case cheques issued to the employees have not been cashed for three (3) 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	11,600		Cash Book, Ledger, Unpaid Salary Register
350-11-06	To Employee Liabilities – Unpaid Salaries		11,600	
Narration: Being entry to record unpaid salary and cancellation of cheque				

6.23 **Recording of payment of unpaid salaries.** On payment of unpaid salaries, the Accounts Section shall pass the following entry:

Account	Amount (Rs.)	Books to be
---------	--------------	-------------

Code	Description	Debit	Credit	entered into
350-11-06	Employee Liabilities – Unpaid Salaries	11,600		Cash Book, Ledger, Unpaid Salary Register
450-10-01	To Cash on hand		6,600	
450-21-02	To State Bank of Hyderabad A/c		5,000	
Narration: Being entry for payment of unpaid salaries in cash and bank				

### **LOANS AND ADVANCES TO EMPLOYEES**

6.24 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 shall be updated by the Accounts Section. These registers shall be maintained Section-wise.

**Reference Register:** Register of Employee Loans /Advances (Form ES-2)

Accounting Entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
460-10-04	Festival Advance to Employees	1,600		Cash Book, Ledger, Register of Employee Advances
450-21-02	To State Bank of Hyderabad A/c		1,600	
Narration: Being entry to record Festival Advances paid to employees				

### **Accrual of Interest on Loans provided to employees**

6.25 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 Section to the Accounts Section at the period-ends for which an entry shall be made in the Register of Interest on Loans to Employees.

**Reference Register:** Register of interest on Loans to Employees (Form ES-2)

Accounting Entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
431-40-04	Interest Receivable on Employee Loans	1,800		Journal Book, Ledger, Register of Interest on Loans to Employees
171-20-04	To Interest on Marriage Advances		1,800	
Narration: Being entry to record the Interest charged on Loan given to employees				

### **Penal Interest for non-payment of principal or interest installments**

6.26 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 Section shall pass an entry similar to statutory and other deductions and recoveries from salaries.

### **Recovery of Loans and Advances**

6.27 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.

6.28 The Accounts Section 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 statutory and other deductions and recoveries from salaries.

### **Payments to Employees otherwise than from Pay Bill**

6.29 For various types of employee related payments such as leave travel concession, bonus and Ex-Gratia, overtime, medical reimbursement, hospitalisation claim, suspension allowance, gratuity, leave salary, house rent reimbursement, etc., the concerned Section shall send the approved Payment Order along with the supporting documents to the Accounts Section.

Accounting Entry:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
210-20-01	Leave Travel Concession	Dr	9,000		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c			9,000	
Narration: Being entry for payment of LTC of Sri ----- for the block period -----					

Note: Separate entry shall be passed for each Payment Order.

6.30 Upon payment, the Accounts Section shall immediately update the Function-wise Expense Subsidiary Ledger maintained in Form GEN-34.

## **General Provident Fund**

### **Employees' Provident Fund Contribution**

6.31 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 statutory and other deductions and recoveries from salaries.

6.32 Transfer of money to Provident Fund Bank Account. The Accounts Section shall transfer the amount deducted as contribution from Main Bank Account to Provident Fund Bank Account.

Accounting Entry:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
450-41-02	State Bank of Hyderabad (GPF) A/c	Dr.	18,000		Cash Book & Ledger
450-21-02	To State Bank of Hyderabad A/c			18,000	
Narration: Being entry for the transfer of employees Provident Fund Contribution to Provident Fund Bank Account					

### **Payment of Provident Fund Contribution in respect of employees on deputation**

6.33 Provident Fund Contribution deducted on behalf of State Government or other organizations / authorities from the salary of employees on deputation to the ULB shall be deposited with the relevant authority every month.

Accounting Entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-20-02	GPF from Employees on Deputation Dr.	6,000		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		6,000	
Narration: Being payment of General Provident Fund contributions of Employees on deputation in the designated Bank Account.				

### **Loans to Employees against Provident Fund**

6.34 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 Section shall pass the following entry:

Accounting Entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
460-20-00	General Provident Fund Loans Dr.	3,000		Journal Book, Ledger
450-41-02	To State Bank of Hyderabad (GPF) A/c		3,000	
Narration: Being payment of loans to Employees out of Provident Fund Contribution				

### **Recovery of Provident Fund Loan**

6.35 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 statutory and other deductions and recoveries from salaries.

### **Recording of transfer of money to Provident Fund Bank Account.**

6.36 The Accounts Section shall transfer the amount deducted towards recovery of provident fund loans from Main Bank Account to Provident Fund Bank Account.

Accounting Entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
450-41-02	State Bank of Hyderabad (GPF) A/c	Dr	900		Cash Book
450-21-02	To State Bank of Hyderabad A/c			900	
Narration: Being entry to record transfer of money to General Provident Fund Account					

## **Interest on Provident Fund**

### **For recording interest shortfall**

6.37 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 where 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.

Accounting Entry:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
210-40-05	General Provident Fund shortfall	Dr,	5,000		Journal Book, Ledger
311-70-03	To General Provident Fund			5,000	
Narration: Being entry for Shortfall in General Provident Fund met from General Funds					

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
450-41-02	State Bank of Hyderabad (GPF) A/c	Dr	5,000		Cash Book
450-21-02	To State Bank of Hyderabad A/c			5,000	
Narration: Being entry to record transfer of GPF shortfall money to General Provident Fund Account					

## Withdrawal from Provident Fund

6.38 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.

6.39 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.

**Reference Document:** Approved Payment Order (Form GEN - 14)

Accounting Entry:

For recognizing the provident fund contribution and interest due to an employee

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
311-70-03	Provident Fund Dr	27,000		Journal Book, Ledger
350-11-05	To General Provident Fund Payable		27,000	
Narration: Being entry for GPF contribution and interest payable to Mr. ----- on his retirement				

On payment

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-11-05	General Provident Fund Payable A/c Dr	27,000		Cash Book
450-41-02	To State Bank of Hyderabad (GPF) A/c		27,000	
Narration: Being entry for payment of GPF dues to Mr.----- on settlement of his GPF account				

## Retirement benefits

6.40 Retirement benefits for employees of ULB usually consist of:

- Pension;
- Gratuity;
- Commutated Pension and
- Leave Encashment.

**Pension**

6.41 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.

6.42 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

6.43 If the pension amounts are directly paid without creation of a Separate Fund, the Accounts Section shall pass the following entries for accrual of Pension Expenditure and payment of the same.

Accounting entry on creation of liability for pension

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
210-30-01	Pension A/c Dr.	3,00,000		Journal Book, Ledger, Pension Register
350-11-02	To Pension Payable A/c		3,00,000	
Narration: Being entry for pension payable for the month of -----				

On payment of Pension

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-11-02	Pension Payable A/c Dr.	3,00,000		Bank Book, Ledger, Pension Register
450-21-02	To State Bank of Hyderabad A/c		300,000	
Narration: Being entry for pension payment for the month of -----				



## Through Fund

6.44 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 Income and Expenditure and shall also be recognised as a liability.

## Creation of Fund

### For creation of Pension Fund

6.45 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 Section shall pass the following entry:

Accounting Entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
210-10-12	Pensionary contribution A/c	Dr 30,000		Journal Book, Ledger
311-70-02	To Pension Fund		30,000	
Narration: Being entry for Pensionary Contribution payable to Pension Fund for the period-----				

### Transfer of money to Pension Fund Bank Account .

6.46 An amount equivalent to the contribution to Pension Fund shall be transferred from Main Bank Account to Pension Fund Bank Account.

### Payment of Pension to Employees

6.47 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.

### Commutated Pension

6.48 On commutation of pension: On the basis of approved Pension Payment Order (Form ES-5), in respect of Commuted Pension, the following Accounting entries shall be passed:

Accounting Entry for creation of liability for commutation of pension

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
311-70-02	Pension Fund A/c Dr.	75,000		Journal Book, Ledger, Pension Register
350-11-02	To Pension Payable A/c		75,000	
Narration: Being entry for commuted pension payable to Sri -----				

Accounting Entry on payment of commuted pension

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-11-02	Pension Payable A/c Dr.	75,000		Cash Book, Ledger, Pension Register
450-41-02	To State Bank of Hyderabad (Pension Fund)A/c		75,000	
Narration: Being entry for commuted pension payment to Sri -----				

## Un-commuted Pension

Recording of payment of un-commuted pension:

6.49 A Pension Pay Bill shall be prepared for making monthly pension payment to the individual pensioners.

Accounting Entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
311-70-02	Pension Fund A/c Dr.	36,000		Pension Fund Cash Book, Ledger, Pension Register
450-41-02	To State Bank of Hyderabad (Pension Fund) A/c		36,000	
Narration: Being entry to record payment of un commuted pension				

## **Pension Fund deficit**

6.50 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.

Accounting Entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-41-02	State Bank of Hyderabad (Pension Fund) A/c Dr.	45,000		Cash Book, Pension Fund Cash Book
450-21-02	To State Bank of Hyderabad A/c		45,000	
Narration: Being entry to record transfer of shortfall in pension from Main Bank to designated Bank				

6.51 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
210-30-01	Pension Dr.	45,000		Cash Book, Pension Fund Cash Book
311-70-02	To Pension Fund		45,000	
Narration: Being entry for shortfall in Pension Fund transferred from General Fund				

## **Employees on Deputation**

On payment of pension contribution in respect of employees on deputation at ULB.

6.52 In respect of State Government employees or employees of other organizations / authorities, who have been deputed to the ULB, and if pension contribution is payable by the ULB, to the concerned authorities, the Accounts Section shall pass the following entry on payment:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
210-40-04	Pension and Leave Salary Contributions for Deputationists Dr	26,000		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad		26,000	
Narration: Being entry for payment of pension contribution of deputation employees				

### **Gratuity and Leave encashment**

6.53 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.

6.54 For recognising the liability in respect of contribution to the Fund, the Accounts Section shall pass the following entry:

Accounting entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
210-40-01	Leave Encashment on Retirement Dr.	30,000		Journal Book, Ledger
210-40-02	Death Cum Retirement Gratuity Expenditure Dr.	42,000		
311-70-04	To Leave Salary and Gratuity Fund		72,000	
Narration: Being entry for leave salary and gratuity fund transfer				

6.55 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**

6.56 If the gratuity and leave encashment amounts were directly paid without creation of a Separate Fund, the Accounts Section shall pass the following entries for accrual of Gratuity and Leave encashment expenditure and payment of the same.

### **Accounting entry on creation of liability for Gratuity and Leave encashment**

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
210-40-01	Leave Encashment on Retirement	Dr	46,000		Journal Book, Ledger, Pension Register
210-40-02	Death Cum Retirement Gratuity	Dr	180,000		
350-11-04	To Terminal Benefits Payable			226,000	
Narration: Being entry for Leave Salary and Gratuity payable to Sri ----- on retirement					

### Accounting entry on Payment of liability for Gratuity and leave encashment

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
350-11-04	Terminal Benefits Payable A/c	Dr	226,000		Journal Book, Ledger
450-21-02	To State Bank of Hyderabad A/c			226,000	
Narration: Being entry for payment of Terminal Benefits to Sri-----					

### Leave Salary Contribution (Deputation Employees)

6.57 In respect of State Government employees or employees of other organizations / authorities, who have been deputed to the ULB and if leave salary contribution is payable by the ULB to the concerned authorities, on payment, the Accounts Section shall pass the following entry:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
210-40-04	Pension and Leave Salary Contributions for Deputationists		5,000		Journal Book, Ledger
450-21-02	To State Bank of Hyderabad A/c			5,000	
Narration: Being entry to record payment of Leave salary contribution for employees on deputation					

## Accounting in respect of Trusts Formed by the ULB

6.58 The ULB may form Trusts for management of General 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.

6.59 In case Trusts are formed, the ULB shall transfer its contribution to the Trusts as per the prescribed rules.

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
210-30-01	Pension Dr.	10,000		Journal Book, Ledger
210-30-02	Family Pension Dr.	5,000		
210-40-01	Leave Encashment Dr.	3,000		
210-40-02	Death Cum Retirement Gratuity Dr.	8,000		
450-21-02	To State Bank of Hyderabad A/c		26,000	
Narration: Being entry to record payment of Contributions to Trust				

6.60 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.

6.61 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'.

6.62 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

6.63 The following internal controls shall be observed by the ULB:

- Separate Pay Bills shall be prepared by each section (DDO).
- Consolidation of Pay Bills shall be made Section wise and Section bills are consolidated for ascertainment of ULB level information.

- Consolidated pay bill summary shall be checked with previous month for ensuring all bills are included.
- A monthly reconciliation shall be carried out by the Accounts Section and the Establishment Section in respect of loans and advances outstanding between the balances in the Ledger Accounts maintained at the Accounts Section and the Register of Employee Advances and Register of Loans to Employees maintained at the Establishment Section.
- Further, at the period-end, the Accounts Section shall ensure that accounting entry for recording income in respect of interest accrued on loans provided to employees has been passed.
- Every month, the Accounts Section shall ensure timely remittance of the various deductions made from the employees' salaries in the Pay Bill to the concerned authorities.
- The Accounts Section shall ensure that the total establishment expenditure incurred and recorded in the Function-wise Expense Subsidiary Ledger reconciles with the amounts as per the respective Establishment Expense Ledger Account. The Subsidiary Ledger shall record total establishment Expenditure incurred, including that paid through Pay Bill.
- Every month, the Accounts Section shall verify that the Provident Fund and Pension Fund contribution deducted from the employees on deputation have been deposited with the concerned authorities.
- At year-end, the Accounts Section shall verify whether interest received or receivable on the provident fund investment equals to the statutory liability for interest payment to employees on their balance in the provident fund reserve account; and in case it falls short, 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.
- The Accounts Section 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.
- All 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.
- The Accounts Section shall ensure that whenever the entries in statutory and other deductions and recoveries from salaries 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.

- Head of the Accounts Section shall certify all Reconciliation Statements.
- Commissioner shall specify such appropriate calendar of returns / reports for monitoring.

## Administrative Expenditure

6.64 General administrative expenditure of the office shall be classified under this major head of account. Administrative Expenditure is classified into the following Minor and Detailed Heads.

<b>220 Administrative Expenditure</b>			
<b>Minor Code</b>	<b>Minor Head Description</b>	<b>Detailed Code</b>	<b>Detailed Head Description</b>
10	Rent, Rates and Taxes	01	Office Rent
		02	Rates and Taxes
11	Office maintenance	01	Electricity Charges
		02	Water Charges
		03	Office Security
12	Communication Expenditure	01	Telephone
		02	Mobiles
		03	Faxes
		04	Leased Lines & Internet
20	Books & Periodicals	01	Newspapers & Journals
		02	Magazines
21	Printing and Stationery	01	Printing
		02	Stationery
		03	Computer Consumables
		04	Service postage
30	Traveling & Conveyance	01	Traveling – In land
		02	Traveling – Abroad
		03	Fuel – (Petrol & Diesel)
40	Insurance	01	Buildings
		02	Vehicles
		03	Electronic Equipment
		04	Furniture
		05	Inventory
50	Audit Fees	01	Statutory Audit Fee
		02	Certification Fee
		03	Out of Pocket Expenditure
51	Legal Expenditure	01	Legal Fees
		02	Cost of recoveries of tax revenue
		03	Cost of recoveries of other revenues
		04	Compensations Ordered By Courts



<b>220 Administrative Expenditure</b>			
<b>Minor Code</b>	<b>Minor Head Description</b>	<b>Detailed Code</b>	<b>Detailed Head Description</b>
52	Professional and other Fees	01	Consultancy Charges
		02	Other Professional Charges
60	Advertisement and Publicity	01	Advertisement – Print Media
		02	Advertisement – TV & Radio Media
		03	Hoardings
		04	Hospitality Expenditure
		05	Organisation of Festivals
61	Membership & subscriptions		
80	Others		

### ***Accounting records & procedures***

6.65 For the purpose of accounting of Administrative Expenditure, the forms applicable are the ones generally applicable in respect of the transactions of the ULB.

- The concerned Section, 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 Section for payment.
- On receipt of the Payment Order, the Accounts Section shall enter the particulars thereof in a Register of Bills for Payment (Form GEN-13).

### **Treatment of Pre Paid Expenditure**

6.66 In the case of expenditure 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 are explained taking Rent, Rates & Taxes as example.

### **Recording of adjustment of prepaid Expenditure**

6.67 Immediately on expenditure being incurred, the amount of expenditure paid in advance shall be determined for recording the prepaid expenditure.

Accounting entry

<b>Account</b>			<b>Amount (Rs.)</b>		<b>Books to be entered into</b>
<b>Code</b>	<b>Description</b>		<b>Debit</b>	<b>Credit</b>	
440-20-01	Prepaid – Rent, Rates & Taxes	Dr.	32,000		Journal Book, Ledger
220-10-02	To Rent, Rates & Taxes A/c			32,000	
Narration: Being expenditure paid in advance transfer to pre-paid expenditure					

Note: This entry shall be passed only if the prepaid amount is ascertainable at the time of recording expenditure.

Accounting of expense in next year

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
220-10-02	Rent, Rates & Taxes	Dr.	32,000		Journal Book, Ledger
440-20-01	To Prepaid – Rent, Rates & Taxes			32,000	
Narration: Being recognition of pre-paid expenditure in the period to which it relates					

### **ACCRUED EXPENDITURE**

6.68 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.

6.69 Each Section shall collate the details of the accrued expenditure from the bills received at the end of the accounting period.

**Reference Document:** Form GEN-28

Accounting entry

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
210-10-10	Honorarium	Dr.	45,000		Journal Book, Ledger
360-10-01	To Provision for Establishment Expenditure			45,000	
Narration: Being provisioning of accrued expenditure for the period					

### **Payment of Accrued Expenditure In the next accounting period**

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
360-10-01	Provision for Establishment Expenditure	Dr.	45,000		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c			45,000	

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
Narration: Being payment for expenditure pertaining to previous year				

### ***Internal Controls***

The following internal controls shall be observed by the ULB

- a. The Accounts Section shall ensure budget availability with respect to the expenditure proposed at the time of administrative sanction.
- b. The Accounts Section shall ensure that all the bills/invoices were journalised before release of the payments.
- c. The Accounts Section shall ensure proper authorisation of Payment Order as per the authorities delegated by the ULB.
- d. The Accounts Section shall ensure that the relevant supporting documents are annexed to the Payment Order.
- e. The Accounts Section 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. At the time of making payment, the Accounts Section shall ensure that reference to the Sectional Register of Bills for Payment where the payment bill has been recorded by the Section concerned, is provided in the Payment Order. In case of non-referencing, the Accounts Section shall return the Payment Order to the concerned Section 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, and if so, may be adjusted before making payment.
- g. The Accounts Section shall ensure that a monthly reconciliation of total expenditure incurred and recorded in the Sectional Expense (Administrative Expenditure) Subsidiary Ledger is carried out with the total expenditure recorded in several Administrative Expense Ledger Accounts.
- h. The Commissioner shall specify such appropriate calendar of returns / reports for monitoring.

## **Operations & Maintenance**

6.70 Operations & Maintenance expenditure includes works, other than those specified under Original Works, required to maintain buildings, roads, water works assets, drainage system and other works in proper condition for ordinary use.

6.71 The functions of ULB include provision of basic amenities like roads, sanitation, street lighting, provision of water, expenditure incurred towards keeping the city neat and clean, maintenance of parks etc. The expenditure under this Major Head are:

<b>230 Operations &amp; Maintenance</b>			
<b>Minor Code</b>	<b>Minor Head Description</b>	<b>Detailed Code</b>	<b>Detailed Head Description</b>
10	Power & Fuel	01	Power Charges For Street Lighting
		02	Power Charges For Water Pumping
		03	Power charges for other services
		04	Fuel to heavy Vehicles
		05	Fuel to Light Vehicles
		06	Fuel supply to field staff vehicles
20	Bulk Purchases	01	Sanitation/conservancy material
		02	Purchase of medicines
30	Consumption of Stores	01	Engineering Stores
		02	Transport stores
		03	Medical stores
		04	Central stationery stores
40	Hire Charges	01	Machinery Rent
		02	Vehicles
50	Repairs & maintenance - Infrastructure Assets	01	Main Roads
		02	By-lane Roads
		03	Bridges
		04	Fly-Overs
		05	Water Supply Lines
		06	Sewerage Lines
		07	Storm Water Drains
		08	Traffic Signals
		09	Street Lighting
		10	Burial grounds
51	Repairs & maintenance - Civic Amenities	01	Major Parks
		02	Minor Parks
		03	Colony Parks
		04	Stadium
		05	Play Grounds
		06	Swimming Pools
		07	Nursery
		08	Play Materials
		09	Public Toilets
		10	Market Yards
		11	Parking Lots
		12	Avenue and Other Plantation
52	Repairs & maintenance – Buildings	01	Community Halls
		02	Commercial Complex

<b>230 Operations &amp; Maintenance</b>			
<b>Minor Code</b>	<b>Minor Head Description</b>	<b>Detailed Code</b>	<b>Detailed Head Description</b>
		03	Office Buildings
		04	Staff Quarters
53	Repairs & maintenance – Vehicles	01	Heavy vehicles
		02	Light vehicles
59	Repairs & maintenance – Others	01	Furniture & Fixtures
		02	Computers & Net Work
		03	Electronic Equipment
		04	Office Equipment
		05	Survey & Drawing Equipment
		06	Plant and machinery
		07	Conservancy Tools
80	Other operating & maintenance Expenditure	01	Garbage Clearance
		02	Testing & Inspection
		03	Field survey and inspection
		04	Water Purification
		05	Mapping, plotting and drawing expenses
		06	Naming and numbering of streets
		07	Demolition and removal expenses
		08	Quality control expenses
		09	Prevention of epidemics
		10	Collection and testing of food samples
		11	Expenses on unclaimed dead bodies
		12	Control of stray animals
		13	Sanitation/conservancy expenses
		14	Intensive/special sanitation including of Fairs and Festivals
		15	Maintenance of garbage dumping yards/transfer stations
		16	Maintenance of slaughter houses

6.72 The general accounting procedure for expenditure accounting is the same as provided above in this chapter.

## Interest and Financial Charges

6.73 Interest shall be payable on borrowings at an agreed rate and on a specified date in accordance with the terms and conditions of the loan. Interest payable on all loans shall be calculated periodically and provided in the accounts irrespective of due date for payment of interest. Some of the grants received by ULBs comprise of grant (non-refundable) and loan

(re-payable) in a specified ratio. Interest shall be payable on the loan component of the grant in accordance with the scheme of the grant.

6.74 Financial transactions through banking channels may involve some transaction charges. This kind of expenditure and interest charges shall be accounted in the following Minor Head and Detailed Head Accounts.

<b>240 Interest &amp; Financial Charges</b>			
<b>Minor Code</b>	<b>Minor Head Description</b>	<b>Detailed Code</b>	<b>Detailed Head Description</b>
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	01	Bonds
		02	Finance lease
		03	Hire purchase
70	Bank Charges	01	Miscellaneous bank charges
80	Other Finance Expenditure	01	Expenses on issue of bonds
		02	Surveillance fee
		03	Transaction processing for collections

### **ACCOUNTING OF INTEREST PAYABLE ON LOAN / DEBENTURES**

Accounting Entry for Interest accrued.

6.75 For interest payment, on receipt of approval for payment of interest from the authorities designated by the ULB, the Accounts Section shall pass the following entry:

<b>Account</b>		<b>Amount (Rs.)</b>		<b>Books to be entered into</b>
<b>Code</b>	<b>Description</b>	<b>Debit</b>	<b>Credit</b>	
240-60-01	Interest on Bonds	1,00,000		Journal Book, Ledger, Register of Loans, Register of Debenture
350-12-01	To Interest Accrued & due – Central Govt. Loans		1,00,000	

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
Narration: Being entry for Interest Accrued & due on 6% Bonds for the half year -----				

Accounting entry for payment of interest

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-12-01	Interest Accrued & due – Central Govt. Loans Dr.	1,00,000		Cash Book, Ledger, Register of Loans, Register of Debenture
450-21-02	To State Bank of Hyderabad A/c		1,00,000	
Narration: Being entry to record payment of Interest on ----- (details of loan)				

6.76 The amount of interest remaining unclaimed or unpaid shall be treated as Current Liability.

### **Recording of interest accrued but not due.**

6.77 For the period between the date of last payment of interest and the date of 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.

Accounting entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
240-50-00	Interest on loan from Bank Dr.	3,00,000		Journal Book, Ledger
360-20-01	To Provision for Interest- Interest Accrued & Not Due		2,70,000	
350-20-57	To TDS Payable – Interest		30,000	
Narration: Being entry for interest provision and deduction of tax at source for interest on bonds				

6.78 As and when payment is made, it shall be debited to Interest Accrued but not due account and the following accounting entry be passed.

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
360-20-01	Provision for Interest- Interest Accrued & Not Due Dr	2,70,000		Cash Book, Ledger, Register of Loans, Register of Debenture
450-21-02	To State Bank of Hyderabad A/c		2,70,000	
Narration: Being entry for payment of interest on bonds				

### **Bank Charges**

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

Reference Document: Bank Debit advices, Bank Reconciliation Statements

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
240-70-01	Bank Charges Dr	300		Journal Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		300	
Narration: Being entry to record Bank Charges debited by the Bank on ----- (service details)				

### ***Internal Controls***

6.80 The following internal control shall be observed by the ULB in respect of Loans related transactions:

- The Accounts Section 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.



## Programme Expenditure

6.81 ULBs take up several programmes internally and externally to educate, impart skills, awareness on various issues to employees and citizens. Following are the minor and detailed accounts under which this type of expenditure shall be accounted.

250 Programme Expenditure			
Minor Head Code	Minor Head Description	Detailed Head Code	Detailed Head Description
10	Election Expenditure	01	Local Body Elections
		02	MLA/MP Elections
20	Own Programme	01	Environmental Awareness Programme
		02	Urban Malaria Eradication
		03	Study Tour/Trainings
		04	Seminars
		05	Voluntary Garbage Disposal Programme
		06	Cultural Programmes
		07	Community organization/mobilisation
		08	Special nutrition programme
		09	Summer/winter coaching camps
30	Share in Programme of others	01	Family Welfare Programme
		02	Financial Aid for Urban Self Help Groups
		03	Disbursements to T&C/DWCUA/Self help groups under SJSRY
		04	Shilparamam greening/Others

For recording the expenditure on Study Tour/Training, the following accounting entry shall be made.

Accounting entry

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
250-20-03	Study Tour/Trainings Dr	4,000		Journal Book, Ledger
350-10-03	To Creditors for Expenditure		4,000	
Narration: Being entry to record Study Tour/Trainings expenditure incurred for _____ of _____ Section				

On payment, the following entry shall be made

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-10-03	Creditors for Expenditure Dr	4,000		Journal Book, Ledger
450-21-02	To State Bank of Hyderabad a/c		4,000	
Narration: Being payment towards Study Tour/Trainings expenditure incurred for _____ of _____ Section				

## Revenue Grants, Contributions and Subsidies

6.82 ULB may support other organizations, departments and individuals by providing grants, contributions and subsidies. These supports shall be treated as revenue expenditure of the ULB and accounted under this Major Head.

The transactions shall be classified under the following Minor and Detailed Account Heads.

<b>260 Revenue Grants, Contributions and Subsidies</b>			
Minor Head Code	Minor Head Description	Detailed Head Code	Detailed Head Description
10	Grants		
20	Contributions		
30	Subsidies		

## Provision and Write Off

The following are the Minor and Detailed Heads

<b>270 Provisions and Write off</b>			
Minor Head Code	Minor Head Description	Detailed Head Code	Detailed Head Description
10	Provisions for Doubtful receivables	01	Property Tax
		02	Advertisement Tax
		03	Others
20	Provision for other Assets	01	Inventory
		02	Investments
		03	Loans and advances to others
30	Revenues written off	01	Property Tax
		02	Advertisement Tax
		03	Assigned revenues

40	Assets written off	01	Stores
		02	Investments
		03	Decline in fixed assets
		04	Loans and advances to others
50	Miscellaneous Expense written off	01	Deferred revenue expenses

Provision for Doubtful Receivables and their write off is explained in respective Revenue Incomes in Chapter 5

## Miscellaneous Expenditure

6.83 Miscellaneous Expenditure represents certain outlays such as preliminary expenditure and pre-operative expenditure and shall be shown as deferred revenue expenditure and written off over a period of time. The annual write off amount shall be accounted under this major account head. Following are the Minor and detailed heads of account.

<b>271 Miscellaneous Expenditure</b>			
Minor Head Code	Minor Head Description	Detailed Head Code	Detailed Head Description
10	Loss on disposal of Assets		
20	Loss on disposal of Investments	01	Mutual fund investments
30	Decline in Value of Investments		
80	Other miscellaneous expenditure		

## Depreciation

6.84 Depreciation is an important item of expense under accrual basis of accounting. Under-provision or over-provision for depreciation would vitiate the view presented by the Income and Expenditure Statement. Therefore, ULBs should provide depreciation in accordance with the requirements of Accounting Standard - 6 of ICAI.

6.85 In some cases, several kinds of fixed assets may form part of a single asset, e.g., a park may comprise, apart from land, buildings, pumping station machinery, play equipment etc. Some of such assets may be depreciable, while others may be non-depreciable. Even the depreciable assets may have varying useful lives. In order that depreciation can be computed properly, it would be necessary to account for items of different nature and different useful lives under separate account heads.

6.86 Depreciation on various fixed assets shall be classified into following minor and detailed heads.

<b>272 Depreciation</b>			
Minor Head Code	Minor Head Description	Detailed Head Code	Detailed Head Description
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		

## Prior Period Items

6.87 Prior period items are Income or Expenditure which arise in the current period as a result of **errors** or **omissions** in the preparation of the financial statements of one or more prior periods.

6.88 Errors in the preparation of the financial statements of one or more prior periods may be discovered in the current period. Errors may occur as a result of mathematical mistakes, mistakes in applying accounting policies, misinterpretation of facts, or oversight.

6.89 Prior period items are generally infrequent in nature and can be distinguished from changes in accounting estimates. Accounting estimates by their nature are approximations that may need revision as additional information becomes known. For example, income or expense recognised on the outcome of a contingency which previously could not be estimated reliably does not constitute a prior period item.

6.90 The nature and amount of prior period items should be separately disclosed in the statement of profit and loss in a manner that their impact on the current profit or loss can be perceived. To identify and disclose separately in income and expenditure statement, these items shall be accounted in the following account head depending on the nature of the transaction. Additional detailed heads of account may be added depending on the need.

<b>280</b>	<b>Prior Period Item</b>		
Minor Head Code	Minor Head Description	Detailed Head Code	Detailed Head Description
	<b>Income</b>		
10	Taxes		
20	Other Revenues		
30	Recovery of revenues written off		
40	Other Income		
	<b>Expenses</b>		
50	Refund of Taxes		
60	Refund of Other Revenues		
80	Other Expenditure		

## Transfers to Reserve Funds

6.91 Transfers from surplus of revenues shall be made to financial strengthening of the ULB and to meet the commitments in a planned manner. Reserve funds shall be created to safeguard the financial interest of the ULB in long run. Sufficient funds shall be created to meet any contingencies, repayment of borrowing, invest in infrastructure development of ULB.

6.92 These reserve funds shall be invested in safe and liquid investment avenues depending on the purpose for which reserve funds are created.

6.93 Reserve can only be created from surplus revenue. Following are the Minor and Detailed Heads of account for accounting of Revenue Transfers.

<b>290</b>	<b>Transfer to Reserve Funds</b>		
Minor Head Code	Minor Head Description	Detailed Head Code	Detailed Head Description
10	Transfer to Capital Funds	01	City Development Fund
		02	UCD Fund
20	Transfer to Earmarked Funds	01	Sinking Fund
		02	Salary Reserve Fund
		03	Pension Reserve Fund
30	Revenue Surplus	01	General Reserve
		02	Surplus of Income Over Expenditure

6.94 Transfer of surplus funds to reserve funds can be made by passing the following accounting entry.

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
290-10-01	Transfer to City Development Fund	10,00,000		Journal Book, Ledger
311-10-01	To Special Funds- City Development Fund		10,00,000	
Narration: Being entry for transfer of revenue surplus to city development fund				

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
<b>*Please specify the nature of Deduction/Recovery</b>							
<b>Total</b>							
(in words .....)							



Form ES-2

Name of the ULB \_\_\_\_\_

**REGISTER OF EMPLOYEE LOANS/ ADVANCES  
FOR THE YEAR 20 \_\_\_\_ to 20 \_\_\_\_**

Name of the employee	Particulars of advance	Voucher or receipt number (with date)	Amount	Monthly installment	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
<b>Entered By :#</b> _____						<b>Checked By :#</b> _____			

\* 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.
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>
							<b>(4+5+6+7)</b>	<b>(3+8)</b>			

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)	
<b>Entered By :#</b> _____						<b>Checked By :#</b> _____					

\* 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\_\_

Salary Payable					
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.)	Acquaintance of payee	Initials of Authorised Officer
7	8	9	10	11	12
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**

<b>Number of Pension Payment Order</b>	<b>Name of Pensioner</b>	<b>Monthly amount (Rs.)</b>	<b>Remarks</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Entered By :*</b> _____ <b>Checked By :*</b> _____			

*\* 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*

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

**Funds**

7.1 This section contains the recommended accounting system for transactions relating to Special Funds, which are accounted in the same books of the ULBs.

7.2 ULBs may, as per relevant statutes and rules, constitute special funds for any purpose mentioned in the statute. The statutes and rules may also prescribe the manner in which such funds shall be constituted and disposed off.

7.3 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.

7.4 The following is an illustrative list of the Special Funds that may be created by the ULB:

Development Funds

- Education Fund
- Road Fund
- Water Supply Fund
- Debt Service Fund
- City Development Fund
- Solid Waste Management Fund

Employee Funds:

- Pension Fund
- General Provident Fund
- Welfare Fund
- Leave encashment Fund

Sinking Funds:

- Asset Replacement Fund
- Sinking Fund

7.5 The accounting procedure and entries in respect of employee funds are described in Chapter 6 on Employee Related Transactions.



7.6 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 this Chapter under Borrowings (Loans Received).

7.7 This section essentially covers the accounting procedures in respect of Development Funds only.

### **Accounting Principles**

7.8 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**

7.9 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**

7.10 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 Section 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 Section shall enter the details of the order approving the creation of fund in the Special Fund Register and pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
310-10-00	General Fund A/c Dr	1,00,000		Journal Book, Ledger, Special Fund Register
311-10-02	To Urban Poverty Alleviation Fund A/c		1,00,000	
Narration: Being entry for creation of Urban Poverty Alleviation Fund				

Note: The postings in the Ledger Accounts of “Municipal Fund” Account and “Special Fund” Account shall be carried out as indicated in Chapter 4 – 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 Section 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
290-10-01	Transfer to City Development Fund Dr	1,00,000		Journal Book, Ledger, Special Fund Register
311-10-01	To City Development Fund		1,00,000	
Narration: Being entry for transfer of earmarked funds to City Development Fund a/c				

- c. Recording of transfer of money to Designated Special Fund Bank Account. For transferring the funds to a separate bank account, Accounts Section shall transfer the amount from Main Bank Account to Special Fund Bank Account and pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-41-02	State Bank of Hyderabad (CDF) A/c Dr	1,00,000		Cash Book, Special Fund Cash Book
450-21-02	To State Bank of Hyderabad A/c		1,00,000	
Narration: Being entry for transfer of fund from General Fund Bank A/c to City Development Fund Bank A/c				

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 the Act. On receipt of contribution from the Transport Undertaking, the Accounts Section shall pass the following entry

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-41-02	State Bank of Hyderabad A/c	Dr	25,000	Cash Book, Special Fund Cash Book
311-70-05	To Employee Welfare Fund		25,000	
Narration: Being entry for fund deposit for employee welfare				

7.11 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.

7.12 At the end of every month, the Accounts Section shall also identify the transactions pertaining to Tree Authority Cess collected along with the property and other taxes, the accounting process in respect of which has been described in Chapter 5 on Property and Other Taxes. The Accounts Section 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. The Accounts Section shall further pass the entries mentioned in para 7.10 (b) and (c) above for the same.

7.13 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 Section shall pass the entries mentioned in para 7.10 (b) and (c) above for the same

7.14 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 7.10 (a) for creation, (b) for addition and (c) for transfer of money to Special Funds shall be recorded. .

### **Utilisation of Funds**

7.15 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 on Public Works for repairs and maintenance expenses, Stores for stores purchased, and 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 contractor/supplier 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 the section "Advance paid to contractors/suppliers" (para 7.28).

- 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 Section shall pass the entries suggested for revenue expenditure.

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
230-51-01	Repairs & Maintenance – Major Parks A/c Dr	10,000		Journal Book, Ledger, Special Fund Register
340-10-03	To Deposit From Contractors - Security Deposit		1,000	
350-20-25	To TDS from Contractors		500	
350-20-55	To NAC		1,000	
460-40-02	To Advance - Contractors		1,500	
350-10-02	To Creditors - Contractors		6,000	
Narration: Being entry for admission of major parks repairs bill of Sri-----				

- 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.
- 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-10-02	Creditors – Contractors Dr	6,000		Special Fund Cash Book, Special Fund Register, Ledger
450-41-02	To State Bank of Hyderabad (UPAF) A/c		6,000	
Narration: Being entry for payment to Sri ----- for execution of maintenance work				

- 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 Section shall pass the following entry:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
350-20-25	TDS from Contractors	Dr	500		Special Fund Cash Book, Special Fund Register, Ledger
350-20-55	NAC A/c	Dr	1,000		
450-41-02	To State Bank of Hyderabad (UPAF) A/c			1,500	
Narration: Being entry for payment of deductions					

- 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 Section shall update the Special Fund Register (Form SF-1) and pass the following entry:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
450-21-02	State Bank of Hyderabad A/c	Dr	1,000		Cash Book, Special Fund Cash Book, Special Fund Register
450-41-02	To State Bank of Hyderabad (UPAF) A/c			1,000	
Narration: Being entry for transfer of funds					

- h. Recording of utilisation of Common Stores for special funds. For common stores consumed, the Accounts Section shall pass the following entry:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
311-10-01	City Development Fund A/c	Dr	1,000		Journal Book, Ledger, Special Fund Register
430-10-01	To Engineering Stores			1,000	
Narration: Being entry for utilization of stores for city development fund					

## Deposit Works

7.16 The Government departments may use the services of ULB, for execution of certain works/schemes/approved infrastructure schemes. Money received from the Government 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.

7.17 The procedure involved in such works is briefly described below:

- Receipt of money from Government Departments as Deposits towards their works.
- Execution of works as in case of any other Public works
- Settlement of Accounts on completion of works

7.18 ULBs are normally paid some percentage of value 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.

7.19 The Accounts section shall maintain a Deposit Works Register in Form PW-3 (Chapter 8). Separate registers may be maintained for each kind of deposit works. (For example, Civil, Electrical, etc). Separate pages may also be maintained for each 'deposit work' for recording details of receipt of grant and expenditures incurred from it.

## Receipt of Money

7.20 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 Accounts Section or in the Bank shall be the same as provided in the Chapter 4 on General Accounting Procedures. The details of the Deposit works contract (including names of the agency who have entrusted the deposit works) shall be recorded in the Deposit Works Register (in form PW – 3). The Accounts section shall pass the following entry for receipt of money:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	10,00,000		Cash Book, Ledger
341-10-01	To Deposit Works-Civil Works for State Govt.		5,00,000	
341-20-01	To Deposit Works-Electrical Works for State Govt.		4,00,000	
341-80-01	To Deposit Works – Others Works for State Govt.		1,00,000	
Narration: Being entry for receipt for works from -----				

## Deposits

### Earnest Money Deposit (EMD)

7.21 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.

7.22 Recording of receipt of Earnest Money Deposit: On receipt of Earnest Money Deposit, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-41-02	State Bank of Hyderabad A/c Dr	1,000		Special Fund Cash Book, Ledger, Special Fund Register
340-10-01	To Deposit From Contractors – EMD		1,000	
Narration: Being entry for receipt of EMD from Sri-----				

7.23 Recording of refund of Earnest Money Deposit: On refund of Earnest Money Deposit to the unsuccessful bidder, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
340-10-01	Deposit From Contractors – EMD Dr	900		Special Fund Cash Book, Ledger, Special Fund Register
450-41-02	To State Bank of Hyderabad A/c		900	
Narration: Being entry for refund of EMD to Sri----- (unsuccessful bidder)				

7.24 Conversion of Earnest Money Deposit into Security Deposit: On receipt of intimation from the concerned Section for conversion of Earnest Money Deposit of the successful bidder into Security Deposit payable by him, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
340-10-01	Deposit From Contractors – EMD A/c Dr	100		Journal Book, Ledger, Special Fund Register
340-10-03	To Deposit From Contractors – Security Deposit		100	
Narration: Being entry for conversion of EMD into security deposit				

## Security Deposit

7.25 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.

7.26 Recording of receipt of Security Deposit: On receipt of Security Deposit, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-41-02	State Bank of Hyderabad (CDF) A/c Dr	5,000		Special Fund Cash Book, Ledger, Special Fund Register
340-10-03	To Deposit from Contractors - Security Deposit		5,000	

Narration: Being entry for receipt of Security Deposit from Sri-----

7.27 Recording of refund of Security Deposit: On refund of Security Deposit, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
340-10-03	Deposit From Contractors - Security Deposit A/c Dr	6,000		Special Fund Cash Book, Ledger, Special Fund Register
450-41-02	To State Bank of Hyderabad A/c		6,000	

Narration: Being entry for refund of security deposit to Sri-----

## Advances

7.28 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, the advance will be paid from the Designated Special Fund Bank Account. On payment, entries will be made in Cheque Issue Register in Form GEN –15 and in Register of Advance in Form GEN – 16. Further, the Accounts Section 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	



Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
460-40-02	Advance for Suppliers and contractors Dr	10,000		Journal Book, Ledger, Special Fund Register
350-20-25	To TDS – Special Funds		500	
350-10-02	To Creditors – Contractors		9,500	
Narration: Being entry for advance payment to Sri-----				

- b) For recording payment of advance in cash. On payment of balance advance, i.e., Rs.9,500 from the Designated Special Fund Bank Account, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-10-02	Creditors - Contractors A/c Dr	9,500		Special Fund Cash Book, Ledger, Special Fund Register
450-41-02	To State Bank of Hyderabad (HCD) A/c		9,500	
Narration: Being entry for payment of advance to Sri-----				

- c) For recording payment of advance in the form of Materials.

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
460-40-04	Advances to Contractors- Material Issued to contractors a/c Dr	9,500		Special Fund Cash Book, Ledger, Special Fund Register
430-10-01	To Stock in Hand –Purchase of Materials		9,500	
Narration: Being entry for payment of advance in the form of material to Sri-----				

Note: This entry will be passed along with other items of consumption based on valuation statement as explained in Chapter 8 on Stores Accounting.

### Payment

7.29 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.

7.30 Recording of Contractor's bill in respect of Deposit Works: On receipt of the processed bill, the particulars are 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 service charge (percentage as agreed with the Government/Department) of works completed as an income (Service/Administrative Charges on Deposit Works) for the ULB, the following entry shall be passed:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
470-10-01	Deposit Works – Civil Works Account	Dr	5,10,000		Journal Book, Ledger
340-10-02	To Security Deposits from Contractors			25,000	
460-40-02	To Advance to Suppliers & Contractors			5,000	
350-20-25	To TDS from Contractors			10,000	
350-20-52	To APGST (VAT)			15,000	
460-40-04	To Advance to contractors – Material Issued to Contractors *			5,000	
140-70-08	To Service/Admin. Charges on Deposit Works			10,000	
350-10-02	To Creditors – Contractors			4,40,000	
Narration: Being entry for admission of deposit work bill of Sri----- contractor.					

\* At agreement rates for material issue with the Contractor

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 the amount payable to various contractors for Deposit works executed shall be credited and the amount paid to the various contractors shall be debited.

7.31 Recording of payment to Contractors: Accounting for payment made to the Contractors allotted for Deposit works shall be same as explained in Para 4.15 in Chapter - 4.

7.32 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.4.16 in Chapter - 4.

### Materials Consumed

7.33 Recording of difference between the Stores Issue Rate and the Recovery Rate for material issued to Contractors. The Accounts Section shall determine the difference between the Stores Issue Rate and the Recovery Rate for material issued to Contractors. Accounting entry for recording difference between the Stores Issue Rate and the Recovery Rate for material issued to Contractors shall be the same as explained in para 4.17 in Chapter – 4.

### Final Payment to Contractors & Refund of security deposit

7.34 Recording of deductions from contractor's bill. For deductions made from contractor's bills, which is in the nature of penalty or liquidated damages for delay in completion of construction or sub-standard construction or for any other reason, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-10-02	Creditors-Contractors Account Dr	3,000		Journal Book, Ledger
341-10-01	To Deposit Works – Civil Works		3,000	
Narration: Being the recovery towards penalty/liquidated damages for sub-standard work from Sri-----				

7.35 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, a cheque is drawn for net amount after deducting the recoveries to be made from the contractor. The accounting entry to be passed is as follows:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
340-10-02	Security Deposits from Contractors A/c Dr	2,000		Journal Book, Ledger
341-10-01	To Deposit works – Civil Works		2,000	
Narration: Being entry for adjustment of security deposit of Sri----- for deposit works				

7.36 For recording payment of net Security Deposit

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
340-10-02	Security Deposits from Contractors A/c Dr	20,000		Journal Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		20,000	
Narration: Being entry for refund of security deposit amount to Sri -----				

**Accounting for lapsed deposits of Deposit works**

7.37 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.

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
340-10-01	From Contractors / Suppliers– EMD Dr	2,000		Journal Book, Ledger
180-11-02	To Other Income Lapsed Deposit – Contractors / Suppliers		2,000	
Narration: Being entry towards lapsing of EMD amount of Sri-----				

- b) For Security Deposit lapsed. To record Security Deposit lapsed.

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
340-10-03	Contractors / Suppliers– Security Deposit Dr	5,000		Journal Book, Ledger
180-11-02	To Other Income Lapsed Deposit – Contractors/ Suppliers		5,000	
Narration: Being entry for towards lapsing of security deposit amount of Sri-----				

**Closure of deposit works- expenditure account**

7.38 On completion of Deposit works, the assets under Deposit works become ready for use and will be handed over to the concerned Government Department and the balance amount, if any, shall be refunded. Thus, it becomes necessary to adjust the cost incurred for Deposit works against the money received. The Account Section shall pass the following for transfer of Deposit expenses to Deposit Works account:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
341-10-01	Deposit works – Civil Works – State Govt.	Dr	4,50,000		Journal Book, Ledger
341-20-01	Deposit works – Electrical works– State Govt.	Dr	3,85,000		
341-30-01	Deposit works – Others – State Govt.	Dr	65,000		
470-10-01	To Deposit Works – Expenditure			9,00,000	
Narration: Being entry for adjustment of deposit work of-----					

### Refund of balance ‘Deposit Works Money’

7.39 The balance amount after utilisation of the amounts for the Deposit works shall be refunded to the Government Departments by transferring the balance in ‘Deposit Works’ account to a Liability Account. The Accounts Section shall pass the following entry for creation of Liability Account:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
341-10-01	Deposit Works –Civil	Dr	55,000		Journal Book, Ledger
341-20-01	Deposit Works – Electrical	Dr	15,000		
341-30-01	Deposit Works – Others		35,000		
350-40-05	To Refund Payable – Deposit Works			1,05,000	
Narration: Being entry for unutilized deposit work amount to -----					

7.40 Accounting entry for recording of payment of ‘Deposit Works Refund payable’ after the above entry is as follows:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
350-40-05	Refund Payable - Deposit Works	Dr	1,05,000		Journal Book, Ledger
450-21-02	To State Bank of Hyderabad A/c			1,05,000	
Narration: Being entry for refund of deposit work balance amount					

**SPECIAL FUNDS****Utilization of Special Fund for Capital Expenditure**

7.41 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 EMD/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.

7.42 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
412-00-14	Capital Work-in-Progress – Major Parks Dr	1,00,000		Journal Book, Ledger, Special Fund Register
350-10-02	To Creditors - Contractors		1,00,000	
Narration: Being entry for Major Parks Development works 2 <sup>nd</sup> running bill from Sri-----				

7.43 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
411-30-01	Fixed Assets – Concrete Road Dr	50,000		Journal Book, Ledger,
350-10-02	To Creditors - Contractors		50,000	
Narration: Being entry for purchase of fixed asset from Sri-----				

7.44 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-10-02	Creditors - Contractors A/c Dr	1,50,000		Special Fund Cash Book, Special Fund Register, Ledger
450-41-02	To State Bank of Hyderabad (CDF) A/c		1,50,000	
Narration: Being entry for payment made for purchase, acquisition or construction of fixed asset to Sri----- for works				

7.45 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
411-30-01	Fixed Assets – Concrete Road Dr	1,00,000		Special Fund Cash Book, Special Fund Register, Ledger
412-00-41	To Capital Work-in-Progress – Road upgradation		1,00,000	
Narration: Being entry for capitalization of CWIP				

7.46 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
311-10-01	City Development Fund A/c Dr	1,50,000		Journal Book, Ledger, Special Fund Register
312-30-00	To CDF Fund Utilised		1,50,000	
Narration: Being entry for transfer of special funds utilized				

### Investment of Special Funds

7.47 Investments made in respect of Special Fund shall be entered in a Special Fund Investment Register (Form IN-1) – Chapter 8. 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 under Investments in Chapter 8.

7.48 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 Section.

### Period End Procedures

7.49 The following entries shall be passed for provisioning of the unpaid bills.

7.50 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. For making provision, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
220-11-01	Electricity Charges A/c Dr	5,000		Journal Book, Ledger, Special Fund Register
360-10-02	To Provision for Administrative Expenses		5,000	
Narration: Being entry for electricity charges payable for the month of -----				

7.51 Recording of payment. On payment of the expenditure in respect of which period-end provision entry has been passed, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
360-10-02	Provision for Administrative Expenses A/c Dr	5,000		Special Fund Cash Book, Special Fund Register, Ledger
450-41-02	To State Bank of Hyderabad (CDF) A/c		5,000	
Narration: Being entry for payment of electricity charges provided earlier.				

7.52 In respect of capital project / schemes, bills received in respect of works executed or fixed assets acquired / purchased before the last date of the accounting period, must be processed and forwarded to the Accounts Section for accounting and payment by 30<sup>th</sup> 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 7.43 above for progress bill in respect of capital works



being executed under Special Funds and 7.44 above for bills in respect of acquisition / purchase of fixed assets under Special Funds.

7.53 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
311-10-01	City Development Fund A/c Dr	10,000		Journal Book, Ledger, Special Fund Register
310-10-01	To Municipal Fund		10,000	
Narration: Being entry for City Development Fund closure and balance transfer to Municipal Fund				

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	10,000		Cash Book, Special Fund Cash Book
450-41-02	To State Bank of Hyderabad (CDF) A/c		10,000	
Narration: Being entry for fund transfer in CDF bank account				

### Internal Controls

7.54 The following internal controls shall be observed by the ULB:

- The Accounts Section 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.
- The Accounts Section shall ensure timely transfer of mandatory contribution to Special Fund Bank Accounts.
- The Accounts Section shall ensure that the amount of Special Fund shall not be utilised for the purpose other than for which the fund is created.
- Bank reconciliation of Special Fund Bank Accounts shall be carried out on a monthly basis by the Section/officer responsible for operating the bank account.
- The Accounts Section 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 Accounts Section shall reconcile the ledger balance of the Special Fund Account with the Special Fund Register and the Special Fund Bank Account balance.
- g. The Accounts Section shall reconcile the expenditure incurred towards SC/ST/BC/Woman and Child Welfare activities and ensure that the unspent balances are transferred to the respective Welfare Fund Bank Accounts.
- h. All Reconciliation Statements shall be certified by the Head of the Accounts Section and verified.
- i. The Commissioner shall specify such appropriate calendar of returns /reports for monitoring.

Form SF-1

Name of the ULB \_\_\_\_\_  
**SPECIAL FUNDS REGISTER**

Name of the Fund \_\_\_\_\_

On creation/ addition to Fund				
Date of Receipt	Reference of voucher No.	Particulars	Amount (Rs.)	Cumulative Amount (Rs.)
1	2	3	4	5

On Utilisation of Fund					Balance in fund (Rs.) (5-10)	Remarks
Date of Payment	Reference of voucher No.	Particulars	Amount (Rs.)	Cumulative Amount (Rs.)		
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 column 1 to 5 to update the balance of Special Funds
2. Loss on disposal of investments shall be recorded in column 6 to 10 to reduce the balance of Special Fund
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.

## **Borrowings (Loans Received)**

7.55 This section contains the recommended accounting system for transactions relating to loans received by the ULB.

7.56 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.

7.57 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 the 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**

7.58 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 upto 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 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 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**

7.59 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). The Forms BR-1 to BR-3 are annexed to this chapter.

**Accounting for Receipt of Loan**

7.60 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 Section 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 holders 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.

7.61 Raising / Borrowing of Funds. On receipt of loan, the Accounts Section shall pass the following entries:

a) In case where funds are borrowed by way of loan.

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
450-21-02	State Bank of Hyderabad A/c	Dr	10,00,000		Cash Book, Ledger, Register of Loans
331-50-01	To Loans from Banks (ICICI Bank)			10,00,000	
Narration: Being entry for receipt of bank loan proceeds					

b) In cases where debentures have been issued for raising funds.

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
450-21-02	State Bank of Hyderabad A/c	Dr	10,00,000		Cash Book, Ledger, Register of Debenture
331-70-01	To City Development Bonds			10,00,000	
Narration: Being entry for receipt of City Development Bonds Proceeds					

**ACCOUNTING OF INTEREST PAYABLE ON LOAN / DEBENTURES**

7.62 Recording of interest accrued: For interest payment, on receipt of approval for payment of interest from the authorities designated by the ULB, the Accounts Section shall pass the following entry:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
240-60-01	Interest & Finance Charges – Interest on Bonds A/c Dr	1,00,000		Journal Book, Ledger, Register of Loans, Register of Debenture
350-12-05	To Interest Accrued & due – Bonds		1,00,000	
Narration: Being entry for interest accrued and due on bonds				

7.63 Recording of payment of interest: On payment of interest to the lenders, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-12-05	Interest Accrued & due – Bonds A/c Dr	1,00,000		Cash Book, Ledger, Register of Loans, Register of Debenture
450-21-02	To State Bank of Hyderabad A/c		1,00,000	
Narration: Being entry for payment of interest on Bonds for the period-----				

7.64 The amount of interest remaining unclaimed or unpaid shall be treated as Current Liability.

7.65 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
240-60-01	Interest & Finance Charges – Interest on Bonds A/c Dr	15,000		Journal Book, Ledger
360-20-01	To Provision for Interest- Interest Accrued and Not Due		15,000	
Narration: Being entry for provision of interest accrued and not due				

7.66 Recording of reversal of interest provisioning. When interest has become due for payment, the provision for interest accrued but not due shall be reversed and transferred to interest accrued and due account. In accounts section, the following entry shall be passed.

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
360-20-01	Provision for Interest – Interest Accrued and Not Due Dr	15,000		Journal Book, Ledger
350-12-05	To Interest Accrued & due – Bonds A/c		15,000	
Narration: Being entry for reversal of interest due for payment on ----- bonds				

### Accounting for Repayment of Loan/Redemption of Debentures

#### Repayment of Loan/Redemption of Debentures in case where Sinking Fund is established

7.67 Establishment of 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
290-20-01	Transfer to Sinking Fund A/c Dr	1,00,000		Journal Book, Ledger, Register of Sinking Fund
311-50-01	To Sinking Fund for City Development Bonds		1,00,000	
Narration: Being entry for transfer to Sinking Fund for redemption of city development bonds				

7.68 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
421-80-01	Investment – Fixed Deposits A/c Dr	1,00,000		Cash Book, Ledger, Register of Sinking Fund
450-21-02	To State Bank of Hyderabad A/c		1,00,000	
Narration: Being entry for sinking fund investments into Bank Fixed Deposits with SBH				

### Investment of Sinking Fund

7.69 Investments made in respect of Sinking Fund shall be entered in a Sinking Fund Investment Register (Form IN-1) as provided under investment in Chapter 8. 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 under Investment in Chapter 8.

7.70 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

7.71 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 terms of the sanction, the difference shall be made good from the Municipal Fund. The Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
290-20-01	Transfer to Sinking Fund A/c Dr	5,000		Journal Book, Ledger, Register of Sinking Fund
311-50-01	To Sinking Fund for City Development Bonds		5,000	
Narration: Being entry for transfer of fund to make good the shortfall in sinking fund investments				

7.72 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
421-80-01	Investment – Fixed Deposits A/c Dr	5,000		Cash Book, Ledger, Register of Sinking Fund
450-21-02	To State Bank of Hyderabad A/c		5,000	
Narration: Being entry for sinking fund investments into Bank Fixed Deposits with SBH				

### Repayment of Loan/Redemption of Debentures

7.73 On repayment/redemption of loans/debentures: For repayment of loans and/or redemption of debentures, the Accounts Section shall pass the following entries:



- a) For transfer of funds from the Sinking Fund on repayment/redemption of loan/debenture

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
450-21-02	State Bank of Hyderabad A/c	Dr	20,00,000		Journal Book, Ledger, Register of Sinking Fund
421-80-01	To Investments – Fixed Deposits			20,00,000	
Narration: Being entry for encashment of Sinking fund Investments					

- b) For repayment of loan from the Sinking Fund Investments

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
331-70-01	Loans – City Development Bonds	Dr	20,00,000		Cash Book, Ledger, Register of Sinking Fund, Register of Loans
450-21-02	To State Bank of Hyderabad A/c			20,00,000	
Narration: Being entry for re-payment of City Development Bonds from maturity value of Fixed Deposits – Sinking Fund					

**Repayment of Loan/Redemption of Debentures in case where Escrow Account is created:**

7.74 Creation of Escrow Account: 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, an amount equal to certain percentage of assigned revenue (surcharge on stamp duty on transfer of properties) shall be deposited into the Escrow Account. For creation of Escrow Account, the Accounts Section shall pass the following entry:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
450-41-02	State Bank of Hyderabad (Escrow) A/c	Dr	3,00,000		Cash Book, Ledger, Register of Loans, Register of Debenture
450-21-02	State Bank of Hyderabad A/c	Dr	7,00,000		
120-10-01	To Assigned Revenues – Surcharge on stamp duty on Transfer of Properties			10,00,000	

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
Narration: Being entry for receipt of surcharge on transfer of properties and deposit in Escrow and General Fund Bank Accounts with SBH.				

### Investment of amount lying in Escrow Account

7.75 Investments made in respect of Escrow Account shall be entered in an Escrow Account Investment Register (Form IN-1) as provided under Investments in Chapter 8. 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 under Investments in Chapter 8.

7.76 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

7.77 Accounting and payment of interest on Loans/ Debentures raised/ issued will be the same as provided in the section "Accounting of interest payable on loan / debentures" above. The only difference being the payment will be out of Escrow Bank Account instead of Main Bank Account. To record the payment, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-12-05	Interest Accrued & due- Loans Dr	70,000		Cash Book, Ledger, Register of Loans, Register of Debenture
450-41-02	To State Bank of Hyderabad (Escrow) A/c		70,000	
Narration: Being entry for payment of interest accrued and due on Loan/Debenture for the period -----				

### Repayment of Loan/Redemption of Debentures

7.78 On repayment/redemption of loans/debentures: For repayment of loans and/or redemption of debentures, the Accounts Section shall pass the following entries:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
331-70-01	Loans – City Development Bonds	20,00,000		Cash Book, Ledger, Register of Loans
450-41-02	To State Bank of Hyderabad (Escrow) A/c		20,00,000	
Narration: Being entry for re-payment of loan/debenture from Escrow Account with SBH				

**Repayment of Loan/Redemption of Debentures in case where Sinking Fund/Escrow Account is not established**

7.79 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
331-70-01	Loans – City Development Bonds A/c Dr.	20,00,000		Cash Book, Ledger, Register of Loans, Register of Debentures
450-21-02	To State Bank of Hyderabad A/c		20,00,000	
Narration: Being entry for re-payment of loan/debenture from general funds				

**Accounting for Expenditure incurred in raising loans or issuing debentures**

7.80 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
480-10-01	Loan Issue Expenses –Deferred Revenue Expenses Dr.	50,000		Cash Book, Ledger,
450-21-02	To State Bank of Hyderabad A/c		50,000	

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
Narration: Being entry for payment of loan/debenture issue expenses to -----				

7.81 Recording of amortisation of Loan Issue Expenses: The Loan Issue Expenses shall be amortised in equal installments 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 installments of Rs.10,000 every year. At the end of each financial year, for amortising the relevant portion of Loan Issue Expenses, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
270-50-01	Miscellaneous Expenditure written off – Deferred Revenue Expenses A/c	10,000		Journal Book, Ledger,
480-10-01	To Loan Issue Expenses –Deferred Revenue Expenses a/c		10,000	
Narration: Being entry for amoritisation of deferred revenue expenses incurred towards issue				

7.82 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
270-50-01	Miscellaneous Expenditure written off – Deferred Revenue Expenses A/c	30,000		Journal Book, Ledger,
480-10-01	To Loan Issue Expenses –Deferred Revenue Exp		30,000	
Narration: Being entry for write-off of loan issue expenses				

### **INTERNAL CONTROLS**

7.83 The following internal controls shall be observed by the ULB in respect of Loans related transactions:

- a) The Accounts Section 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 Accounts Section shall carry out physical verification of Sinking Fund Investment documents and compare with the Sinking Fund Investment Account.
- c) The Accounts Section shall monitor the funds borrowed and ensure proper utilisation of funds.
- d) The Accounts Section 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, adequate funds shall be transferred from the General Fund Bank Account to Sinking Fund Bank Account.
- e) The Accounts Section shall ensure that the transfers to Escrow Account out of income collected are as per the conditions of borrowings.
- f) All Reconciliation Statements shall be certified by the Head of the Accounts Section and verified.
- g) The Commissioner shall specify such appropriate calendar of returns /reports for monitoring.

Form BR – 1

Name of the ULB: \_\_\_\_\_

**REGISTER OF LOANS**

1. Section from which loan received \_\_\_\_\_ 5. Rate of Interest \_\_\_\_\_  
 2. Purpose of Loan \_\_\_\_\_ 6. No. of installment \_\_\_\_\_  
 [whether half-yearly or yearly]  
 3. No. & date of resolution /  
 orders sanctioning the loan \_\_\_\_\_  
 4. Amount of Loan sanctioned \_\_\_\_\_ 7. Amount of each installment \_\_\_\_\_

Receipt of Loan			Amount due for repayment				Initials of the officer
Date of Receipt	Amount Received (Rs.)	Total Amount Received (Rs.)	Due Date of Repayment	Amount of Principal (Rs.)	Amount of Interest (Rs.)	Total Amount due for repayment (Rs.)	
1	2	3	4	5	6	7	

Amount Repaid				Balance			Remarks
Date of Repayment	Principal Amount (Rs.)	Interest (Rs.)	Total (Rs.)	Principal Amount (Rs.)	Interest (Rs.)	Total (Rs.)	
9	10	11	12	13	14	15	

**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

**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
			From	To				
1	2	3	4	5	6	7	8	9

Payment of Interest on Debentures				Initials of Authorised Officer	Remarks
Date when due	Amount due (Rs.)	Date of Payment	Amount paid (Rs.)		
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 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 such shall be mentioned for all the transfers affected.
- (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.

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				
	Annual Instalments (Rs.)	Date of Credit	Total (Rs.)	Amount of interest received/ accrued on Investments (Rs.)	Theoretical value as on 31st March (Rs.)
1	2	3	4	5	6
			(1+2)		(4+5)

INVESTMENTS										Difference (Rs.)	Remarks
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.)		
7	8	9	10	11	12	13	14	15	16	17	18
					(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



**Fixed Assets**

8.1 This chapter contains the recommended accounting system for transactions relating to Fixed Assets, Capital Work In Progress (CWIP), Investments and Stores for ULBs.

8.2 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.

8.3 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.

8.4 Original Works include all new constructions or additions, alterations to existing works and including advances in cash or kind. 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 Work. All Original Works shall be accounted as Capital Work-in-Progress.

8.5 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. The accounting principles and procedures given in this chapter are 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.

8.6 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. Infrastructure Assets
  - 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. Other Assets**

- 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.

8.7 The Codes of Account for the above and all other transactions are given in Chart of Accounts of this Manual.

8.8 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**

8.9 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 the cost minus (-) accumulated depreciation. The cost of fixed assets shall include the 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 upto the month of commissioning of the assets and other incidental and indirect expenses incurred

upto 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 Rupee One.
- d. All assets costing less than Rs.5,000 (Rupees five thousands) shall be expensed / charged to Income and 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 Account.
- 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 Government. Depreciation on all fixed assets is to be provided consistently on either Straight Line Method or Written Down Value.
- i. Depreciation shall be provided at full rates for assets, which are purchased / constructed before October 1<sup>st</sup> of an Accounting Year. Depreciation shall be provided at half the rates for assets, which are purchased / constructed on or after October 1<sup>st</sup> of an Accounting Year.
- j. Depreciation shall be provided at full rates for assets, which are disposed on or after October 1<sup>st</sup> of an Accounting Year. Depreciation shall be provided at half the rates for assets, which are disposed before October 1<sup>st</sup> 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**

8.10 This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Fixed Assets. 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 works/supply of requisite fixed asset shall be awarded to the successful contractor/supplier and a Work Order/Purchase Order shall be issued to the contractor/supplier for supply of fixed assets specified therein.
- c. Advance may be provided to the contractor/supplier as per the terms and procedures of the ULBs and agreement entered into with the contractor/supplier.
- d. On receipt of bill, the concerned Section shall prepare a Payment Order in Form GEN-14 for the purchase/acquisition of the Fixed Asset and forward it to the Accounts Section to make the payment after deducting the Security Deposit and any other deductions specified in the agreement.
- e. As explained above in the accounting principles (Para 8.9) that all assets costing less than Rs.5,000 shall be charged to Income and Expenditure Account in the period in which they are purchased.

### **Accounting for Earnest Money Deposit (EMD)**

8.11 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 under 'Deposits' in the Chapter 7.

### **Accounting for Security Deposit**

8.12 Where the terms of Agreement entered into with the supplier provide for collection of 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 under 'Security Deposits' in Chapter 7.

### **Accounting for Advance**

8.13 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 under 'Advances' in the Chapter 7.

### **Accounting for Acquisition/Purchase of Fixed Assets**

8.14 Recording of purchase of Fixed Assets. The Section 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 Section. To record the purchase of the Fixed Asset, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
410-60-01	Fixed Assets – Air Conditioners A/c Dr	1,00,000		Journal Book, Ledger
340-10-03	To From Contractors /Suppliers –Security Deposit A/c		5,000	
460-40-01	To Advance to Suppliers A/c		5,000	
350-10-01	To Creditors –Suppliers A/c		90,000	
Narration: Being entry for accounting of air conditioners supplied by M/s-----				

**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.

**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 4 – 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.

8.15 **Recording of payment made:** After obtaining approval of the concerned authority, the Accounts Section shall prepare a Bank Payment Voucher in Form GEN-5 and draw a cheque in accordance with the procedure provided in the Chapter 4 on General Accounting Procedures. On payment, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-10-01	Creditors –Suppliers Account Dr	90,000		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		90,000	
Narration: Being entry for payment to M/s ----- for supply of Fixed Assets				

8.16 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

8.17 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 on Written Down Value/Straight Line

Method of Fixed Asset as per the accounting principles of the ULB. An example of computation of depreciation is provided in Table 8.1.

8.18 For Depreciation on Fixed Asset: For providing depreciation (refer e.g. in Table 8.1), the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
272-60-00	Depreciation on Office Equipment A/c Dr	2,100		Journal Book, Ledger
411-60-01	To Accumulated Depreciation – Air Conditioner		2,100	
Narration: Being entry for providing depreciation on Air Conditioner				

Note: Separate depreciation entry shall be passed for each class of fixed assets, such as Buildings, Vehicles, etc.

**Table 8.1**  
**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.	<u>Less</u> : Original Cost of fixed asset sold during the accounting year*	2,000
<b>c.</b>	<b>Original Cost of the fixed asset held at year-end</b>	<b>8,000</b>
d.	Annual Depreciation provision @ 20% for the financial year	1,600
	<b>Depreciation on fixed assets purchased during the year**</b>	
e.	Depreciation on the fixed asset purchased before October 1 <sup>st</sup> of an accounting year (at full rate of 20% on Rs. 2,000)	400
f.	Depreciation on the fixed asset purchased after October 1 <sup>st</sup> of an accounting year (at half the rate of 20% i.e. 10% on Rs. 1,000)	100
<b>g.</b>	<b>Total Depreciation charge for the year (d+e+f)</b>	<b>2,100</b>

\* Refer sale of fixed asset worth Rs.2,000 in para 8.25 under section 'Sale/Disposal of Fixed Assets'.

\*\* It is assumed that fixed assets worth Rs.2,000 purchased before October 1<sup>st</sup> of an accounting year and fixed assets worth Rs.1,000 purchased after October 1<sup>st</sup> of an accounting year.

8.19 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

8.20 ULBs may maintain Sinking Funds to invest the replacement of assets. In such cases, the following procedure shall be adopted.

8.21 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-41-02	State Bank of Hyderabad (AR Fund) A/c Dr	2,100		Cash Book, Ledger
450- 21-02	To State Bank of Hyderabad A/c		2,100	
Narration: Being entry for transfer of General Fund amount to Asset Replacement Fund Account				

8.22 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.

8.23 Asset Replacement Register in Form GEN-35 shall be maintained asset class-wise to record the money set aside and shall be updated with deposits made to Asset Replacement Bank Account through annual depreciation provision made during the accounting year. The proceeds of the Asset Replacement Bank Account may be utilised for the purpose of replacement by way of purchase / acquisition / construction of fixed asset.

8.24 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 Section 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	200		Cash Book, Ledger
450- 41-02	To State Bank of Hyderabad (AR Fund) A/c		200	
Narration: Being entry for transfer of funds from Asset Replacement Bank a/c to Main Bank a/c				

## Sale/Disposal of Fixed Asset

8.25 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 under EMD accounting.

8.26 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
272-20-00	Depreciation on Buildings A/c Dr	100		Journal Book, Ledger
411-20-01	To Accumulated Depreciation on Office Buildings		100	
Narration: Being entry for depreciation on buildings for the period-----				

8.27 Recording of disposal of Fixed Asset: In respect of the Fixed Asset to be sold, the Accounts Section shall compute the Written Down Value of that Fixed Asset. Written Down Value of an asset is calculated as Cost of the Fixed Asset minus (-) Accumulated Depreciation provided till the previous year minus (-) Provision for Depreciation made during the year till the month of disposal (computed in Table 8.2). The Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
410-90-01	Fixed Assets -Assets under Disposal – Value of Assets # Dr	1,500		Journal Book, Ledger
411- 50-02	Accumulated Depreciation – Buses Dr	500		
410- 50-02	To Fixed Assets - Buses		2,000	
Narration: Being entry for transfer of fixed assets to fixed asset disposal account				

# This would be the same figure as the Written-Down Value of the Fixed Asset computed in Table 8.2 below as an example.



8.28 Recording of receipt of money on disposal of Fixed Asset: On receipt of money, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	2,000		Cash Book, Ledger
410-90-01	To Fixed Assets -Assets under Disposal – Valuable Assets		2,000	
Narration: Being entry for receipt of fixed assets sale proceeds				

Note: This entry would be passed for the consideration amount at which the Fixed Asset is disposed.

8.29 Recording of refund of Security Deposit: After completion of the disposal of the fixed asset, the Security Deposit (if any) received shall be refunded for which the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
340-10-03	From Suppliers/Contractors–security Deposit Dr	500		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		500	
Narration: Being entry for refund of Security Deposit to Sri-----				

8.30 The concerned Fixed Asset may be transferred at a loss or profit in comparison to its Written Down Value, as provided in Table 8.2 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 8.2**  
**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.	<u>Add:</u> Cost of improvement/addition	0	0
<b>c.</b>	<b>Total cost of Fixed Asset (a+b)</b>	<b>2000</b>	<b>2000</b>
d.	<u>Less:</u> Depreciation provided from the year of acquisition till the previous financial year	400	400
e.	<u>Less:</u> Depreciation provided for the current financial year till the month of disposal	100	100
<b>f.</b>	<b>Total Depreciation provided on the Fixed Asset Disposed (d+e)</b>	<b>500</b>	<b>500</b>
<b>g.</b>	<b>Written down Value of the Fixed Asset at the time of transfer(c–f)</b>	<b>1500</b>	<b>1500</b>
h.	<u>Less:</u> Disposal value realised	2000	500
<b>i.</b>	<b>Profit or (loss) on transfer of Fixed Asset (h-g)</b>	<b>500</b>	<b>(1000)</b>

8.31 Recording profit on disposal of Fixed Asset: In case of profit on disposal of Fixed Asset (as per the example given above), the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-90-02	Sale Proceeds from Assets A/c Dr	2,000		Journal Book, Ledger
410-90-01	To Value of Fixed Assets –Assets under Disposal		1,500	
180-30-00	To Profit on disposal of Fixed Assets		500	
Narration: Being entry for sale of fixed assets with profit				

8.32 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 Section shall pass the entry referred to in para. 8.30 for Rs.500 for recording the money realised on disposal of fixed asset. For loss incurred on disposal of fixed asset, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-90-02	Sale Proceeds from Assets A/c Dr	500		Journal Book, Ledger
271-10-00	Loss on disposal of fixed asset A/c Dr	1,000		
410-90-01	To Fixed Assets -Assets under Disposal		1,500	
Narration: Being entry for sale of fixed assets at loss				

*Note: In practice, only one of the above two situations could happen.*

## Revaluation of Fixed Assets

8.33 Fixed assets may be revalued under the following circumstances, such as:

- Commercial development of the fixed assets are taken up after the land use and architectural control have been approved by the competent authority;
- At the time of lease; or
- At the time of issue of municipal bonds.

8.34 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.

8.35 Recording of increase in the value of assets: Increase in values arising on account of revaluation of the fixed assets shall be credited to a Revaluation Reserve Account under General Fund. The accounting entry for recording the increase shall be as follows:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
410-10-01	Fixed Assets – Open Land A/c Dr	10,000		Journal Book, Ledger and Fixed Assets Register
312-60-01	To Revaluation Reserve – Fixed Assets		10,000	
Narration: Being entry for appreciation of Open Land on revaluation				

8.36 Recording of decrease in the value of assets: Decrease in the value of fixed assets because of revaluation shall be charged off to the Income and Expenditure Account. The accounting entry for recording the decrease shall be as follows:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
270-40-03	Assets Written Off/ Decrease in value of Assets Dr	10,000		Journal Book, Ledger and Fixed Assets Register
410-10-01	To Fixed Assets – Open Land A/c		10,000	
Narration: Being entry for decrease in Open Land on revaluation				

8.37 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
312-60-01	Revaluation Reserve - Fixed Assets Dr	3,000		Journal book, Ledger and Fixed Assets Register
272-20-00	To Depreciation on Buildings		3,000	
Narration: Being entry for depreciation against revaluation increase of Buildings				

8.38 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.

8.39 The concerned Fixed Asset may be transferred at a loss or profit in comparison to its Written Down Value, as provided in Table 8.3 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 8.3**  
**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.	<u>Add</u> : Increased on account of revaluation	2,500
<b>c.</b>	<b>Total value of the Fixed Asset (a+b)</b>	<b>7,500</b>
d.	<u>Less</u> : Depreciation provided from the year of acquisition till the previous financial year *	3,500
e.	<u>Less</u> : Depreciation provided for the current financial year till the month of disposal	200
<b>f.</b>	<b>Total Depreciation provided on the Fixed Asset Disposed (d+e)</b>	<b>3,700</b>
<b>g.</b>	<b>Written Down Value of the Fixed Asset at the time of transfer (a- f)</b>	<b>1,300</b>
h.	<u>Less</u> : Disposal value realised	6,000
<b>i.</b>	<b>Profit or (loss) on transfer of Fixed Asset (h-g)</b>	<b>4,700</b>

\* The accumulated depreciation at the beginning of the period and depreciation for the current period include the depreciation provision on the portion of increase in the value of assets on revaluation. (i.e. Rs.2,500)

8.40 Recording of transfer of assets and reversal of revaluation on disposal: In respect of the Fixed Asset to be sold, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
410-90-01	Valuable Fixed Assets under Disposal #      Dr	1,300		Journal Book, Ledger
312-60-01	Revaluation Reserve – Fixed Assets      Dr	2,500		
411-20-01	Accumulated Depreciation – Office Buildings Dr	3,700		
410-20-01	To Fixed Assets –Office Buildings		7,500	
Narration: Being entry for transfer of Office Buildings to disposal				

# This would be the same figure as the Written Down Value of the Fixed Asset computed in Table 8.3 above as an example.

8.41 Recording of profit or loss on disposal of revalued assets: The scheme of entries shall be same as explained in paras 8.31 and 8.32 for profit and loss respectively.

### Investment from Asset Replacement Bank Account

8.42 Investments made from Asset Replacement Bank Account shall be entered in the Investment Register (Form IN-1). 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.

## Treatment of Certain Types of Assets

### Assets under dispute/litigation

8.43 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 dispute/litigation as at the reporting date of the financial statements.

### Assets in Register not yet physically identified

8.44 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 which are not traced within a specific period of time shall be written off. The State Government shall define the period and authorisation for write off. However it is recommended that the maximum period shall not exceed beyond five years. Accounts Section shall pass the following entry for recording of write off.

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
270-40-01	Assets written off –Fixed Assets Dr	2,000		Journal Book, Ledger
411-20-01	Accumulated Depreciation on Office Buildings Dr	3,000		
410-20-01	To Fixed Assets – Office Buildings A/c		5,000	
Narration: Being entry for write off of assets which are not traced in physical verification				

### Period End Procedures

8.45 Recording of liability for fixed assets purchased for which payment has not been made: At period end, the concerned Sections shall ensure that the bills in respect of all the fixed assets received before the last date of the accounting period are processed and sent to the Accounts Section for accounting and payment within 15 days from the end of the accounting period. Based on the bills received, the Accounts Section shall pass the same entry as what is described in para. 8.14 above.

8.46 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 end. 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 30<sup>th</sup> 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.

8.47 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 under "Grants" in Chapter 5 and under "Special Funds" in Chapter 7 respectively, shall be recorded.

### **Internal Controls**

8.48 The following internal controls shall be observed by the ULBs:

- At the time of award of new contract, the concerned Section shall ensure the availability of adequate budget allocation after considering all commitments made against that budget allocation before purchasing any new fixed asset.
- The Accounts Section shall carry out quarterly reconciliation of the balance as per the Deposit Register maintained at the concerned Section with the Deposit Ledger accounts.
- The Accounts Section shall ensure that a system of conducting physical verification of fixed assets throughout the year exists so that each fixed asset is verified at least once during the year. Any discrepancies with the Fixed Assets Register should be reconciled.
- The Accounts Section 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.
- Before releasing payment to the supplier, the Accounts Section 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.
- At the time of computing depreciation provision for the period, the Accounts Section shall ensure that the accumulated depreciation (including current period's depreciation provision) provided on any fixed asset does not exceed its cost of acquisition.
- All Reconciliation Statements shall be certified by the Accounts Section.
- The Commissioner may specify appropriate MIS reports for monitoring.

### **Works executed by Public Works Section**

8.49 The accounting procedure and the accounting entries to be recorded for materials purchased for works shall be the same as provided in this Chapter under Stores.

8.50 Recording of materials consumed in Original Works. Based on the bills received from the Public Works Section for works executed, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
412-00-21	Capital Work-in-Progress – Buildings A/c Dr	5,000		Journal Book, Ledger
430-10-01	To Stock in Hand – Engineering Stores		5,000	
Narration: Being entry for consumption of material for office building				

### Capitalisation of Capital Work-In-Progress

8.51 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.

8.52 Recording of capitalisation of Capital Work-in-Progress. On receipt of Contract Completion Certificate, the Accounts Section 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
410-20-01	Fixed Asset – Office Buildings A/c* Dr	1,00,000		Journal Book, Ledger Register of Movable/ Immovable Assets
412-00-21	To Capital Work-in-Progress – Buildings		1,00,000	
Narration: Being entry for capitalization of Office Buildings on completion of work and put to use				

\* 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, and then all the hospital buildings shall be recorded under one broad head of Buildings (Code of Account 410-20-03). Any new hospital building constructed, though recorded separately in the Register of Buildings, shall be recorded under the account head 'Hospital Buildings'.

8.53 Recording of deductions from contractor's bill. For deductions made from contractor's bills, which is in the nature of penalty or liquidated damages for delay in completion of construction or sub-standard construction or for any other reason, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-10-02	Creditors – Contractors Account A/c Dr	5,000		Journal Book, Ledger
180-80-05	To Miscellaneous Income - Penalties		5,000	
Narration: Being entry for imposition of penalties for delay in execution of ----- work from M/s-----				

8.54 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 loan and repayment of loan has been provided in Chapter 7 under Borrowings.

8.55 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.

8.56 Recording of capitalisation of interest paid on loans borrowed for original works. At the period-end, for capitalising interest accrued, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
412-00-21	Capital Work-in-Progress-Office Buildings A/c Dr	10,000		Journal Book, Ledger
240-60-01	To Interest & Finance Charges - Bonds		10,000	
Narration: Being entry for capitalization of interest on loan				

8.57 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.

8.58 The Register of Immovable Property maintained in Form GEN – 30 shall be updated at the time of capitalisation of the Original Work.



**Advances**

8.59 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 :

8.60 For recording advance sanctioned for payment

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
460-40-02	Advance to Contractors/Suppliers A/c Dr	1,000		Journal Book, Ledger
350-10-02	To Creditors – Contractors A/c		950	
350-20-25	To Recoveries Payable – TDS from Contractors		50	
Narration: Being entry for advance payable to M/s----- for ----- work				

8.61 For recording disbursement of advance in cash/cheque:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-10-02	Creditors –Contractors A/c Dr	950		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		950	
Narration: Being entry for advance payment to M/s-----				

8.62 Materials supplied to the Contractor:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
460-40-04	Advances to Contractors- Material Issued to contractors A/c Dr	950		Cash Book, Ledger
430-10-01	To Stock in Hand – Engineering Stores		950	
Narration: Being entry for issue of Material to M/s----- for ----- work				

Note: This entry will be passed along with other items of consumption based on valuation statement as explained in this Chapter under Stores.

## Investments

8.63 This section contains the recommended accounting system in relation to investment transactions, i.e., transactions dealing with surplus or other funds.

8.64 The ULBs invest surplus funds available with it as per rules. An investment mean 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.).

8.65 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 short-term investments are treated as 'Long-Term' investments.

8.66 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

8.67 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 under 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

8.68 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 Section 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

8.69 Recording of investment made from Municipal Fund: For investment made from the Municipal Fund, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
420-60-01	Municipal Fund Investment – Units of M.F A/c Dr	10,000		Cash Book, Ledger, Investment Register
450-21-02	To State Bank of Hyderabad A/c		10,000	
Narration: Being entry for Municipal General Funds investment in Units of Mutual Funds				

*Note: The postings in the Ledger Account of "Municipal Fund Investment" Account shall be carried out as indicated in Chapter 4 – 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.*

8.70 Recording of investment made from Special Funds. For investment made from Special Funds, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
421-60-01	Special Fund – Units of Mutual Funds A/c Dr	10,000		Cash Book, Ledger, Investment Register, Special Fund Register,
450-41-02	To State Bank of Hyderabad (CDF) A/c		10,000	
Narration: Being entry for investment of City Development Funds in units of Mutual Funds				

8.71 Recording of investment made from Grants for specific purposes: For investment made from Grants for specific purposes, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
421-60-01	Special Fund – Units of Mutual Funds A/c Dr	10,000		Cash Book, Ledger, Investment Register, Grant Register,
450-61-02	To State Bank of Hyderabad (MPLAD) A/c		10,000	
Narration: Being entry for investment of MPLAD grants with Mutual Funds				

8.72 Designated bank accounts of Special Funds and Grants shall be credited for investment made from respective funds and grants.

### **Re investment of interest amounts**

8.73 Interest on Investments is re-invested on many occasions. To record the re-investment of interest on the Municipal Fund Investments, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
420-60-01	Municipal Fund Investment-Units of Mutual Funds Dr	1,000		Ledger, Investment Register
170-40-01	To Income From Investments – Units of Mutual Funds		1,000	
Narration: Being entry for Income from Units of Mutual Funds re-invested				

8.74 Similar entries will be passed for other funds.

### **Period-end Procedures**

8.75 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 Rupees One lakh is payable half yearly on 30<sup>th</sup> June and 31<sup>st</sup> December at 10% per annum, which implies that interest of Rs.5,000 is receivable on 31<sup>st</sup> December 2004 of the current accounting year and Rs.5,000 is receivable on 30<sup>th</sup> June 2005 of the next accounting year. However, interest for the period from the date of last receipt, i.e., 31<sup>st</sup> 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.7,500 (10% on Rupees One lakh for 3 months), i.e., interest for the intervening period shall be recorded in the books of accounts. In the case of interest due for half-year ended 31<sup>st</sup> December of Rs.5,000 which is not received as of 31<sup>st</sup> 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<sup>st</sup> 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 are outlined below.

8.76 Recording of Interest accrued on Municipal Fund Investments. At period-end, to record the interest accrued on Municipal Fund Investments, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
431-40-02	Interest accrued & dues on Investment A/c Dr	5,000		Journal Book, Ledger, Investment Register
431-40-03	Interest accrued & not due on Investment Dr	2,500		
170-10-01	To Interest on Fixed Deposits		7,500	
Narration: Being entry for interest accrued on fixed deposits for the period -----				

8.77 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
431-40-02	Interest accrued & dues on Investment A/c Dr	5,000		Journal Book, Ledger, Investment Register
431-40-03	Interest accrued & not due on Investment Dr	2,500		
311-10-01	To City Development Fund A/c		7,500	
Narration: Being entry for interest accrued on investment from CDF A/c for the period -----				

8.78 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
431-40-02	Interest accrued & dues on Investment A/c Dr	5,000		Journal Book, Ledger, Investment Register
431-40-03	Interest accrued & not due on Investment A/c Dr	2,500		
320-20-03	To MP Local Area Development Grant A/c		7,500	
Narration: Being entry for interest accrued on investments of MPLAD Grants for the period -----				

8.79 Through the above entries passed for accruing interest, the entry for period end interest income passed in the current accounting period shall be reversed at the time of actual realization of interest. Money received during the next accounting period in respect of the concerned heads of account shall be recorded by credits to the concerned heads of account in the same manner as receipt of interest income accruing and arising in the next period.

### Maturity/Disposal of Investment

8.80 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 the 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 the case of Special Funds Investments or Grants Investments, the profit realised or loss incurred shall be adjusted in the Special Fund or Grant.

8.81 This is explained with the following illustration wherein an original investment of Rs.9,000 is disposed under three different alternative scenarios resulting in no profit or loss in Scenario – I (para 8.82) , profit in Scenario - II (para 8.83) and loss in Scenario – III (para 8.84).

8.82 Investment is disposed off at Rs.9,000 and thus only cost is recovered. In this case the Accounts Section shall pass the following entries for money realised:

- i. In case of Municipal Fund Investments

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	9,000		Cash Book, Ledger, Investment Register
420-60-01	To Municipal Fund Investment-Units of Mutual Funds		9,000	
Narration: Being entry for proceeds of Mutual fund investments				

## ii. In case of Special Fund Investments

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-41-02	State Bank of Hyderabad (CDF) A/c Dr	9,000		Cash Book, Ledger, Investment Register, Special Fund Register, Register of Sinking Fund
421-60-01	To Special Fund Investment – Units of Mutual Funds		9,000	
Narration: Being entry for sale proceeds of city development fund investments in Mutual Funds				

## iii. In case of Grant Investments

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-61-02	State Bank of Hyderabad A/c (MPLADS) Dr	9,000		Cash Book, Ledger, Investment Register, Grant Register,
421-60-01	To Grant Investment-Units of Mutual Funds		9,000	
Narration: Being entry for sale proceeds of MPLADS investments in Mutual Funds				

8.83 Suppose the investment, instead of being disposed off at Rs.9,000 is disposed off 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 Section shall pass the following entry for money received and profit realised on disposal of investment.

- a. For money realised on disposal of investment. Entries referred to in (para 8.82) above shall be passed for money realised on disposal of investment, i.e., Rs.9,500.
- b. For recording profit realised on disposal of investment.

## i. In case of Municipal Fund Investments

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
420-60-01	Municipal Fund Investment-Units of Mutual Funds Dr	500		Journal Book, Ledger, Investment Register
170-40-01	To Profit on Sale of Investments		500	
Narration: Being entry for profit on sale of investments				

## ii. In case of Special Fund Investments

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
421-60-01	Special Fund Investment-Units of Mutual Funds Dr	500		Journal Book, Ledger, Investment Register, Special Fund Register, Register of Sinking Fund
311-10-01	To City Development Fund		500	
Narration: Being entry for profit on sale of City Development fund investments				

## iii In case of Grant Investments

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
421-60-01	Grant Investment-Units of Mutual Funds A/c Dr	500		Journal Book, Ledger, Investment Register, Grant Register,
320-20-03	To MP Local Area Development A/c		500	
Narration: Being entry for profit on sale of MPLAD grant investments				

8.84 Suppose the investment is disposed at Rs.8,500 (after deducting cost of disposal of investment such as brokerage, commission, etc.), thus resulting in a loss of Rs.500. The Accounts Section shall pass the following entries for money received and loss incurred on disposal of investment.

- a. For money realised on disposal of investment. Entries referred to in (para 8.82) above shall be passed for money realised on disposal of investment, i.e., Rs.8,500.
- b. For recording loss incurred on disposal of investment.

## i. In case of Municipal Fund Investments

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
271-20-01	Loss on Sale of Investments A/c Dr	500		Cash Book, Ledger, Investment Register
420-60-01	To Municipal Fund Investment – Units of Mutual Funds		500	
Narration: Being entry for loss on sale of Municipal General Fund Investments				



## ii. In case of Special Fund Investments

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
311-10-01	City Development Fund A/c Dr	500		Journal Book, Ledger, Investment Register, Special Fund Register, Register of Sinking Fund
421-60-01	To Special Fund Investment – Units of Mutual Funds		500	
Narration: Being entry for loss on City Development Fund investments in Units of Mutual Funds				

## iii. In case of Grant Investments

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
320-20-03	MP Local Area Development A/c Dr	500		Journal Book, Ledger, Investment Register, Grant Register,
421-60-01	To Grant Investment – Units of Mutual Funds		500	
Narration: Being entry for loss on investment of MP Local Area Development Grants in Mutual Funds				

8.85 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 (Chapter 7) or Grants Register maintained in Form G-1 (Chapter 5).

### Valuation of Investments

8.86 All long-term investments shall be carried / stated in the books of account 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.

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

8.88 At the end of the financial year, the Accounts Section has to ascertain whether any amount is 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 Section shall pass the following entries:

## i. In case of Municipal Fund Investments

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
270-20-02	Provision for other Assets-Investments Dr	200		Journal Book, Ledger, Investment Register
420-60-01	To Municipal Fund Investments - Units of Mutual Funds*		200	
Narration: Being entry for Municipal fund investment loss				

*\* 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 420-90-01 and the Investment value will be shown net of the balance in this account).*

## ii. In case of Special Funds Investments

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
311-10-01	City Development Fund A/c Dr	200		Journal Book, Ledger, Investment Register, Special Fund Register, Register of Sinking Fund
421-60-01	To Special Fund Investment – Units of Mutual Funds		200	
Narration: Being entry for city development fund investments loss				

## iii. In case of Grant Investments

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
320-20-03	MP Local Area Development A/c Dr	200		Journal Book, Ledger, Investment Register, Grant Register,
421-60-01	To Special Fund Investment – Units of Mutual Funds		200	
Narration: Being entry for grant investment loss				

8.89 Investments, after provision for diminution shall be carried in Financial Statements at the reduced value.

8.90 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 Section shall pass the following entries:

i. In case of Municipal Fund Investments

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
420-60-01	Units of Open Ended Debt Fund A/c Dr	200		Journal Book, Ledger, Investment Register
170-80-01	To Appreciation in Value of Investment		200	
Narration: Being entry for accounting of appreciation in investment value				

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

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
421-60-01	Units of Open Ended Debt Fund A/c Dr	200		Journal Book, Ledger, Investment Register, Special Fund Register
311-10-01	To City Development Fund A/c		200	
Narration: Being entry for appreciation in investment under Special Fund				

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

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
421-80-01	Fixed Deposits with Banks A/c Dr	1,600		Journal Book, Ledger, Investment Register
320-20-03	To MP Local Area Development		1,600	
Narration: Being entry for appreciation fixed deposit of MP LAD Grant				

Note: Restricted to increase in value of Grant investments for which diminution provision was provided in earlier years.

8.91 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

8.92 The following internal controls shall be observed by the ULBs:

- The Accounts Section shall ensure that investments are made as per the Laws applicable.
- At the end of every month, the Accounts Section shall reconcile the ledger balance of various Investment Accounts with the Investment Register.
- At the end of the financial year, the Accounts Section shall conduct physical verification of investments and reconcile the balance as noted in the investments with the balance in ledger accounts. Each of the investment certificate/instrument/document shall be tallied with the Investment Register.
- The Accounts Section 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.
- The Accounts Section shall ensure that interest/dividend on investments is actually received as per the terms of the investments.
- The Accounts Section 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.
- The Accounts Section shall certify all Reconciliation Statements.
- The Commissioner shall prescribe appropriate MIS reports for monitoring.

Name of the ULB: \_\_\_\_\_

**Investment Ledger / Register**

Sr. No.	No. and date of resolution authorising investment	Date of investment	Particulars of investment quoting no. and date of Govt. Bond or FDR no. of the Bank	Purchase Price (Rs.)	Face Value (Rs.)	Due date of receipt of interest	Amount of interest due (Rs.)	Initials of Authorised Officer
1	2	3	4	5	6	7	8	9

Amount of interest received (Rs.)	Date on which interest received	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
10	11	12	13	14	15	16	17

Seal/Signature of authorised officer

**Note:**

- i. Separate folio would be allotted to each type of investment.
- ii. 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.

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)
			(Rs.)	(Rs.)	(Rs.)	(Rs.)
1	2	3	4	5 = ( 3 x 4 )	6	7
a)						
b)						
c)						
d)						
<b>Total</b>						

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.)
8 = ( 3 x 7 )	9	10	11 = ( 10 - 9 )

**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'

## Stores

8.93 This section contains the recommended accounting system for stores related transactions.

8.94 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 Section Stores empowered by the ULB to perform the aforesaid functions for specific Sections 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 Sections to maintain their own stores.

8.95 The financial transactions carried out by Stores will arise on account of:

- Receipt of Earnest Money Deposit (EMD) from the bidders to a contract
- Refund of EMD to the unsuccessful bidders
- Payment of advance to the supplier/contractor
- Delivery of material and its documentation
- Consumption of materials
- Payments to Suppliers/contractor
- Adjustments of Security Deposits
- Write-off / disposal of obsolete, scrap and unusable materials.

### Accounting Principles

8.96 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 ULB in relation to materials, equipment, etc., delivered.
- b) Accounting of 'goods received and 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

8.97 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-2. Forms ST - 1 to ST- 4 are annexed to this chapter and are prefixed “ST”.

8.98 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.

8.99 The following procedure shall be followed for accounting of receipt of EMD:

- i) The procedure to be followed for remittance and/or deposit of EMD to the Accounts Section or in the Bank shall be the same as provided for in the Chapter 4 under General Accounting Procedures.
- ii) The Stores shall prepare a Summary of Daily Collection in Form GEN – 12, which shall be forwarded to the Accounts Section.
- iii) Recording of Earnest Money Deposit received. On receipt of Summary of Daily collections, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c	Dr 500		Cash Book, Ledger
340-10-01	To From Contractors/ Suppliers – EMD		500	
Narration: Being entry for EMD received from bidders				

*Note: The postings in the Ledger Account of “Earnest Money Deposit” Account shall be carried out as indicated in Chapter 4 – 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.*

8.100 The EMD shall be refunded to the unsuccessful bidders as per the terms of tender. 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 Section for payment.



- b. Recording of refund of Earnest Money Deposit. After the receipt of approval for payment and upon payment, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
340-10-01	From Contractors/Suppliers –EMD A/c Dr	400		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		400	
Narration: Being entry for refund of EMD amount to unsuccessful bidder				

- 8.101 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
340-10-01	From Contractors/Suppliers –EMD A/c Dr	100		Journal Book, Ledger
340-10-03	To From Contractors/ Suppliers –Security Deposit		100	
Narration: Being entry for conversion of EMD of Sri----- into Security Deposit.				

- 8.102 Recording of additional Security Deposit received. Where the terms of agreement entered into provide for collection of Additional 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	1,000		Cash Book, Ledger
340-10-03	To From Contractors/ Suppliers – Further Security Deposit		1,000	
Narration: Being entry for receipt of further security deposit from Sri-----				

- 8.103 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 Section. The procedure to be

followed for payment of advance shall be the same as provided in Chapter 4 under General Accounting Procedures. On payment, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
460-40-01	Advance to Suppliers A/c Dr	2,000		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		2,000	
Narration: Being entry for payment of advance to Sri ----- for supply of material				

### **Receipt of Materials**

8.104 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.

8.105 From the Material Receipt Note, the Stores shall record the receipt of materials in the Stores Ledger maintained in Form ST-2.

8.106 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.

8.107 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 Section, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
430-10-01	Engineering Stores A/c Dr	4,000		Journal Book, Ledger
350-10-01	To Creditors – Suppliers A/c		3,800	
460-40-01	To Advance to Suppliers A/c		200	
Narration: Being entry for purchase of material from Sri----- and adjustment of advance				

8.108 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 4 on General Accounting Procedures. On receipt of Payment Order (Form GEN – 14) together with the supporting documents and on making payment, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-10-01	Creditors – Suppliers A/c Dr	3,800		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		3,800	
Narration: Being entry for payment to Sri ----- for supply of material ----				

8.109 The Accounts Section shall intimate the Stores of the payment made.

### **Return of Materials**

8.110 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 Section.

8.111 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-10-01	Creditors – Suppliers A/c Dr	1,000		Journal Book, Ledger
430-10-01	To Engineering Stores A/c		1,000	
Narration: Being entry for adjustment of material returned to supplier Sri -----				

8.112 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 Section shall pass the following entries:

⇒ On raising of the claim

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-10-01	Creditors – Suppliers A/c Dr	1,000		Journal Book, Ledger
430-10-01	To Engineering Stores A/c		1,000	
Narration: Being entry for returning material to supplier Sri-----				

⇒ On receipt of money from the Supplier for materials returned

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	1,000		Cash Book, Ledger
350-10-01	To Creditors - Suppliers A/c		1,000	
Narration: Being entry for receipt from Sri ----- for return of -----				

### Valuation of Closing Stock at Period-End

8.113 At the end of every accounting period, the Stores shall send a Statement of Closing Stock in Form ST – 3. The statement should contain under closing stock (a) the items in respect of which material as well as invoice/bill received and invoice/bill sent for accounts, and (b) the items in respect of which material received, but invoice/bill not received. This Statement shall be drawn from the entries made in the Stores Ledger.

8.114 At the end of the financial year, 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.

8.115 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:

8.116 Under this method, the consignment of material, which shall be received first, shall be issued first.

8.117 The example below illustrates the FIFO method: Opening Stock of TCL Powder as on 1<sup>st</sup> 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	R

Mar 2	Purchase from A	200 nos.	per unit Rs.3/-
Mar 4	Purchase from B	600 nos.	Per unit Rs.4/-
Mar 6	Issued to Dept. X	500 nos.	
Mar 10	Purchase from B	700 nos.	Per unit Rs.4/-
Mar 18	Issued to Dept. Y	800 nos.	
Mar 20	Purchase from C	300 nos.	per unit Rs.5/-
Mar 23	Issued to Dept. Z	100 nos.	
Mar 31	Issued to Dept Q	500 nos.	
Mar 31	Purchase from D	200 nos.	per unit Rs.6/-

8.118 Entries in Stores Ledger for the aforesaid transactions shall be made as depicted in Table 8.3.1 below.

**Table 8.3.1**  
**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.)
<b>Mar 1</b>	Openin g Stock	200	2	400								
Mar 2		200	3	600					200 <u>200</u> 400	2 3	400 <u>600</u> 1000	
Mar 4		600	4	2400					200 200 <u>600</u> 1000	2 3 4	400 600 <u>2400</u> 3400	
Mar 6						200 200 <u>100</u> 500	2 3 4	400 600 <u>400</u> 1400	500	4	2000	

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 10		700	4	2800					500 <u>700</u> 1200	4 4	2000 <u>2800</u> 4800	
Mar 18						500 <u>300</u> 800	4 4	2000 <u>1200</u> 3200	400	4	1600	
Mar 20		300	5	1500					400 <u>300</u> 700	4 5	1600 <u>1500</u> 3100	
Mar 23						100	4	400	300 <u>300</u> 600	4 5	1200 <u>1500</u> 2700	
Mar 31						300 <u>200</u> 500	4 5	1200 <u>1000</u> 2200	100	5	500	
Mar 31		200	6	1200					100 <u>200</u> 300	5 6	500 <u>1200</u> 1700	

MRN - Material Receipt Note

MRIN - Material Requisition-cum-Issue Note

Note: Details & break up of materials issued

- (i) Materials issued on 6<sup>th</sup> March is towards consumption for usage in production process
- (ii) Materials issued on 18<sup>th</sup> March is towards repair works of the ULB
- (iii) Materials issued on 23<sup>rd</sup> March is to the Contractors for the works undertaken by them
- (iv) Materials issued on 31<sup>st</sup> March is to the capital works of the ULB

8.119 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.

8.120 On the basis of Statement of Closing Stock, the Accounts Section shall compute the Stores consumed in the following manner:

- a) Compute the total purchases made by the Stores during the accounting period. The value of the purchases made in the above illustration is Rs.8,500;
- b) 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.8,900 computed as Rs.8,500 (purchases) + Rs.400 (opening stock);
- c) Deduct the Closing Stock valued at Rs.1,700, on the basis of Statement of Closing Stock, from the total stores available for consumption;
- d) The balance value represents the stores that have been consumed during the accounting period i.e. Rs.8,900 (total stores available for consumption) – Rs.1,700 (closing stock) = Rs.7,200 (consumption).

8.121 Recording of Closing Stock. On the basis of Statement of Closing Stock (Form ST – 3) received from Stores, for recording closing stock, the Accounts Section shall pass the following entry:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
230-30-01	Consumption of Engineering Stores (i) Dr		1,400		Journal Book, Ledger
230-50-01	Repairs and Maintenance of Main Roads (ii) Dr		3,200		
460-40-04	Material Issued to Contractors (iii) Dr		400		
412-00-14	Capital work in progress – Parks (iv) Dr		2,200		
430-10-01	To Stock in Hand - Engineering Stores			7,200	
Narration: Being entry for engineering stores consumption and issue to contractors during the period ----- as per the closing stock statement.					

- (i) Consumption of Stores is debited for value of materials consumed in relation to production of any goods for sale.
- (ii) Repairs and Maintenance account is debited for value of materials used for any of the repairs and maintenance of ULBs assets.
- (iii) Material Issued to Contractors account is debited for value of materials issued to the contractors.
- (iv) Capital work in progress account is debited for value of materials issued to the Capital works of the ULBs.

8.122 Similar entries shall also be passed in respect of consumption/CWIP and closing stock at each of the other stores.

### **Finished Goods & WIP Related to Goods Produced for Sale**

8.123 At the end of every accounting period, the finished goods and work-in-progress (WIP) related to goods produced for sale shall be valued at cost.

8.124 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:

- 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;
- Costs of direct labour for converting the materials into finished goods;

- 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;
- 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.

8.125 The cost of finished goods and WIP shall, however, not include the following:

- Abnormal amount of wasted material, labour or other production costs;
- Storage costs, unless these are necessary in the production process prior to a further production stage;
- Administrative overheads that do not contribute to bringing the goods to their present location and condition;
- Selling and distribution costs;
- Interest and other borrowing costs.

8.126 Based on these guidelines, each ULB 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**

8.127 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 under Grants in Chapter 5 and under Special Funds in Chapter 7.

8.128 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.

### **Disposal of Material**

8.129 The unutilised/unusable material in the Stores of the ULB may be disposed of as per the rules in force.

8.130 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 4 on General Accounting Procedures.

8.131 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 Section. 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	600		Cash Book, Ledger
350-90-03	To Sale Proceeds from Stores A/c		600	
Narration: Being entry for receipt of obsolete stores sale proceeds				

- b. Recording of profit or loss on disposal: In the example explained above, there is a profit amounting to Rs.100. The Accounts Section shall pass the following entry in respect of the same:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-90-03	Sale Proceeds from Stores Dr	600		Journal Book, Ledger
430-10-01	To Stock in Hand-Engineering Stores		500	
150-12-02	To Sale & Hire Charges – Sale of Scrap		100	
Narration: Being entry for recording of scrap sales with profit				

Note: If the amount realised for sale is Rs.400, the difference of Rs.100 shall be debited to 'Loss on disposal of Stores'.

### Write-Off of Material

8.132 The pilfered/damaged material in the Stores of the ULB may be written-off as per the rules in force.

8.133 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 Section shall pass the following entry:

Account	Amount (Rs.)	Books to be

Code	Description	Debit	Credit	entered into
270-40-01	Assets Written off -Stores Dr	1,600		Journal Book, Ledger & Stores Register
430-10-01	To Stock in Hand – Engineering Stores		1,600	
Narration: Being entry for write off obsolete engineering stores				

### Period End Procedure

8.134 At the period-end, the Stores Section 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 Section for accounting and payment within one month, and in any case within 15 days from the end of the accounting period. The accounting entry to be recorded shall be the same as provided above in the section on “Receipt of Materials”. In addition, in respect of ‘goods received and accepted but bills not received’ as at the cut off date shall be accounted based on Purchase Orders.

### INTERNAL CONTROLS

8.135 The following internal controls shall be observed by the ULB in respect of Stores related transactions:

- a. The Accounts Section 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 Accounts Section 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 Accounts Section and the Pre-Audit Section 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 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.
- e. At the time of issue of any material to the Sections, the Stores-in-charge shall ensure that there is an administrative sanction for the work/requisition.
- f. The Accounts Section shall ensure that all 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.

- g. Before releasing payment to the supplier, the Accounts Section 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, it shall be ensured that no amount is due from him which may be adjusted before payment.
- h. The Stores-in-charge shall ensure that materials in respect of which bills have been received and forwarded to Account section; and bills not received are stated separately in the Statement of Closing Stock (Form ST – 3).
- i. The Accounts Section shall ensure that the Opening Stock, 'Purchase of Materials', Material Issue for works, Material Issued to Contractors and Closing Stock are reconciled at the period end.
- j. All Reconciliation Statements shall be certified by the Accounts Section.
- k. The Commissioner shall specify such appropriate calendar of returns /reports for monitoring.

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		Entered in Store Records		
Stores Clerk		Entry No.: _____		
		Stores-in-charge		

Name of the ULB: \_\_\_\_\_

**STORES LEDGER**

Item Description \_\_\_\_\_

UOM \_\_\_\_\_

Receipt						
Date	MRN No. *	Voucher Ref No.	Quantity	Rate Rs.	Value Rs.	Authorised officer Signature
1	2	3	4	5	6	7

\* Material Receipt Note Number

Issue								Balance		
Date	MIN No **	Issued to	Purpose	Qty.	Rate Rs.	Value Rs.	Signature.	Qty.	Rate Rs.	Value Rs.
8	9	10	11	12	13	14	15	16	17	18

\*\* Material Issue Note Number

*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.*

Name of the ULB: \_\_\_\_\_  
**STATEMENT OF CLOSING STOCK AS ON** \_\_\_\_\_

Stores Sr. No. \_\_\_\_\_

Reference No. of Stores Ledger	Item Description	Closing Qty			Unit rate for valuation (Rs.)	Amount (Rs.)	Remarks ***
		*	**	Total			
1	2	3	4	5 (4 + 5)	6	7	8
<b>Total</b>							
Verified by (Audit Section)				Stores-in-charge / Authorised Officer			

\* Material and bill/invoice received and bill/invoice sent to Accounts section  
 \*\* Material received, but bill/invoice not received  
 \*\*\* Obsolete, unserviceable, and defective inventory may be indicated in the Remarks column

ST-4

Name of the ULB: \_\_\_\_\_

**STATEMENT OF MATERIAL ISSUED TO CONTRACTORS**  
FROM \_\_\_\_ TO \_\_\_\_\_

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
<b>Total *</b>					
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>Verified by (Audit Section)</p> </div> <div style="width: 45%; text-align: right;"> <p>Stores-in-charge / Authorised Officer</p> </div> </div>					

\* The total of this table shall agree to the value of 'materials issued to Contractors'.

Form PW – 1

Name of the ULB: \_\_\_\_\_

**SUMMARY STATEMENT OF STATUS OF CAPITAL WORK-IN-PROGRESS/DEPOSIT WORKS**

Name of the Section: \_\_\_\_\_

For the Quarter: \_\_\_\_\_

Work Order No.	Name of Project	Value of Work / Contract Amount	Expenditure incurred at the beginning of the quarter
		<b>Rs.</b>	<b>Rs.</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>

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)
<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>5</b>	<b>6 = (4+5)</b>	<b>7 = (3-6)</b>	<b>8</b>

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-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 Departments, State Govt. or other Govt. Departments

@ 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

# Nature of payments shall also include the % of charges recognised as revenue of the ULB for the execution of the works.

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

## **Loans & Advances**

8.136 This section 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 employee related transactions and public works.

8.137 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 project, 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**

8.138 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to loans provided by ULBs

- i. Interest on loans shall be recognised as and when due. At period-ends, interest shall be accrued upto the date of the period-end.
- ii. Interest earned on loans given out of specific fund/grant shall be directly credited to the specific fund/grant account.
- iii. Penal interests if any either on loans given out of Municipal fund or out of specific fund/grant shall be accounted on actual receipt.
- iv. 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.
- v. 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.
- vi. Write-offs of bad and doubtful loans shall be adjusted against the provisions made and to that extent, loans outstanding gets reduced. In case of inadequate provision, the write off shall be recognised as expenditure.

### **ACCOUNTING FOR LOANS TO OTHERS**

8.139 The amount of loans granted to external organisations and undertakings shall be entered in the 'Register of Loans to Others' Form LA-1 maintained by the Accounts Section of the ULB. The Accounts Section shall pass the following entries.

Recording of disbursement of loans.

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
460-30-00	Loans to Others	1,00,000		Cash Book, Ledger, Register of loans to Others, Register of Specific funds/grants
450-21-02	To State Bank of Hyderabad A/c		1,00,000	
Narration: Being entry for recording disbursement of loan				

*Note: The postings in the Ledger Accounts of "Loans to Others" Account shall be carried out as indicated in Chapter 4 – 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.*

Recording of recovery of loan installments:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c	Dr 20,000		Cash Book, Ledger, Register of loans to Others, Register of Specific funds/ grants
460-30-00	To Loans to Others		20,000	
Narration: Being entry for recovery of loan installments				

Recording of interest due on loans

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
431-40-02	Receivables from other sources – Interest Accrued	Dr 2,000		Journal Book, Ledger, Register of loans to Others, Register of Specific funds/grants
171-30-00	To Interest on Loans to Others		2,000	
Narration: Being entry for interest accrued				

Recording of receipt of interest on loans:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	2,000		Cash Book, Ledger, Register of loans to Others, Register of Specific funds/grants
431-40-02	To Receivables from other sources – Interest Accrued		2,000	
Narration: Being entry for receipt of interest				

**LOANS TO TRANSPORT UNDERTAKINGS / SCHOOL BOARDS**

8.140 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 set up by the ULBs are same as explained above.

**PROVISIONING AGAINST BAD AND DOUBTFUL 'LOANS TO OTHERS'**

8.141 The Accounts Section shall review recoverability status of all Loans to Others on periodic basis and based on the review and in accordance with the provisioning principle laid down by the State Government, appropriate amount of provisioning or write off need to be 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
270-20-03	Provision for Other Assets	6,000		Journal Book, Ledger,
461-10-00	To Provision for Outstanding Loans to Others		6,000	
Narration: Being entry for provision for doubtful loans to others				

- b. Recording of write off of doubtful and bad loans for which provisioning was made in the previous years:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
270-20-03	Provision for Other Assets Dr	4,000		Journal Book, Ledger,
460-30-00	To Loans to Others		4,000	
Narration: Being entry for write off of doubtful and bad loans				

- c. Recording of write off of doubtful or bad loans for which no provisioning was made in the previous years:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
270-40-04	Assets Written off – Loans & Advances Dr	4,000		Journal Book, Ledger, Register of loans to Others
460-30-00	To Loans to Others		4,000	
Narration: Being entry for write off of doubtful and bad loans				

- d. Recording of write back of provision against doubtful loans to the extent of the amount recovered:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
461-10-00	Accumulated Provision for Loans to Others Dr	1,000		Journal Book, Ledger
180-60-05	To Other income – Excess Provisions Written back		1,000	
Narration: Being entry for write back of provision against doubtful loans				

## **INTERNAL CONTROLS**

8.142 In respect of Loans lent to others, ULBs 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 amounts 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. All the reconciliation statements shall be certified by the Accounts Section.
- e. The Commissioner shall specify such appropriate calendar of returns /reports for monitoring.

Name of the ULB \_\_\_\_\_

**REGISTER OF LOANS TO OTHERS**

1. Name of the borrower \_\_\_\_\_ 5. Rate of Interest \_\_\_\_\_
2. Purpose of Loan \_\_\_\_\_ 6. No. of installment \_\_\_\_\_  
[whether monthly, quarterly, half-yearly or yearly]
3. No. & date of resolution / orders sanctioning the loan \_\_\_\_\_ 7. Amount of each installment \_\_\_\_\_
4. Amount of Loan sanctioned \_\_\_\_\_ 8. Name of the Specific fund/grant used for lending \_\_\_\_\_

Disbursement of Loan			Amount due for repayment				Initials of the officer
Date of Disbursement	Amount Disbursed Rs.	Total Amount Disbursed Rs.	Due Date of Repayment	Amount of Principal Rs.	Amount of Interest Rs.	Total Amount due to repayment Rs.	
1	2	3	4	5	6	7	8

Amount Repaid				Balance			Remarks
Date of Repayment	Principal Amount Rs.	Interest Rs.	Total Rs.	Principal Amount Rs.	Interest Rs.	Total Rs.	
9	10	11	12	13	14	15	16

**Note:**

- i. Separate folio shall be allotted to each loan.
- ii. Pages of ledger / register should be numbered.
- iii. In case of more than one loan, summary of all loans shall be drawn suitably in the register.
- iv. 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



## **Lease & Hire Purchase**

8.143 This chapter contains the recommended accounting system for transactions relating to fixed assets purchased or sold under hire purchase and leases by ULBs. The accounting principles and procedures given in this chapter are 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.

8.144 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.

8.145 A lease is classified as a finance lease if it transfers substantially all risks and rewards incidental 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 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.

8.146 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 pays all the installments of rent as they become due, the contract shall determine and the title vest absolutely in him.

Accounting of leases and hire purchase transactions shall be divided into the following situations:

- (1) Finance lease in the books of lessee.
- (2) Operating lease in the books of lessor.
- (3) Finance lease in the books of lessor
- (4) Operating lease in the books of lessee
- (5) Hire Purchase in the books of seller.
- (6) Hire Purchase in the books of buyer.

8.147 Considering the general position, ULB as lessee in the case of Finance lease and lessor in the case of Operating lease are provided in this chapter. Both situations are covered in respect of Hire Purchase.

### **ACCOUNTING RECORDS AND PROCEDURES**

8.148 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 in general in respect of the transactions of the ULBs are applicable.

### **ACCOUNTING PRINCIPLES:**

8.149 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Fixed Assets acquired/given under Lease and Hire Purchase:

#### **Finance lease in the books of lessee**

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

#### **Operating lease in the books of Lessor**

- i. 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.
- ii. 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.
- iii. Any amount incurred that results in improvement or increase of the useful life of the assets under operating lease shall be capitalised like any other asset used by the ULB for its own operations;
- iv. Depreciation on such assets shall be provided at the same rates as in case of owned assets.

#### **Hire purchase in the books of buyer**

- i. The purchase price shall be capitalised as the cost of fixed assets
- ii. 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;
- iii. 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

- iv. The depreciation principle for assets purchased under HP should be consistent with that for owned assets.

Hire purchase in the books of seller

- i. The sale price (including the interest portion) shall be accounted as receivable from HP agreement;
- ii. 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);
- iii. 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**

8.150 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 Section shall pass the following entry:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
410-20-02	Fixed Assets (Commercial Complex)	Dr	25,00,000		Journal Book, Ledger, Register of Movable/Immovable Assets
470-30-00	Interest control payable – Leases	Dr	2,50,000		
350-80-03	To Lease Charges payable			27,50,000	
Narration: Being entry for purchase of fixed assets under Finance Lease					

*Note: The postings in the Ledger Accounts of "Fixed Asset" Account, "Lease Charges Payable" Account and "Interest Control Payable" Account shall be carried out as indicated in Chapter 4 – 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.*

8.151 '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.

**Finance Charges**

8.152 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
240-60-02	Interest on Leases Dr	25,000		Journal Book, Ledger
470-30-00	To Interest control payable – Leases		25,000	
Narration: Being entry for finance charges accrued for the period -----				

**Lease payments**

8.153 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-80-03	Lease Charges Payable Dr	2,75,000		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		2,75,000	
Narration: Being entry for payment of lease charges including interest for the period -----				

**Depreciation Charge**

8.154 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 this chapter under Fixed Assets.

**ACCOUNTING FOR OPERATING LEASES IN THE BOOKS OF LESSOR****Lease rental income**

8.155 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
431-40-05	Receivables from other sources – Lease rental	5,000		Cash Book, Ledger
130-80-00	To Other rent - Lease Rental		5,000	
Narration: Being entry for lease rental receivable for the month -----				

8.156 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad	5,000		Cash Book, Ledger
431-40-05	To Receivables from Other Sources – Lease rental		5,000	
Narration: Being entry for lease rental received for the month -----				

8.157 Accounting of Fixed assets and depreciation: Accounting treatments for the fixed assets given under an operating lease and depreciation on those assets shall be the same principles and procedures as laid down in this Chapter under Fixed Assets.

**Period-end procedures**

8.158 Accrual of lease rentals: The Accounts Section 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 the differences, if any.

## **ACCOUNTING OF HIRE PURCHASE (HP) IN THE BOOKS OF BUYER**

### **Down payment against purchase of Asset under Hire Purchase agreement**

8.159 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.

8.160 To record the down payment made, the following entry shall be passed:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
460-40-01	Advance for HP Assets Dr	25,000		Cash Book, Register of Advances, Ledger Accounts
450-21-02	To State Bank of Hyderabad A/c		25,000	
Narration: Being entry for down payment under HP -----				

### **Accounting for Acquisition/Purchase of Fixed Assets**

8.161 Recording of purchase of Fixed Assets: To record the purchase of the Fixed Asset under a hire purchase agreement, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
410-70-01	Fixed Assets – Furniture Dr	2,50,000		Journal Book, Ledger, Register of Movable/Immovable Assets and Register of Advances
470-30-00	Interest control payable - HP Dr	50,000		
350-10-01	To Supplier - HP Vendor		2,75,000	
460-40-01	To Advance for HP Assets		25,000	
Narration: Being entry for recording the purchase of the Fixed Asset under a hire purchase agreement -----				

### **Finance Charges**

8.162 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 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
240-60-03	Other Interest - HP	5,000		Journal Book, Ledger
470-30-00	To Interest control payable - HP		5,000	
Narration: Being entry for interest in the instalment for the year -----				

### **HP Instalments**

8.163 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-10-01	Supplier - HP Vendor Dr	27,500		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		27,500	
Narration: Being entry for payment of instalment including interest for the year -----				

### **Depreciation Charge**

8.164 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 this chapter under Fixed Assets.

### **Period end procedures:**

8.165 Recording of interest portion of the installments due appropriately: The Accounts Section 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**

8.166 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.

8.167 For example, the accounting entry for 10% down payment received on the sale of assets costing Rs.2,50,000 is as follows:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	25,000		Cash Book, Register of Advances, Ledger Accounts
350-80-04	To Other Liabilities- HP Advance received		25,000	
Narration: Being entry for receipt of down payment				

### **Sale of Assets under HP**

8.168 To record the sale of the assets under an HP agreement and adjust the 'down payment' received, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350- 80-04	Other Liabilities - HP Advance received Dr	25,000		Journal Book, Ledger, Register of Movable/Immovable Assets
460-80-01	Other Current assets – HP Installments receivable Dr	2,75,000		
410-80-00	To Fixed Assets		2,75,000	
350-12-06	To Other Liabilities- Interest control receivables – HP		25,000	
Narration: Being entry for sale of asset under HP and adjustment of down payment				

### **Installment receipts**

8.169 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:



Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c	27,500		Cash Book, Ledger
460-80-01	To Other Current assets - HP Installments Receivable		27,500	
Narration: Being entry for receipt of instalment including interest for the year -----				

### **Interest Income**

8.170 The portion of interest income out of the 'Receivables - HP' due for the period under reporting shall be identified at the period end and accounted as Interest Income for that period. Assuming that the annual repayment of Rs.27,500 includes interest charge of Rs.5,000, the accounting entry for recording the interest is as follows:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-12-06	Interest control receivables – HP Dr	5,000		Journal Book, Ledger
171-80-02	To Other Interest Income - HP		5,000	
Narration: Being entry for recognition of interest in the instalment for the year -----				

### **Period end procedures:**

8.171 Recording of interest portion of the installments due appropriately: The Accounts Section shall identify the interest portion of the installment receivable for the period under reporting and accordingly account for the Interest for the period.

### **INTERNAL CONTROLS**

8.172 The following internal controls shall be observed by the ULB:

- a. For Finance lease /Hire purchase in the books of lessee /buyer:
  - i. The Accounts Section shall ensure that the 'purchase of fixed assets' under a finance lease or HP agreement and the terms (lease/HP rentals, lease/HP periods and interest rate) of the lease/HP agreement are approved before recording the capitalisation.

- ii. The Accounts Section shall ensure that the interest charges included in the Lease Charges/HP Payable for the period under reporting are accounted appropriately.
- iii. The Accounts Section 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**

- i. The Accounts Section shall ensure that lending the 'fixed assets' under an operating lease and the terms (lease rentals, lease periods) of the lease agreement are approved before recording of any lease rental income.
- ii. The Accounts Section shall ensure that penalties or additional interests on account of delay in installment dues are raised timely and accounted as per the Lease agreement.
- iii. The Accounts Section 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 shall be reconciled.
- iv. The Accounts Section 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**

- i. The Accounts Section 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.
- ii. The Accounts Section shall ensure that the interest income included in the HP installments due for the period under reporting are accounted appropriately.
- iii. The Accounts Section shall ensure that penalties or additional interests on account of delay in installment dues are levied and accounted as per the HP agreement.

## **Special Transactions**

8.173 Often, ULBs have transactions which are not of usual nature. These are referred to as Special Transactions. These could include:

- a. Fixed assets created on behalf of ULBs by an executing agency, from the funds directly disbursed to them by the Government, or;

- b. Grants given by ULBs to the School Boards or other undertakings established under an ULB.
- c. Contributions made by ULBs in creation of assets not owned by it;
- d. Joint Venture Investments

8.174 This section contains recommended accounting systems for each of the above transactions.

### **ACCOUNTING PRINCIPLES**

8.175 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 Manual. For instance:

- i. Accounting Principles relating to construction of fixed assets and their repairs and maintenance shall be the same as what is described in **Public Works**;
- ii. Accounting Principles in respect of procurement and consumption of Stores shall be the same as what is described in **Stores**;
- iii. Accounting Principles in respect of grants received shall be the same as what is described in **Grants**;
- iv. Accounting Principles in respect of Borrowings (Loans Received) shall be the same as what is described in **Borrowings (Loans Received)**;
- v. Accounting Principles in respect of Investments and accrual of interest shall be the same as what is described in **Investments**;
- vi. Accounting Principles in respect of fixed assets and depreciation provisioning shall be the same as what is described in **Fixed Assets**;
- vii. Accounting Principles in respect of loans and advances shall be the same as what is described in **Loans and advances**;

### **ACCOUNTING RECORDS AND PROCEDURES**

8.176 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.

8.177 The Accounts Section shall maintain a Register in Form SPL-1 for Grants provided to School Boards/other undertakings. The details of the grants sanctioned shall be recorded in the Register. This Register shall be updated for each payment of the grant.

### **Creation of Fixed Assets by an Executing Agency**

8.178 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 7 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 5 on Grants) or may be disbursed directly to the executing agency.

8.179 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 section, the accounting entries in respect of a particular ULB's share in such situation are also explained.

8.180 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.

8.181 Recording of direct disbursement of Loan. On receipt of intimation of disbursement of loan to an executing agency, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
460-50-04	Advance against Project - Water Supply Improvement Project – PH Engineering Department	1,00,00,000		Journal Book, Ledger,
	Dr			
331-20-02	To Loans – from State Government		1,00,00,000	

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
Narration: Being entry for disbursement of loan to an executing agency				

*Note: The postings in the Ledger Accounts of "Advance against Project" Account and " Loan " Account shall be carried out as indicated in Chapter 4 – 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.*

8.182 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
460-50-04	Advance against Project - Water Supply Improvement Project – PH Engineering Department	40,00,000		Journal Book, Ledger,
320-20-01	To Grants for water supply improvement		40,00,000	
Narration: Being entry for disbursement of grant to an executing agency by the State Government				

8.183 Recording of remittance of ULB's own contribution. In accordance with the terms of sanctioned scheme, funds may be remitted by the ULBs as their contribution to executing agency. On transfer of funds, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
460-50-04	Advance against Project - Water Supply Improvement Project – PH Engineering Department	10,00,000		Cash Book, Ledger,
450-21-02	To State Bank of Hyderabad A/c		10,00,000	
Narration: Being entry for remittance of ULB's own contribution to an executing agency for water supply improvement scheme				

8.184 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 Section shall pass the following entries:

On accrual of interest:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
460-50-04	Advance against Project - Water Supply Improvement Project – PH Engineering Department Dr	10,00,000		Journal Book, Ledger,
350-12-02	To Interest Liability – Water supply improvement project		10,00,000	
Narration: Being entry for accrual of interest on loan payable to State Government				

On payment of interest:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-12-02	Interest Liability - Water supply improvement project Dr	10,00,000		Cash Book, Ledger,
450-21-02	To State Bank of Hyderabad A/c		10,00,000	
Narration: Being entry for payment of interest on loan payable to State Government				

8.185 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 Section shall pass the following entries:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
331-20-02	Loans – from State Government Dr	10,00,000		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		10,00,000	
Narration: Being entry for repayment of loan instalment to State Government				

8.186 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
410-32-01 460-50-04	Fixed Assets – Water supply To Advance against Project - Water Supply Improvement Project – PH Engineering Department	1,60,00,000	1,60,00,000	Journal Book, Ledger,
Narration: Being entry for capitalisation of asset on completion				

8.187 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/Capital Contribution. For this the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
320-20-01 312-10-00	Grants for water supply improvement Dr To Capital Contribution	40,00,000	40,00,000	Journal Book, Ledger, Grants for water supply improvement register
Narration: Being entry for transfer of Grant under water supply to Capital Contribution on completion of project				

### **Revolving Fund**

8.188 ULBs may be required to open a separate designated bank account for depositing funds (usually loans and grants), received from State Government, 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.

8.189 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 Main Bank Account.

8.190 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. One crore of which Rs.25 lakhs would be received as loan and Rs.15 lakhs as grant from State Government. The ULB shall contribute the balance. The amount received as loan and grant together with ULB's own contribution shall be deposited in a separate designated bank account (Revolving Fund).

The scheme of entries outlined below shall be passed for any other project executed under any other Revolving Fund.

8.191 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 the Chapter 7 on Borrowings (Loans Raised). On receipt of loan, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-41-02	State Bank of Hyderabad Bank A/c (RF) Dr	25,00,000		Cash Book, Ledger, Special Fund Register, Register of Loans
331-20-02	To Loans from State Government – Construction of public facility		25,00,000	
Narration: Being entry for loan received from State Government for Construction of public facility project				

8.192 Recording of receipt of Grant. On receipt of grant from the Government, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-41-02	State Bank of Hyderabad Bank A/c (RF) Dr	15,00,000		Cash Book, Ledger, Special Fund Register
311-10-05	To Revolving Fund		15,00,000	
Narration: Being entry for Grant received from State Government for Construction of public facility project				

8.193 Recording of remittance of ULB's own contribution. Contribution of the ULBs shall be transferred from the Main Bank Account to the Designated Revolving Fund Bank Account. On transfer of funds, the Accounts Section shall pass the following entries:

For transfer of funds from Municipal Fund to Revolving Fund:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
310-10-01	Municipal Fund Dr	60,00,000		Cash Book, Ledger, Special Fund Register
311-10-05	To Revolving Fund		60,00,000	



Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
Narration: Being entry for transfer of funds from Municipal Fund to Revolving Fund for Construction of public facility project				

For recording transfer of money:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-41-02	State Bank of Hyderabad Bank A/c (RF) Dr	60,00,000		Cash Book, Ledger, Special Fund Register
450-21-02	To State Bank of Hyderabad A/c		60,00,000	
Narration: Being entry for transfer of money from Municipal Fund Bank a/c to Revolving Fund Bank a/c for Construction of public facility project				

8.194 ULBs may execute/operate the scheme by employing its own resources or outsourcing through tender. The accounting procedures and accounting entries in relation to the following have been described in Chapter 7 under Special Funds read with 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.

8.195 Any money received, including Security Deposits received from the lessees of 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 Section 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 Special Funds (chapter 7).

8.196 Recording of payment of interest and repayment of loan. Interest upto 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 Section shall pass the following entries:

i) Payment of Interest

a. For recording interest accrued:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
412-00-22 350-12-02	Capital Work-in-Progress Dr To Interest payable on Revolving Fund Loan	1,50,000	1,50,000	Cash Book, Ledger, Special Fund Register
Narration: Being entry for interest accrued on Revolving Fund Loan				

b. For recording payment of interest:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-12-02 450-41-02	Interest payable on Revolving fund Loan Dr To State Bank of Hyderabad (RF) A/c	1,50,000	1,50,000	Cash Book, Ledger, Special Fund Register
Narration: Being entry for payment of interest on Revolving Fund Loan				

ii) Repayment of Loan

a. Recording repayment of loan made from Designated Revolving Fund Bank Account:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
331-20-02 450-41-02	Loans from State Government – Construction of public facility Dr To State Bank of Hyderabad (RF) A/c	5,00,000	5,00,000	Cash Book, Ledger, Special Fund Register, Register of Loans
Narration: Being entry for repayment of Revolving Fund Loan installment				

b. Recording of repayment of loan made from Main Bank Account in case of deficit in Designated Revolving Fund Bank Account:

Account	Amount (Rs.)	Books to be
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Code	Description	Debit	Credit	entered into
331-20-02	Loans from State Government – Construction of public facility	1,00,000		Cash Book, Ledger, Register of Loans
450-21-02	Dr To State Bank of Hyderabad A/c		1,00,000	
Narration: Being entry for repayment of loan from Main Bank Account in case of deficit in Revolving Fund Bank a/c				

c. Recording of capitalisation of capital work-in-progress. On completion of construction and on capitalisation of capital work-in-progress account, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
410-20-02	Fixed Assets - Commercial Complexes	1,01,50,000		Journal Book, Ledger,
412-00-22	To Capital Work-in-Progress		1,01,50,000	
Narration: Being entry for capitalisation of Capital WIP on its completion				

d. 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 Section 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 Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
311-10-05	Revolving Fund a/c	75,00,000		Journal Book, Ledger, Register of Loans
312-10-00	Dr To Capital Contribution		15,00,000	
312-30-00	To Special Fund (Utilised)		60,00,000	
Narration: Being entry for transfer to Special Fund (Utilised) and Grant Fund				

Note: ULBs own contribution of Rs.60 lakhs shall be transferred to Municipal Fund and Grant received Rs.15 lakhs to Grant Fund.

### **Investment made from Revolving Funds**

8.197 Investments made from Revolving Fund shall be entered in Special Funds Register maintained in SF-1 (provided in Chapter – 7 under Special Funds) and in a Special Fund Investment Register to be maintained in Form IN-1 (provided in this Chapter under 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 under Investments.

8.198 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 Section.

### **Grants given to School Boards or other Undertakings**

8.199 ULBs may provide grants to the Municipal School Board or any other undertaking. ULB may provide the following revenue and capital grants

- Revenue grant in the form of reimbursement of monthly expenses of the School Board or other undertakings;
- Revenue grant for any other revenue expenditure of the Board or other undertakings
- Capital grant for purchase/construction/modifications of any assets of the schools or undertakings;

8.200 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
260-10-00	Grant to School Board or other undertaking Dr	45,000		Cash book, Ledger, Register of Grants to Schools/other undertakings
450-21-02	To State Bank of Hyderabad A/c		45,000	
Narration: Being entry for payment of revenue grant to the School Board/ other undertaking				

- ii. 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 by ULBs in creation of assets not owned by the ULBs**

8.201 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.

8.202 Recording of remittance of ULB's contribution. In accordance with the terms of understanding, funds may be remitted by the ULBs as their contribution to the executing agency.

8.203 With regard to the payment made, the Accounts Section shall pass the following entry:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
260-20-00	Contributions to Projects Dr	25,000		Cash Book, Ledger
450-21-02	To State Bank of Hyderabad A/c		25,000	
Narration: Being entry for payment of contribution				

### **Joint Venture**

8.204 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 of land for development, the accounting treatment to be adopted will depend on the agreement between the parties. Public Private Partnerships (PPP) are one form of joint ventures.

8.205 The accounting procedures and principles for joint venture investments shall be same as explained in Investments.

8.206 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. PPP is evolved for development of various projects.

8.207 Some of the areas in which PPPs are evolved are listed below:

- i. Solid Waste Management
- ii. Water supply
- iii. Street Lighting
- iv. Maintenance of Roads & Bridges
- v. Sewerage
- vi. Parks

- vii. Commercial complexes
- viii. Markets
- ix. Bus Shelters

### **Period end procedures**

8.208 The period end procedure for work executed but in respect of which bills have not been paid shall be the same as described in this Chapter under Public Works.

8.209 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 this Chapter under Stores.

8.210 At the end of the accounting period, for work executed relating to Grants, the Accounts Section shall pass the entries referred to in Chapter 5 under Grants.

8.211 At the end of the accounting period, the Accounts Section shall, for the interest accrued on loans raised, pass the accounting entries referred to in Chapter 7 under Borrowings (Loans Raised).

8.212 At the end of the accounting period, for the value of work executed pertaining to special fund/revolving fund, the Accounts Section shall pass the accounting entries referred to in Special Funds.

### **INTERNAL CONTROLS**

8.213 The following internal controls shall be observed by the ULBs:

- a. At the end of the financial year, the Accounts Section 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 Section shall reconcile the difference, if any, as reported by the executing agency.
- b. The Accounts Section shall ensure that the balance in the Designated Revolving Fund Bank Account is utilised for the purpose specified in the scheme. It 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 Accounts Section 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 Accounts Section 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 Accounts Section 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. All the reconciliation statements shall be certified by the Head of the Accounts Section.
- h. The Commissioner shall specify such appropriate calendar of returns / reports for monitoring.

**Form SPL-1****Name of the ULB \_\_\_\_\_****REGISTER OF GRANTS TO SCHOOL BOARDS/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



## **Addition to/ Merger of Local Bodies**

8.214 This section explains accounting principles and procedures to be followed by the ULBs for the merger of ULBs/Undertakings.

8.215 Additions to 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.

8.216 The ULB/Undertaking into which other ULBs/Undertakings are to be merged shall be called as 'Ultimate ULB/Undertaking'.

### **ACCOUNTING PRINCIPLES**

8.217 The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Addition / Merger of Local Bodies/undertakings:

8.218 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.

8.219 The financial statements prepared on consolidation shall disclose

- a. Names of the local bodies merged
- b. Authority under which the merger has taken place
- c. Effective date of merger
- d. Principles adopted for consolidation

### **ACCOUNTING RECORDS AND PROCEDURES**

8.220 This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Merger.

### **Incorporation of balances of the merged units in the books of ultimate ULB / Undertaking**

8.221 The financial statements of the individual ULBs / undertakings under the merger shall be prepared at the cut off dates and finalised.

8.222 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.

8.223 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:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
410-(a)	Fixed assets	Dr	1,20,000		Journal Book, Ledger The following Registers will be updated: i. Fixed Assets ii. Capital Work in progress iii. Special Funds iv. Loans v. Deposits received vi. Provision for expenses
412-(a)	Capital work in progress	Dr	53,000		
431- (a)	Sundry Debtors	Dr	2,10,000		
450-21-(b)	Municipal Fund Bank	Dr	25,000		
311-10-(b)	To Special fund			60,000	
330- (a)	To Secured Loans			80,000	
340 -(a)	To Deposits received			40,000	
350- (a)	To Other liabilities			97,000	
360-10-(b)	To Provision for expenses			16,000	
411 – (a)	To Accumulated Depreciation			45,000	
432 – (a)	To Accumulated Provision for Receivables			20,000	
310 – (a)	To Municipal fund			50,000	
Narration: Being entry for incorporation of assets and liabilities of Merged ULBs to Ultimate ULB					

(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 e.g. Sundry Debtors and Provision for doubtful receivables.

8.224 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**

8.225 In case of Municipal fund account balances of one or more ULBs under 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.

8.226 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**

8.227 Inter-ULB/Undertaking transactions shall be those transactions wherein 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;

8.228 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.

- a. Adjustment of Loans received amounting to Rs.1,00,000 from the Ultimate ULB/Undertaking by other ULBs/Undertakings under merger;
- b. Adjustment of an amount totaling to Rs.23,000 receivable by the Ultimate ULB/Undertaking from other ULBs/Undertakings;
- c. Adjustment of interest on loans by Ultimate ULB/Undertaking to other ULBs/Undertakings amounting to Rs.10,000.

8.229 For elimination of the inter ULB/Undertaking transactions:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
330- (a)	Loans Dr	1,00,000		Journal Book, Ledger Register of Loans, Register of Provisions
350 - (a)	Other Liabilities Dr	23,000		
360-20 -(b)	Provision for Interest Dr	10,000		
460 - (a)	To Loans and Advances		1,00,000	
431 - (a)	To Sundry Debtors		23,000	
460-80-(b)	To Interest receivable – Loans and advances		10,000	
Narration: Being entry for elimination of inter ULB transactions				

(a) Insert Minor & Detailed Head Codes of accounts as applicable

(b) Insert Detailed Head Codes of accounts as applicable

### **Differing accounting principles**

8.230 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**

8.231 The following internal controls shall be observed by the ULB in respect of Merger of two or more ULBs and its related transactions:

- a. The account balances of the financial statements of the individual ULBs/Undertakings under merger should be verified by the Accounts Section before incorporation of their balances in the books of the Ultimate ULB/Undertaking.
- b. The Accounts Section of the Ultimate ULB/Undertaking should compare the ULBs/Undertakings balances and differences, if any, identified have to be reconciled and rectified before incorporating the balances in the books of Ultimate ULB/Undertaking.
- c. All the ULBs'/Undertakings' transactions shall be identified and ensured that these are appropriately adjusted in the books of ultimate ULB/undertaking.

## **Inter Unit Transactions**

8.232 This section contains the recommended accounting systems for transactions between various accounting units within the ULB.

8.233 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.

8.234 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 a 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.

8.235 The AUs involved in any transaction are classified as Originating 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'.

8.236 Advice Transfer Debit (ATD) is an Advice of Transfer, when the originating unit debits the other Accounting unit. Similarly, Advice Transfer Credit (ATC) is an Advice of Transfer, when the originating unit credits the other Accounting Unit.

8.237 Final Accounts may be prepared at every AU and then consolidated at HO. or prepared directly at HO based on Trail Balance sent from every AU. This section covers recording of the primary transactions between the Accounting Units. Procedure relating to Final Accounts preparation and consolidation is described in Chapter 9 on Financial Statements.

## **ACCOUNTING PRINCIPLES**

8.238 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 AND PROCEDURES**

8.239 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-1), specific to IUTs which are annexed to this chapter and are prefixed "IUT".

**INTER UNIT TRANSACTIONS**

8.240 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-1 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'.

8.241 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-2.

**ACCOUNTING FOR TRANSFER OF FUNDS BETWEEN AUs**

8.242 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:

Recording of transfer of funds in the books of 'Originating AU':

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
470-20-00	Inter Unit Account – AU Dr	5,000		Cash book , Ledger, Register of Transfer Advice
450-21-02	To State Bank of Hyderabad A/c		5,000	
Narration: Being entry for transfer of funds from OU to RU				

*Note: The postings in the Ledger Accounts of "Inter Unit Account" shall be carried out as indicated in Chapter 4 – 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.*

Recording of receipt of funds in the books of 'Responding AU':

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
450-21-02	State Bank of Hyderabad A/c Dr	5,000		Cash book, Ledger, Register of Transfer Advice
470-20-00	To Inter Unit Account–AU		5,000	
Narration: Being entry for receipt of funds from OU				

**ACCOUNTING FOR TRANSFER OF RECEIPTS AND PAYMENTS OF AUs**

8.243 As per the provisions and rules governing the ULBs, 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-1) 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 under Property and Other taxes in Chapter - 5. 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
431-80-01	Receivable Control Accounts – Property tax Dr	10,000		Journal Register, Ledger, Register of Transfer Advice
470-20-00	To Inter Unit Account – AU		10,000	
Narration: Being entry for recording collection of Property Tax in respect of another AU				

ii. In the books of 'Responding AU'

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
470-20-00	Inter Unit Account – AU Dr	10,000		Journal, Ledger, Register of Transfer Advice
431-80-01	To Receivable Control Accounts – Property tax		10,000	
Narration: Being entry for recording collection of Property Tax through another AU				

- b. Recording of payments made for another AU: 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. In the books of the 'Originating AU': At the time of making the payment, the accounting entry to be passed is as follows:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
470-20-00	Inter Unit Account – AU a/c Dr	10,000		Cash Book, Ledger, Register of Transfer Advice
450-21-02	To State Bank of Hyderabad a/c		10,000	
Narration: Being entry for payment of an expense on behalf of another AU				

- 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:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-10-01 or 350-10-03	Other Liabilities - Creditors Dr or Other Liabilities – Expense Dr	10,000		Journal, Ledger, Register of Transfer Advice
470-20-00	To Inter Unit Account – AU		10,000	
Narration: Being entry for recognition of expense or liability on receipt of Transfer Advice from Originating AU				

### **ACCOUNTING FOR TRANSFER OF ASSETS/LIABILITIES BETWEEN AUs**

8.244 Similar to collections and payments in Para 8.243 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-1) on the 'Responding AU'.

- a. Recording of Transfer of Assets: The 'Originating AU' shall raise the Advice of 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:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
470-20-00	Inter Unit Account – AU-1	Dr	1,00,000		Journal, Ledger, Register of Transfer Advice, Register of fixed assets and Register of Stocks
470-20-00	Inter Unit Account – AU-2	Dr	20,000		
410-50-03	To Fixed assets - Cars			1,00,000	
430-10-04	To Stock in Hand – Stationary			20,000	
Narration: Being entry for transfer of fixed assets to Responding AU					

ii. In the books of the 'Responding AU' is as follows:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	
410-50-03	Fixed assets - Cars	Dr	1,00,000		Journal, Ledger, Register of Transfer Advice, Register of fixed assets and Register of Closing Stocks
430-10-04	Stock in Hand – Stationary	Dr	20,000		
470-20-00	To Inter Unit Account – AU – 1			1,00,000	
470-20-00	To Inter Unit Account - AU - 2			20,000	
Narration: Being entry for receipt of fixed assets from Originating AU					

b. Recording of Transfer of Liability: The 'Originating AU' shall raise the Advice of Transfer – Credit (ATC) when there is a transfer of liability. The accounting entry for the ATD raised is as follows:

i. In the books of the 'Originating AU' is as follows:

Account			Amount (Rs.)		Books to be entered into
Code	Description		Debit	Credit	

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
350-10-01	Other Liability Account – Supplier Dr	1,00,000		Journal, Ledger, Register of Transfer Advice
470-20-00	To Inter Unit Account - AU		1,00,000	
Narration: Being entry for transfer of liability of Originating AU to Responding AU				

ii. In the books of the 'Responding AU' is as follows:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
470-20-00	Inter Unit Account - AU Dr	1,00,000		Journal, Ledger, Register of Transfer Advice
350-10-01	To Other Liability Account – Supplier		1,00,000	
Narration: Being entry for transfer of liability of Originating AU to Responding AU				

### **ACCOUNTING FOR NON – ACCEPTANCE OF ATD/ ATC RAISED**

8.245 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.

8.246 Recording of Cancellation of ATD/ ATC: If the reasons claimed in the ATD/ ATC are justifiable, then the AU's Accounts Section shall cancel the ATD/ATC. On cancellation, Accounts Section of the 'originating AU' shall reverse the entry passed by it on raising the ATDs/ ATCs in its books.

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 ATDs/ATCs**

8.247 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 intimate the 'Originating AU' accordingly.

8.248 The 'Originating AU', in such circumstances, shall follow the following accounting procedure if the reasons for rejection made by the 'Responding AU' are a found justified.

- a. Step 1: Cancel the original ATD/ ATC: For cancellation of the ATD or ATC, which is being modified, the Accounts Section of the Originating AU shall follow the procedure described above.
- b. Step 2: Raising of revised ATD/ ATC: For raising a revised ATD/ ATC, the Originating AU's Accounts Section shall follow the procedure described above

8.249 The Originating AU's Accounts Section shall update the Register of IUT Advice along with the reasons for modification.

## **INTERNAL CONTROLS**

8.250 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 Accounts Section shall ensure that the combined balance under all IUT account heads are tallied with the balance appearing in the ATD/ATC.
- d. In case of any disputed IUTs identified during the reconciliation process, the ULB's Accounts Section 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 ULB's Accounts Section shall ensure that the

balance of all IUT Account heads is nullified in the consolidated accounting statement of the ULB.

### **PRESENTATION IN FINANCIAL STATEMENTS**

8.251 The various heads of account 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 - 1**

**Name of the ULB \_\_\_\_\_**

**Name of the Accounting Unit (AU)**

**Advice of Inter Unit Transfer - Debit/ Credit (ATD/ ATC)**

**(Tick the appropriate)**

**Date...**

**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 duly endorsed 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-2**

**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.)		Accept ance date	Remarks *
					(Dr.)	(Cr.)		
		Op. Bal.						

\* Reasons for cancellation / modification needs to be filled in

**PERIODICAL FINANCIAL STATEMENTS****CHAPTER 9***Assess Financial Progress – Make It Routine*

9.1 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 and this shall be in addition to the annual accounts.

9.2 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 upto date and accurate. These would be in addition to quarterly and annual procedures.

9.3 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:

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 statutory deductions and remittances
- d. Payment of provident fund dues and pension contribution in respect of employees on deputation
- e. Reconciliation of Function wise Income/Expense Subsidiary Ledgers with respective Trial Balance totals.
- f. Compilation of details of closing stock for recording the consumption of stores at the end of the month.
- g. 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 SC/ST/BC or similar other welfare schemes
- i. Confirmation from Government/Quasi-government and Government owned agencies
- j. Closing of Ledger Accounts



9.4 Each of the above procedures has been described in detail as follows:

### **Daily Procedures**

9.5 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.

9.6 Physical verification of cash balance: Cash available with the Cashier/Shroff shall be physically verified. The values and denominations of the cash physically verified shall be noted in the Cash Book itself. This shall be signed by the Cashier/Shroff and certified by the Head of the Accounts Section. The cash balance as physically verified should match with the closing cash balance as per the Cash Book.

9.7 Deposit of collections (both cash and cheque) in the Bank: The cash and cheque collection shall be remitted in the manner and in accordance with the procedure provided for in Chapter 4 - 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.

9.8 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 Section or other designated officer. The employee making the concerned posting shall also certify the posting of each transaction as recorded in the books of original entries. Necessary rectification entries shall be passed immediately in respect of differences or errors in posting.

9.9 Verification of number of receipts issued as reported by the collection office with the Collection Register: On receipt of Challan for Remittance of Money from the Collection Office, the Officer 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 Challan for Remittance of Money. The number of receipts cancelled shall be reported in the Challan for Remittance of Money.

9.10 Updation of Subsidiary Ledger: The Accounts Section 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 Expenses Subsidiary Ledger in respect of all major heads of Expenses during the day;

## **Monthly Procedures**

9.11 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 this chapter under the section Reconciliation Procedures.

9.12 Recording of expenditure incurred against permanent advance: At the end of each month, the Officer, 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 Sections shall be updated on a daily basis for the expenses incurred and for Payment Order sent to the Accounts Section. In case the permanent advance is completely spent in the middle of the month, Payment Order may be submitted for expenses incurred.

9.13 Payment of statutory deductions to the Statutory Authorities concerned within time. The Accounts Section shall ensure that the statutory deductions such as TDS, NAC, SC, VAT, etc. deducted from the bills remitted to the Statutory Authorities concerned within the time. Remittance has to be made after reconciliation of monthly deductions.

9.14 Payment of provident fund dues and pension contribution in respect of employees on deputation. The Accounts Section shall ensure that the provident fund deducted from the salaries of the employees on deputation and the pensionary contribution payable for their benefit have been paid on time to the concerned Organization.

9.15 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 Section 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 Expenses Subsidiary Ledger in respect of all major heads of Expenses during the day.

9.16 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 under Stores in Chapter 8.

9.17 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 has been outlined in this chapter under the section - Financial Statements.

### **Quarterly Procedures**

9.18 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 Sections 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 provided in this chapter under the section Reconciliation Procedures.

9.19 Provision for period-end expenses: At the end of an accounting period (quarter), all the Sections of the ULB shall prepare a Statement of Outstanding Liability for Expenses in Form GEN – 28. The procedure 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 various Sections 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 6 – Revenue Expenses.
- 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 8 – Fixed Assets (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 6 - 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 7 – 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 8 - Fixed Assets.
- f. Provision for Depreciation on Fixed assets shall be calculated in accordance with the procedures outlined in the Chapter 8 – Fixed Assets.

9.20 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 Section shall pass the relevant entries in accordance with the procedures outlined in Chapter 5 - Grants.

9.21 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 Section shall pass the relevant entries in accordance with the procedures outlined in Chapter 5 - Grants.

9.22 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 6.

9.23 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 6.

9.24 Accrual of interest on investments. Interest accrued but not due on investments made shall be accrued in accordance with the procedures outlined in Chapter 6.

9.25 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 6.

9.26 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 Section. The Accounts Section shall ensure that the total expenditure incurred as stated in the Statement tallies with the cumulative total of several Capital Work-in-Progress Ledger Accounts.

9.27 Reconciliation of Inter Unit Account balances: At the end of each period, reconciliation of inter unit transactions has to be undertaken to confirm the transactions and to resolve the differences if any between an 'Originating AU' and the 'Responding AU'. 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.

9.28 Passing of adjustment entries: At the period-end, the Accounts Section 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 4 - General Accounting Procedures shall be made by the Accounts Section.

9.29 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 this Chapter under '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**

9.30 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.

9.31 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 the presence of the stock verification team constituted by the Commissioner, 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 8 - Stores.

9.32 Physical verification of Fixed Assets: A Committee consisting of Municipal Commissioner, Head of the Accounts Section, Head of the Public Works Section and such other representatives as the Council/Standing Committee 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 Council/Standing Committee. For this, the Committee shall prepare a Plan of Action for physical verification of its fixed assets. The Accounts Section together with the Public Works Section 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.

9.33 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 7 - Special Funds. A control shall be kept on the projects executed under any Special Fund for effecting transfer of balance.

9.34 Confirmation of all categories of advances. At the end of the year, the Accounts Section shall obtain a confirmation from all the persons to whom advances have been provided including the Heads of the Section for Permanent Advance and employees of the ULB for miscellaneous advance provided.

9.35 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 Chapter 5 on various types of Revenue Income. The arrears of Receivables shall be carried forward year-wise upto two years or five years depending on the provision norm applicable to that Revenue Income. On completion of the previous financial 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 Section shall make a provision based on the provisioning principle suggested for various types of Revenue Income.

9.36 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 6 - Other Revenue Expenditures.

9.37 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.

9.38 Expenditure for the benefit of SC/ST/BC Welfare or similar other benefit schemes. At the year-end, the Accounts Section shall collate the expenditure incurred for the benefit of SC/ST/BC Welfare or similar other benefit schemes from the records maintained therefor. The difference between the amount spent and the amount required to be spent as per the Government instructions shall be transferred from the Main Bank Account to relevant Welfare Fund Bank Account or other similar benefit fund Bank Account with a corresponding creation of/addition to respective Welfare Fund.

9.39 Confirmation from Government/Quasi-Government and Government owned agencies. At the end of each accounting year, the Accounts Section shall prepare and forward a balance confirmation statement to Government and Quasi-Government and various Government owned agencies in the format as prescribed under Reconciliation Procedures in this chapter. Based on replies received, the Accounts Section shall undertake appropriate remedial action, including passing of necessary rectification entries, for reconciling the balances.

9.40 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 31<sup>st</sup> 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 Preparation of Financial Statements.

9.41 After the Annual Financial Statements have been prepared, the Accounts Section shall pass the following entries for transfer of income and expenditure ledger balances to the Income and 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	Debit Amount (Rs.)	Credit Amount (Rs.)	Books to be entered into
110-01-01	Tax Income – Property Tax Dr	10,00,00,000		Journal Book , Ledger
110-02-01	Water Taxes Dr	2,00,00,000		
120-01-01	Duty on Transfer of Property Dr	4,00,00,000		
140-14-02	Betterment Charges Dr	20,00,000		
150-10-03	Sale of Raw Water Dr	15,00,000		
	Dr	.		
	Dr	.		
	Dr	.		
	Dr	.		
	To Income & Expenditure Account		23,75,50,000	
Narration: being transfer of income ledger balances to income side of Income and Expenditure Statement				

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".

- ii. For transfer of expenditure ledger balances to expenditure side of Income and Expenditure Statement:

Code of Account	Accounting Entry	Debit Amount (Rs.)	Credit Amount (Rs.)	Books to be entered into
	Income & Expenditure Account Dr	21,50,00,000		Journal Book , Ledger
210-10-01	To Basic Pay		7,00,00,000	
220-10-02	To Rates & Taxes		50,00,000	
220-21-01	To Printing		25,00,000	
230-30-01	To Engineering Stores Consumed		75,00,000	
230-30-04	To Central Stores Consumed		50,00,000	
230-50-03	To Repairs & Maintenance – Bridges		2,50,00,000	
230-52-03	To Repairs & Maintenance – Office Building		1,00,00,000	
	To .....		.	
	To .....		.	
	To .....		.	
	To .....		.	
	To .....		.	
	To .....		.	
Narration: being transfer of expenditure ledger balances to expenditure side of Income and Expenditure Statement				

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".

9.42 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.

## Reconciliation Procedures

9.43 The objective of the reconciliation procedures is to ensure that if 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 Section and at the Accounts Section. The recommended reconciliation procedures will ensure that the receivables figure is the same at both the sections and in both the sets of records. In case of differences, necessary adjustments may need to be carried out either by the Accounts Section or the Tax Section.

9.44 The reconciliation procedures are to be carried out by the Accounts Section, Pre-Audit Section and the concerned Sections.

9.45 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) Property and other taxes;
  - ii) Water supply charges
  - iii) Cess;
  - iv) Other heads of revenues.
- e) Reconciliation of advances to:
  - i) Contractors/suppliers;
  - ii) Sections 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 Section.
- i) Fees & User Charges,
  - ii) Sale & Hire Charges,
  - iii) Establishment Expenses,
  - iv) Administrative Expenses, and
  - v) Operation & Maintenance Expenses.

### **BANK RECONCILIATION**

9.46 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.

9.47 The bank balances as per the Cash Book and the Pass Book may not tally for the reasons listed in Table 9.1.

**Table 9.1**

#### **Factors necessitating Bank Reconciliation**

<b>Reconciliation factors</b>	<b>Effect on Cash Book bank balance</b>	<b>Effect on bank balance as per Pass Book</b>
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
Payment of Salary of Officers drawing from State Funds	No effect	Bank balance reduces to the extent of salary
Any other reason which may result in difference between bank balance as per Cash Book and Pass Book		

9.48 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 dates when the cheques have been realised shall also be recorded in the Receipt Register and Status of Cheques Received (Form GEN-10).
- c) The daily total of cheques realised in the bank shall be derived from the Receipt Register and Status of Cheques Received; 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) Table 9.2 below 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 items represent 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 payees.
- 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 unlinked 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 9.2**

#### **Bank Reconciliation Statement for \_\_\_\_\_ Bank as on \_\_\_\_\_**

<b>Particulars</b>	<b>Amount (Rs.)</b>	<b>Amount (Rs.)</b>
<b>Bank Balance as per Cash Book</b>		
Add: Cheques issued but not presented into bank (a cheques-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		
<b>Sub-total</b>		
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		
Less: Payment of Salary of officers drawn from state funds		
<b>Bank Balance as per Pass Book/Bank Statement</b>		

9.49 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**

9.50 Reconciliation of inter unit transactions is intended to identify the disputed / unaccepted inter unit transactions between an 'Originating AU' and the 'Responding AU'

and to 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 prepare reconciliation statement in the format given below in Table 9.3 below 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 Section shall ensure that all 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 ULB's Accounts Section shall take appropriate action in resolving the disputed IUTs.

**Table 9.3**

**Name of ULB \_\_\_\_\_**

**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	

Particulars	Amount (Rs.)		Remarks (Accepted/ Unacceptable)
	Debit	Credit	
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**

9.51 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 Sections and those maintained at the Accounts Section.

9.52 The Deposit Reconciliation shall be carried out quarterly or at such shorter time intervals as the ULB may decide.

9.53 The Section 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 9.4 below for all the deposits received by it and forward it to the Accounts Section. 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 9.4**

#### **Reconciliation Statement of Deposits Outstanding with the ULB**

**Received by \_\_\_\_\_ Section 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 Statements of Collections through which deposits have been received)	

<u>Less</u> : Deposits returned during the current accounting period (specify all the Payment Orders through which the deposits have been refunded)	
<u>Less</u> : Deposits Adjusted (Give details)	
<u>Less</u> : Deposits Lapsed	
<b>Deposits outstanding at the end of the accounting period</b>	

9.54 The balances computed above would be reconciled with the balances for Deposits shown in the Ledger of the Accounts Section and the Deposit Register (Form GEN-18) maintained by the concerned Sections. The reasons for differences, if any, shall be identified and rectification entries passed wherever required by the concerned Section, which has recorded the entry incorrectly.

### **RECONCILIATION OF RECEIVABLES AND COLLECTIONS**

9.55 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) Property Tax receivables;
- b) Water Supply receivables;
- c) Cess receivables;
- d) Receivables on account of other heads of revenues.

9.56 For instance, for reconciling water supply receivables and collections, the following shall be done:

The Water Supply Section 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 9.5 below and forward the details to Accounts Section.

**Table 9.5**

#### **Reconciliation Statement of Receivables and Collection**

**Details for \_\_\_\_\_ Section as on \_\_\_\_\_**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount (Rs.)</b>	<b>Amount (Rs.)</b>
<b>A</b>	<b>OPENING BALANCE OF DEMAND OUTSTANDING</b>		
I	Demand outstanding in respect of the previous quarters/accounting periods of the current accounting year		
li	Demand outstanding in respect of previous accounting years (This detail should be given year-wise, wherever applicable)		

Sr. No.	Particulars	Amount (Rs.)	Amount (Rs.)
<b>B</b>	<b>Add: Demand raised during the current Quarter/Period</b>		
<b>C</b>	<b>TOTAL DEMAND OUTSTANDING</b>		
<b>D</b>	<b>COLLECTIONS DURING THE CURRENT QUARTER/PERIOD</b>		
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		
<b>E</b>	<b>Total collections during the current quarter/accounting period (i + ii + iii + iv)</b>		
<b>F</b>	<b>CLOSING BALANCE OF DEMAND OUTSTANDING</b>		
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)]		

9.57 The Reconciliation Statement received by the Accounts Section shall be reconciled with the respective ledger accounts maintained by the Accounts Section. The reasons for differences, if any, shall be identified and rectification entries passed wherever required by the Section, which has recorded the entry incorrectly.

### **RECONCILIATION OF ADVANCES GIVEN**

9.58 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. Sections of the ULB; and
- c. Employees of the ULB.

### **Reconciliation of advance given to Contractors/Suppliers**

9.59 The concerned Section shall maintain a record of the advances given to each of the contractors/suppliers. The Accounts Section shall also maintain a record of the advances provided in a Register of Advances (Form GEN-16).

9.60 The Section which had initially sanctioned advance to the contractor/supplier shall prepare a Reconciliation Statement of Advances Outstanding in the format provided in Table 9.6 below for all the contractors/suppliers and forward it to the Accounts Section. In case there is a discrepancy between the records of the two Sections, this statement may have to be prepared for each contractor/supplier.

**Table 9.6**  
**Reconciliation Statement of Advances Outstanding provided to**  
**Contractor/Supplier**  
**by \_\_\_\_\_ Section as on \_\_\_\_\_**

Particulars	Amount (Rs.)
Advance outstanding at the beginning of the accounting period	
<u>Add</u> : Further advances given during the current accounting period (specify all the Payment Orders through which advances have been provided)	
<b>Total Advance Provided</b>	
<u>Less</u> : Advances recovered during the current accounting period (specify all the Statements of Collection through which advances have been recovered)	
<u>Less</u> : Advances Adjusted (Give details)	
<b>Advances outstanding at the end of the accounting period</b>	

9.61 The Reconciliation Statement of Advances Outstanding received by the Accounts Section shall be reconciled with the respective ledger accounts and the Register of Advances maintained by the Accounts Section. The reasons for differences, if any, shall be identified and rectification entries passed wherever required by the Section, which has recorded the entry incorrectly.

### **Reconciliation of Permanent Advances given to Sections**

9.62 The Sections receiving the permanent advances from the Accounts Section shall maintain a record of the advances received by them in the Register of Permanent Advance (Form GEN-17). The Accounts Section shall also maintain a record of the advances provided to the Sections in a Register of Advance (Form GEN-16).



9.63 The head of the concerned Section shall send to the Accounts Section a confirmation of the advances provided to his Section stating the purpose for which it was provided in the format provided in Table 9.7 below. The confirmation received shall be tallied with the Register of Advances by the Accounts Section.

**Table 9.7**  
**Reconciliation Statement of Permanent Advance provided to**  
**Section as on**

Particulars	Amount (Rs.)
Advance outstanding at the beginning of the accounting period	
<u>Add</u> : Further advance given /replenished during the current accounting period (specify all the Payment Orders through which advance have been provided/replenished)	
<b>Total Advance Provided</b>	
<u>Less</u> : Expenditure incurred against the advance provided	
<b>Advance outstanding at the end of the accounting period</b>	

9.64 The reasons for differences, if any, shall be identified and rectification entries passed wherever required by the Section, which has recorded the entry incorrectly.

**Reconciliation of advance given to Employees**

9.65 The employees of the ULB may be provided with two kinds of advances, namely - personal advance or miscellaneous advance.

9.66 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 9.8 below. The confirmation statement so obtained shall be reconciled with the record of the employees maintained at the Establishment Section, where a consolidated Statement of Advance provided to Employees shall be prepared and forwarded to the Accounts Section. The Accounts Section shall reconcile the total amount of advance provided with the Control Ledger Accounts.

**Table 9.8**  
**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	

Particulars	Amount (Rs.)
<u>Add</u> : Further advance given during the current accounting period (specify all the Payment Orders through which advance have been provided/replenished)	
<b>Total Advance Provided</b>	
<u>Less</u> : Advance recovered including recovery from the salary during the current accounting period	
<b>Advance outstanding at the end of the accounting period</b>	

9.67 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 9.9 below. The statement obtained shall be confirmed with the records maintained in the Register of Advances in Form GEN-16.

**Table 9.9**

**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	
<u>Add</u> : Further advances given during the current accounting period (specify all the Payment Orders through which advance have been provided/replenished)	
<b>Total Advance Provided</b>	
<u>Less</u> : Expenditure incurred against advance provided	
<u>Less</u> : Advance adjusted (Give details)	
<b>Advance outstanding at the end of the accounting period</b>	

9.68 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**

9.69 The Accounts Section shall maintain a record of all the loans borrowed in Register of Loans (Form BR-1). At the end of each accounting year, the Accounts Section shall prepare and forward to the lender, a Confirmation Statement for loan borrowed in the format provided in Table 9.10 below stating therein, the amount borrowed or disbursed directly to Executing Agency, the amount repaid and interest accrued and paid on the loan.

**Table 9.10**  
**Confirmation Statement of Loan borrowed from**  
**(name of the lending agency) as on**

Particulars	Amount (Rs.)	Amount (Rs.)
<b>Loan outstanding at the beginning of the accounting year</b>		
Add: Instalments received during the accounting year		
<b>Sub-total loan outstanding</b>		
Less: Instalments paid during the accounting year		
<b>Net Loan outstanding at the end of the accounting year (A)</b>		
<b>Total Interest Payable at the beginning of the accounting year</b>		
Add: Interest accrued during the accounting year		
<b>Total Interest Payable</b>		
Less: Interest paid during the accounting year		
<b>Total Interest Payable at the end of the accounting year (B)</b>		
<b>Total amount due (principal plus interest) at the end of the accounting year (A+B)</b>		

Based on the reply received, the ULB shall take steps for reconciliation of the difference, if any.

### **RECONCILIATION OF PAYABLES (SUPPLIERS AND CONTRACTORS)**

9.70 The concerned Sections and the Accounts Section maintain a Register of Bills for Payment (Form GEN – 13) in which all bills submitted for payment are recorded. The concerned Section shall ascertain the information required as per Table 9.11 below and forward the details to the Accounts Section.

**Table 9.11**  
**Reconciliation Statement of Payables**  
**Details for \_\_\_\_\_ Section as on \_\_\_\_\_**

Sr. No.	Particulars	Amount (Rs.)	Amount (Rs.)
<b>A</b>	<b>OPENING BALANCE OF UNPAID BILLS</b>		
i.	Bills outstanding in respect of the previous quarters/accounting periods of the current accounting year		

Sr. No.	Particulars	Amount (Rs.)	Amount (Rs.)
ii.	Bills outstanding in respect of previous accounting years (This detail should be given year-wise, wherever applicable)		
<b>B</b>	<b>Add: Bills received during the current quarter/period</b>		
<b>C</b>	<b>GROSS TOTAL LIABILITY OUTSTANDING (A + B)</b>		
<b>D</b>	<b>PAYMENTS DURING THE CURRENT QUARTER/PERIOD</b>		
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)		
<b>E</b>	<b>Total payments during the current quarter/accounting period (i + ii + iii)</b>		
<b>F</b>	<b>CLOSING BALANCE OF UNPAID BILLS</b>		
i.	Bills outstanding in respect of the current quarters/accounting periods of the current accounting year [B – D(i)]		
ii.	Bills outstanding in respect of the previous quarters/accounting periods of the current accounting year [A(i) – D(ii)]		
iii.	Bills outstanding in respect of previous accounting years (This detail should be given year-wise, wherever applicable) [A(ii) – D(iii)]		

9.71 The Reconciliation Statement received by the Accounts Section shall be reconciled with the respective ledger accounts maintained by the Accounts Section. The reasons for differences, if any, shall be identified and rectification entries passed wherever required by the Section, which has recorded the entry incorrectly.

### **RECONCILIATION OF BALANCES WITH GOVERNMENT, QUASI-GOVERNMENT AGENCIES, GOVERNMENT CORPORATIONS, ETC.**

9.72 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.

9.73 At the end of each accounting year, the Accounts Section shall prepare and forward to the concerned authority/agency within 15 days from the end of the accounting year, a Confirmation Statement stating therein

- o the amount receivable from the authority/agency in Table 9.12, or
  - o the amount payable to the authority/agency in Table 9.13,
- depending on whether sum is receivable from or payable to the concerned authority/agency.

**Table 9.12****Confirmation Statement of balances receivable from \_\_\_\_\_ as on \_\_\_\_\_**

Sr. No.	Particulars	Amount (Rs.)	Amount (Rs.)
<b>A</b>	<b>AMOUNT OUTSTANDING AS AT THE BEGINNING OF THE ACCOUNTING YEAR</b> Demand outstanding in respect of previous accounting years (This detail should be given year-wise, wherever applicable)		
<b>B</b>	<b>Add: Bills for Demand raised for Services rendered or Goods supplied during the current Accounting Year</b>		
<b>C</b>	<b>GROSS TOTAL DEMAND OUTSTANDING (A + B)</b>		
<b>D</b>	<b>COLLECTIONS RECEIVED DURING THE CURRENT ACCOUNTING YEAR</b>		
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)		
<b>E</b>	<b>Total collections made during the current accounting year (i + ii)</b>		
<b>F</b>	<b>CLOSING BALANCE OF DEMAND OUTSTANDING</b>		
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 9.13****Confirmation Statement of balances payable to \_\_\_\_\_ as on \_\_\_\_\_**

Sr. No.	Particulars	Amount (Rs.)	Amount (Rs.)
<b>A</b>	<b>AMOUNT OUTSTANDING AS AT THE BEGINNING OF THE ACCOUNTING YEAR</b>		
	Bills outstanding in respect of previous accounting years (This detail should be given year-wise, wherever applicable)		

Sr. No.	Particulars	Amount (Rs.)	Amount (Rs.)
<b>B</b>	<b>Add: Bills received for payment during the current Accounting Year</b>		
<b>C</b>	<b>GROSS TOTAL LIABILITY OUTSTANDING (A + B)</b>		
<b>D</b>	<b>PAYMENTS MADE DURING THE CURRENT ACCOUNTING YEAR</b>		
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)		
<b>E</b>	<b>Total payments made during the current accounting year (i + ii)</b>		
<b>F</b>	<b>CLOSING BALANCE OF OUTSTANDING PAYMENTS</b>		
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)]		

9.74 In case, where both the amount due from and payable to any authority/agency, both the Statements shall be submitted for balance confirmation to the authority/agency concerned.

9.75 Based on the reply received, the ULB shall take steps for reconciliation of the difference, if any.

#### **RECONCILIATION OF LEDGER BALANCES IN INCOME AND EXPENDITURE ACCOUNTS WITH FUNCTION WISE INCOME/EXPENSE SUBSIDIARY LEDGERS**

9.76 As explained in Chapter 4 – General Accounting Procedure, Function-wise Subsidiary Ledgers are to be opened in respect of all major income and expenditure. The various income and expenditure 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 expenditure heads. Simultaneously, entries are to be made in the Function-wise Subsidiary Ledger so that Section-wise information is also readily available.

9.77 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.

## Financial Statements

9.78 The provisions of the Act governing the ULBs and rules issued thereunder stipulate preparation of Annual Accounts by the ULB. The Annual Account shall be in such form and shall contain such information as Government may from time to time direct.

9.79 Preparation of Annual Account comprising various Financial Statements is the responsibility of Head of Accounts Section. However, the ultimate responsibility lies with the Municipal Commissioner of the ULB. The Annual Accounts shall be prepared within such period as may be specified in the rules. The Annual Accounts shall be placed before the Council/Standing Committee for approval and shall be forwarded to the auditor appointed by Government for audit.

9.80 The Financial Statements shall consist of:

- (i) Balance Sheet
- (ii) Income and Expenditure Statement
- (iii) Statement of Cash flows ( a summary of ULB's cash flow over a given period of time)
- (iv) Receipts and Payments Account
- (v) Notes to Accounts, and
- (vi) Financial Performance Indicators

9.81 The Municipal Commissioner shall state that the books of account are maintained in the manner as required by the Act and rules; and as per the provisions of the Andhra Pradesh Municipal Accounts Manual. He shall also state that proper accounting principles have been adopted and applied consistently while accounting for the transactions and preparing the Annual Financial Statements. In determining the accounting treatment and manner of disclosure of an item in the Income and Expenditure Statement and/or in the Balance Sheet, due consideration shall be given to the materiality of the item.

He 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 also state the steps taken to improve the performance.

9.82 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, at 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 Accounts 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 six statements and reports.

9.83 The Financial Statements prepared at the end of each quarter shall also be placed before the Council/Standing Committee within such period as may be specified in the rules.

9.84 The Annual Accounts comprising various Financial Statements are subject to audit by Auditors appointed by Government in this behalf.

- The Auditor so appointed shall, upon completion of audit of the accounts, issue a report on the Financial Statements of the ULB.
- The Municipal Commissioner shall rectify the defects pointed out in the audit report and submit it to the auditors within a period of two months from the date of receipt of audit report.
- Before submitting the rectification report to the auditors, it shall be placed before the Council/Standing Committee

The details about the audit of accounts are available in the Andhra Pradesh Municipal Audit Manual.

9.85 The amounts in the Annual Financial Statements and the Schedules forming part of the Financial Statements shall be stated in the units of Rupees. It shall be disclosed in thousands/ lakhs of Rupees also, if the ULB decides so with the approval of State Government.

### **TRIAL BALANCE**

9.86 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.

9.87 The Trial Balance shall be prepared as shown in Table 9.14

**Table 9.14**  
**Trial Balance for the period from \_\_\_\_\_ to \_\_\_\_\_**

Code No	Particulars	Debit (Rs.)	Credit (Rs.)
	Total		

9.88 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.

9.89 The following are the steps involved in the preparation of 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.

9.90 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.

9.91 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.

9.92 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 shall left out without carrying them either to Income and Expenditure Account or the Balance sheet.

9.93 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 shall be transferred to the Financial Statements.

### **CONSOLIDATION OF 'INDIVIDUAL ACCOUNTING UNIT'S TRIAL BALANCE'**

9.94 As explained in this chapter, each accounting unit shall maintain its books of account independently. The AUs shall generate Trial Balance at the period ends.

9.95 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 9.15 below:

**Table 9.15**  
**Trial Balance for the period from \_\_\_\_\_ to \_\_\_\_\_**

Account		Amount (Rs)											
Code	Head	Unit A		Unit B		Unit C		Head office		Adjustments		Consolidated balance	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.

9.96 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 under Inter Unit Transactions in para 9.50.

9.97 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**

9.98 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.

9.99 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.

9.100 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.

9.101 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.

9.102 The Income and Expenditure Statement shall be prepared in the format shown in Table 9.16

9.103 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 Balance Sheet.

## **BALANCE SHEET**

9.104 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.

9.105 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.

9.106 The Balance Sheet shall be prepared in the format shown in Table 9.17.

9.107 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**

9.108 ULBs may maintain separate accounts for each fund. State Government 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 the same across all funds. Trial Balance shall be generated for each Fund and the Financial Statements as explained above shall be prepared for each Fund separately and then consolidated to present the ULB level position.

## **FINANCIAL STATEMENTS FOR MERGER OF ULBs**

9.109 In case the financial statements are prepared on account of merger of two or more ULBs or Panchayaths, the accounting principles and disclosures in the merged financial statements is covered under Merger in Chapter 8.

**Table 9.16**  
**Income and Expenditure Statement for the period from \_\_\_\_\_ to \_\_\_\_\_**

Code No.	Item/ Head of Account	Sch edule No	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4	5
	<b>INCOME</b>			
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		
<b>A</b>	<b>Total – INCOME</b>			
	<b>EXPENDITURE</b>			
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>B</b>	<b>Total – EXPENDITURE</b>			
<i>A-B</i>	<i>Gross surplus/ (deficit) of income over expenditure before Prior Period Items</i>			
2-80	<b>Add:</b> Prior period Items (Net)	I-18		
	<i>Gross surplus/ (deficit) of income over expenditure after Prior Period Items</i>			
2-90	<b>Less:</b> Transfer to Reserve Funds			
	<b>Net balance being surplus/ deficit carried over to Municipal Fund</b>			

**Table 9.17**  
**Balance Sheet of \_\_\_\_\_ as on \_\_\_\_\_**

Code No	Description of items	Schedule No.	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
	<b>LIABILITIES</b>			
	<b>Reserve &amp; Surplus</b>			
3-10	Municipal (General) Fund	B-1		
3-11	Earmarked Funds	B-2		
3-12	Reserves	B-3		
	<b>Total Reserves &amp; Surplus</b>			
3-20	<b>Grants, Contributions for specific purposes Loans</b>	B-4		
3-30	Secured Loans	B-5		
3-31	Unsecured Loans	B-6		
	<b>Total Loans</b>			
	<b>Current Liabilities and Provisions</b>			
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		
	<b>Total Current Liabilities and Provisions</b>			
	<b>TOTAL LIABILITIES</b>			
	<b>ASSETS</b>			
	<b>Fixed Assets</b>			
4-10	Gross Block	B-11		
4-11	<u>Less: Accumulated Depreciation</u>			
	Net Block			
4-12	Capital Work-in-Progress			
	<b>Total Fixed Assets</b>			
	<b>Investments</b>			
4-20	Investment – General Fund	B-12		
4-21	Investments – Other Funds	B-13		
	<b>Total Investments</b>			

Code No	Description of items	Schedule No.	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
	<b>Current Assets, Loans and Advances</b>			
4-30	Stock in Hand (Inventories)	B-14		
4-31	Sundry Debtors (Receivables)	B-15		
	Gross amount outstanding			
4-32	Less: Accumulated provision against bad and doubtful Receivables			
	<i>Net amount outstanding</i>			
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			
	<i>Net Amount outstanding</i>			
	<b>Total Current Assets, Loans &amp; Advances</b>			
4-70	Other Assets	B-19		
4-80	Miscellaneous Expenditure (to be written off)	B-20		
	<b>TOTAL ASSETS</b>			

9.110 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	Property tax		
110-02	Water tax		
110-03	Sewerage Tax		
110-04	Conservancy Tax		
110-05	Lighting Tax		
110-06	Education tax		
110-07	Vehicle Tax		
110-08	Tax on Animals		
110-11	Advertisement tax		
110-12	Pilgrimage Tax		
110-51	Octroi & Toll		
110-52	Cess		
110-80	Other taxes		
	<b>Sub-total</b>		
110-90	Less Tax Remissions and Refund [Schedule I -1 (a)]		
	Sub-total		
	<b>Total tax revenue</b>		

**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		
	<b>Total refund and remission of tax revenues</b>		

\* Insert the Detailed Codes of Account as applicable

**Schedule I-2 : Assigned Revenues & Compensation [Code No 120]**



<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
120-10	Taxes and Duties collected by others		
120-20	Compensation in lieu of Taxes / duties		
120-30	Compensations in lieu of Concessions		
<b>Total assigned revenues &amp; compensation</b>			

**Schedule I-3: Rental income from Municipal Properties [Code No 130]**

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
130-10	Rent from Civic Amenities		
130-20	Rent from Office Buildings		
130-30	Rent from Guest Houses		
130-40	Rent from lease of lands		
130-80	Other rents		
	<b>Sub-Total</b>		
	Less:		
130-90	Rent Remission and Refunds		
	Sub-total		
	<b>Total Rental Income from Municipal Properties</b>		

**Schedule I-4 : Fees & User Charges [Code No 140]**

**Schedule I-4 (a): Fees & User Charges – Income head-wise [Code 140]**

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
140-10	Empanelment & Registration Charges		
140-11	Licensing Fees		
140-12	Fees for Grant of Permit		
140-13	Fees for Certificate or Extract		
140-14	Development Charges		
140-15	Regularisation Fees		
140-20	Penalties and Fines		
140-40	Other Fees		
140-50	User Charges		
140-60	Entry Fees		
140-70	Service / Administrative Charges		
140-80	Other Charges		
	Sub-Total		
	Less:		
140-90	Fee Remission and Refunds		
	Sub-total		
	<b>Total income from Fees &amp; User Charges – Income head-wise</b>		

#### **Schedule I-4 (b): Fees & User Charges – Function wise**

Functions as applicable in the ULBs and on which fees and user charges are raised shall be stated here

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
	Municipal Body		
	Administration		
	Finance, Accounts, Audit		
	Election		

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
	Record Room Estate Stores & Purchase Workshop		
	Census ..... ..... .....		
	<b>Total income from fees &amp; user charges – Function wise</b>		

**Note:**

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-5 : Sale & Hire Charges [Code No 150]****Schedule I-5 (a): Sale & Hire Charges – Income head-wise [Code No 150]**

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
150-10	Sale of Products		
150-11	Sale of Forms & Publications		
150-12	Sale of stores & scrap		
150-30	Sale of Others		
150-40	Hire Charges for Vehicles		
150-41	Hire Charges for Equipment		
	<b>Total Income from Sale &amp; Hire charges – income head-wise</b>		

**Schedule I-5 (b): Sale & Hire Charges – Function wise**

Functions as applicable in the ULBs and on which sale & hire charges are raised shall be stated here.

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
	Municipal Body Administration Finance, Accounts, Audit Election Record Room Estate Stores & Purchase Workshop Census ..... ..... .....		
	<b>Total Income from Sale &amp; Hire charges – Function wise</b>		

Note:

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-6: Revenue Grants, Contributions & Subsidies [Code No160]**

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
160-10	Revenue Grant		
160-20	Re-imburement of expenses		
160-30	Contribution towards schemes		
	<b>Total Revenue Grants, Contributions &amp; Subsidies</b>		

**Schedule I-7: Income from Investments – General Fund [Code No 170]**

<b>Code No</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
170-10	Interest		
170-20	Dividend		
170-30	Income from projects taken up on commercial basis		
170-40	Profit in Sale of Investments		
170-80	Others		
	<b>Total Income from Investments</b>		

**Schedule I-8: Interest Earned [Code No 171]**

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
171-10	Interest from Bank Accounts		
171-20	Interest on Loans and advances to Employees		
171-30	Interest on loans to others		
171-80	Other Interest		
	<b>Total – Interest Earned</b>		

**Schedule I-9: Otehr Income [Code No180]**

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
180-10	Deposits Forfeited		
180-11	Lapsed Deposits		
180-20	Insurance Claim Recovery		
180-30	Profit on Disposal of Fixed Assets		
180-40	Recovery from Employees		
180-50	Unclaimed Refund/ Liabilities Written Back		
180-60	Excess Provisions written back		

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
180-80	Miscellaneous Income		
	<b>Total Other Income</b>		

**Note:**

Details of profit earned on Fixed Assets disposed (180-30) 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 assets sold, depreciation provided on that and the value realised on disposal.

**Schedule I-10: Establishment Expenses [Code No 210]****Schedule I-10 (a): Establishment Expenses – Expenditure head-wise**

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
210-10	Salaries, Wages and Bonus		
210-20	Benefits and Allowances		
210-30	Pension		
210-40	Other Terminal & Retirement Benefits		
	<b>Total establishment expenses – expense head wise</b>		

**Schedule I-10 (b): Establishment Expenses – Function wise**

Functions as applicable in the ULBs and on which establishment expenses are incurred shall be stated here.

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
	Municipal Body		
	Administration		
	Finance, Accounts, Audit		
	Election		

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
	Record Room		
	Estate		
	Stores & Purchase		
	Workshop		
	Census		
	....		
	.....		
	<b>Total establishment expenses – Function wise</b>		

Note: The total Establishment expenses as per Schedule I-10 (a) should tally with the total function wise expenses as per Schedule I-10 (b).

### **Schedule I-11: Administrative Expenses [Code No 220]**

#### **Schedule I-11 (a): Administrative Expenses – Expenditure head-wise**

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
220-10	Rent, Rates and Taxes		
220-11	Office maintenance		
220-12	Communication Expenses		
220-20	Books & Periodicals		
220-21	Printing and Stationery		
220-30	Travelling & Conveyance		
220-40	Insurance		
220-50	Audit Fees		
220-51	Legal Expenses		
220-52	Professional and other Fees		
220-60	Advertisement and Publicity		
220-61	Membership & subscriptions		
220-80	Other Administrative Expenses		

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
	<b>Total administrative expenses – expense head wise</b>		

### Schedule I-11 (b): Administrative Expenses – Function wise

Functions as applicable in the ULBs and on which administrative expenses are incurred shall be stated here.

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 .... .... ....		
	<b>Total Administrative expenses– Function wise</b>		

Note:

The total administrative expenses head-wise as per Schedule I-11 (a) should tally with the total administrative expenses function-wise as per Schedule I-11 (b).



**Schedule I-12: Operations and Maintenance [Code No 230]****Schedule I-12 (a): Operations & Maintenance – Expenditure head-wise**

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
230-10	Power & Fuel		
230-20	Bulk Purchases		
230-30	Consumption of Stores		
230-40	Hire Charges		
230-50	Repairs & maintenance – Infrastructure Assets		
230-51	Repairs & maintenance - Civic Amenities		
230-52	Repairs & maintenance – Buildings		
230-53	Repairs & maintenance – Vehicles		
230-59	Repairs & maintenance – Others		
230-80	Other operating & maintenance expenses		
	<b>Total operations &amp; maintenance - expense head wise</b>		

**Schedule I-12 (b): Operations & Maintenance Expenses – Function wise**

Functions as applicable in the ULBs and on which Operations & Maintenance expenses are incurred shall be stated here.

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
	Municipal Body		
	Administration		
	Finance, Accounts, Audit		
	Election		
	Record Room		
	Estate		

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
	Stores & Purchase		
	Workshop		
	Census		
	....		
	....		
	....		
	<b>Total Operations &amp; Maintenance expenses – Function wise</b>		

Note:

The total Operations & maintenance expenses head- wise as per Schedule I-12 (a) should tally with the total Operations & maintenance expenses function-wise as per Schedule I-12 (b).

**Schedule I-13: Interest & Finance Charges [Code No 240]**

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
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		
	<b>Total Interest &amp; Finance Charges</b>		

**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		
	<b>Total Programme Expenses</b>		

**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]		
	<b>Total Revenue Grants, Contributions &amp; Subsidies</b>		

**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	Provisions for Doubtful receivables		
270-20	Provision for other Assets		
270-30	Revenues written off		
270-40	Assets written off		
270-50	Miscellaneous Expense written off		
	<b>Total Provisions &amp; Write off</b>		

**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	Loss on disposal of Assets		
271-20	Loss on disposal of Investments		
271-30	Decline in Value of Investments		
271-80	Other Miscellaneous Expenditure		
	<b>Total Miscellaneous expenses</b>		

**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
	<b>Income</b>		
280-10	Taxes		
280-20	Other Revenues		
280-30	Recovery of revenues written off		
280-40	Other income		
	<b>Sub – Total Income (a)</b>		
	<b>Expenses</b>		
280-50	Refund of Taxes		
280-60	Refund of Other Revenues		
280-80	Other Expenses		
	<b>Sub – Total Expenses (b)</b>		
	<b>Total Prior Period (Net) (a- b)</b>		

The schedules to the Balance Sheet are 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	Municipal Fund					
310-90	Excess of Income over Expenditure					
	<b>Total Municipal fund (310)</b>					

\* 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**

**(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
<b>Code No.</b>							
<b>(a) Opening Balance</b>							
<b>(b) Additions to the Special Fund</b>							
(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)							
<b>Total (b)</b>							
<b>Total (a+b)</b>							
<b>(c) Payments out of funds</b>							
<b>(i) Capital expenditure on</b>							
Fixed Assets*							
Others							

Particulars	Special Fund 1	Special Fund 2	Special Fund 3	Special Fund 4	Special Fund 5	Pension Fund	General Provident fund
<b>Code No.</b>							
<b>Sub –total</b>							
<b>(ii) Revenue Expenditure on</b>							
Salary, Wages and allowances etc.							
Rent							
Other administrative charges							
<b>Sub –total</b>							
<b>(iii) Other:</b>							
Loss on disposal of Special Fund Investments							
Diminution in Value of Special Fund Investments							
Transferred to Municipal Fund							
<b>Sub –total</b>							
<b>Total of (i+ii+iii)</b>							
<b>Net balance at the year end = (a+b)-(c)</b>							
<b>Grand Total of Special Funds</b>							

Note: All funds are to be shown as separate funds 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 General Provident Fund/Contributory Provident Fund means Advances and Withdrawals.
- \* 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-3: Reserves [Code No 312]**

<b>Code No.</b>	<b>Particulars</b>	<b>Opening balance (Rs.)</b>	<b>Additions during the year (Rs.)</b>	<b>Total (Rs.)</b>	<b>Deductions during the year (Rs.)</b>	<b>Balance at the end of the current year (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5 (3+4)</b>	<b>6</b>	<b>7 (5-6)</b>
312-10	Capital Contribution					
312-11	Capital Reserve					
312-20	Borrowing Redemption Reserve					
312-30	Special Funds (Utilised)					
312-40	Statutory Reserve					
312-50	General Reserve					
312-60	Revaluation Reserve					
	<b>Total Reserve funds</b>					

**Schedule B-4: Grants & Contributions 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.							
<b>(a) Opening Balance</b>							
<b>(b) Additions to the Grants</b>							
(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)							
<b>Total (b)</b>							
<b>Total (a+b)</b>							
<b>(c) Payments out of funds</b>							
<b>(i) Capital expenditure on</b>							
Fixed Assets*							
Others							
<b>Sub –total</b>							

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.							
<b>(ii) Revenue Expenditure on</b>							
Salary, Wages and allowances etc.							
Rent							
Other administrative charges							
<b>Sub –total</b>							
<b>(iii) Other:</b>							
Loss on disposal of Grant Investments							
Diminution in Value of Grant Investments							
Grants Refunded							
<b>Sub –total</b>							
<b>Total (c) [i+ii+iii]</b>							
<b>Net balance at the year end = (a+b)-(c)</b>							
<b>Total Grants &amp; Contribution for Specific Purposes</b>							

**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]**

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		
	<b>Total Secured Loans</b>		

**Notes:**

1. The nature of 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, 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		
	<b>Total Un-Secured Loans</b>		

**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]**

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
340-10	From Contractors		
340-20	From Revenues		
340-30	From staff		
340-80	From Others		
	<b>Total deposits received</b>		

**Schedule B-8: Deposits Works [Code No 341]**

Code No.	Particulars	Opening balance at 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)
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
341-10	Civil Works				
341-20	Electrical works				
341-80	Others				
	<b>Total of deposit works</b>				

**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 (Department) 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]**

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
350-10	Creditors		
350-11	Employee Liabilities		
350-12	Interest Accrued and Due		
350-20	Recoveries Payable		
350-30	Government Dues Payable		
350-40	Refunds Payable		
350-41	Advance Collection of Revenues		
350-80	Others		
350-90	Sale Proceeds		
	<b>Total Other liabilities (Sundry Creditors)</b>		

**Schedule B-10: Provisions [Code No. 360]**

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	
360-10	Provision for Expenses		
360-20	Provision for Interest		
360-30	Provision for Other Assets		
360-40	Provisions for Doubtful receivables		
	<b>Total Provisions</b>		

**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 year *	Deductions during the year	Cost at the end of the year	Opening Balance	Additions during the year	Deductions during the year	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										
	<b><u>Infrastructure Assets</u></b>										
410-30	Roads and Bridges										
410-31	Sewerage and drainage										
410-32	Water works										
410-33	Public Lighting										
	<b><u>Other assets</u></b>										
410-40	Plants & Machinery										
410-50	Vehicles										
410-60	Office & other equipment										

Code No	Particulars	Gross Block				Accumulated Depreciation				Net Block	
		Opening Balance	Additions during the year *	Deductions during the year	Cost at the end of the year	Opening Balance	Additions during the year	Deductions during the year	Total at the end of the year	At the end of current year	At the end of the previous year
410-70	Furniture, fixtures, fittings and electrical appliances										
410-80	Other fixed assets										
	<b>Sub-Total</b>										
412-00	Capital Works in Progress										
	<b>Total</b>										

\* Additions include fixed assets created out of Earmarked Funds and Grants transferred to ULB'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 dispute or litigation as at the reporting date of the financial statements shall also be mentioned.
- ii. The details and 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 need 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 1<sup>st</sup> April 2004 shall be equal to the closing asset balance as on 31<sup>st</sup> 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 buildings, 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 head water works, water storage tanks, water wells, bore wells, Water pumping stations, Water transmission & distribution system, etc.
7. No depreciation is to be charged on "Land'

**Schedule B-12: Investments - General Fund [Code 420]**

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	Central Government Securities				
420-20	State Government Securities				
420-30	Debentures and Bonds				
420-40	Preference Shares				
420-50	Equity Shares				
420-60	Units of Mutual Funds				
420-80	Other Investments				
420-90	Accumulated Provision				
	<b>Total of Investments General Fund</b>				

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]**

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	Central Government Securities				
421-20	State Government Securities				
421-30	Debentures and Bonds				
421-40	Preference Shares				

Code No.	Particulars	With whom invested	Face value (Rs.)	Current year	Previous year
				Carrying Cost (Rs.)	Carrying Cost (Rs.)
421-50	Equity Shares				
421-60	Units of Mutual Funds				
421-80	Other Investments				
421-90	Accumulated Provision				
	<b>Total of Investments</b>				
	<b>Other Funds</b>				

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]**

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4
430-10	Stores		
430-20	Loose Tools		
430-80	Others		
	<b>Total Stock in hand</b>		

**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	<u>Receivables of Property Taxes</u> Less than 5 years * More than 5 years*				
431-91	Sub – total Less: State Government Cesses/Levies in Taxes – Control Accounts				
	<b><u>Net Receivables of Property Taxes</u></b>				
431-19	<u>Receivable of Other Taxes</u> Less than 3 years* More than 3 years*				
431-99	Sub- total Less: State Government Cesses/Levies in Taxes – Control Accounts				
	<b><u>Net Receivables of Other Taxes</u></b>				
431-20	<u>Receivables of Cess Income</u> Less than 3 years* More than 3 years*				
	<b>Sub- total</b>				
431-30	<u>Receivables for Fees and User Charges</u> Less than 3 years* More than 3 years*				
	<b>Sub – total</b>				
431-40	Receivables from Other Sources Less than 3 years* More than 3 years*				
	<b>Sub – total</b>				
431-50	Receivables from Government				
	<b>Total of Sundry Debtors (Receivables)</b>				

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	Establishment		
440-20	Administration		
440-30	Operations & Maintenance		
	<b>Total Prepaid expenses</b>		

**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		
	<b>Balance with Bank – Municipal Funds</b>		
450-21	Nationalised Banks		
450-22	Other Scheduled Banks		
450-23	Scheduled Co-operative Banks		
450-24	Post Office		
	<b>Sub-total</b>		
	<b>Balance with Bank –Special Funds</b>		
	Nationalised Banks		
450-41	Other Scheduled Banks		
450-42	Scheduled Co-operative Banks		
450-43	Post Office		
450-44	<b>Sub-total</b>		
	<b>Balance with Bank –Grant Funds</b>		
	Nationalised Banks		
	Other Scheduled Banks		
450-61	Scheduled Co-operative Banks		
450-62	Post Office		
450-63	<b>Sub-total</b>		
450-64			
	<b>Total Cash and Bank balances</b>		

**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	Loans and advances to employees				
460-20	Employee Provident Fund Loans				
460-30	Loans to Others				

460-40	Advance to Suppliers and Contractors				
460-50	Advance to Others				
460-60	Deposit with External Agencies				
460-80	Other Current Assets				
	<b>Sub –Total</b>				
	Less: Accumulated Provisions against Loans, Advances and Deposits (Schedule B–18 (a))				
	<b>Total Loans, advances, and deposits</b>				

**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	Loans to Others		
461-20	Advances		
461-30	Deposits		
	<b>Total Accumulated Provision</b>		

Note: The totals of this Schedule should equal to the amount as per the total in Schedule B – 18

**Schedule B-19: Other Assets [Code No 470]**

Code No	Particulars	Current year	Previous year
		Amount (Rs.)	Amount (Rs.)
1	2	3	4
470-10	Deposit Works		
470-20	Other Asset Control Accounts		
	<b>Total Other Assets</b>		

**Schedule B-20: Miscellaneous Expenditure (to be written off) [Code No 480]**

Code No	Particulars	Current year	Previous year
		Amount (Rs.)	Amount (Rs.)
1	2	3	4
480-10	Loan Issue Expenses Deferred		
480-20	Discount on Issue of Loans		
480-30	Others		
	<b>Total Miscellaneous expenditure</b>		

## **CASH FLOW STATEMENT**

9.111 Cash Flow statement is prepared in order to have information about the cash flows of the ULB useful in providing the users of Financial Statements with a basis to assess the ability of the ULB to generate cash and cash equivalents and the needs of the ULB to utilise those cash flows.

9.112 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.

9.113 All ULBs shall prepare a Statement of Cash Flows apart from Income and Expenditure, Balance Sheet and Receipts and Payments Statements.

## **GUIDELINES FOR PREPARATION OF THE CASHFLOW STATEMENTS**

9.114 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 9.18.

## **STEPS IN PREPARATION OF CASH FLOW STATEMENT**

9.115 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.

### **Cash flows from operating activities**

9.116 **Operating activities** are the principal activities contributing to or utilising the cash resources of the ULB and other activities (which 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.

9.117 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:

Expenditure:

- Deprecations
- Write off
- Provisions
- Decline in the value of investment

Income

- 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 (Rs.)	Previous year (Rs.)	Movements (Rs.)
1	2	3	4 (2-3)
Inventories			
Receivables of Revenues			
Prepaid expenses			
Employee related payables			
Provision for expenses			

- d. The cash flows arising from any extraordinary 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 extraordinary 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**

9.118 **Investing Activities** generally involves acquisition and disposal of long-term assets and investments not included in cash equivalents.

9.119 The steps involved in calculation of cash outflow from Investing 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.

Examples of such items are

- interest received,
  - dividend received,
  - 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**

9.120 **Financing Activities** are activities that result in changes in the size and composition of Loans received by the ULBs.

9.121 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 and 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:

	<u>Amount(Rs)</u>
Loan amounts received during the period	XXX
Less: Loan amounts repaid during the year	(XXX)
	-----
Net movement amount of loans received / (repaid)	XXX / (XXX)
	-----

- b. Funds/grants received during the period under reporting shall be shown separately, as the 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 financing activities

Examples of such items are as follows:

- Interest and finance charges
- Discounts

## **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD**

9.122 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.

9.123 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.

9.124 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 9.18**  
**Statement of Cash Flow**

Particulars	Previous Year (Rs.)		Current Year (Rs.)	
<b>A. Cash flows from Operating Activities:</b>				
<b>Gross surplus/ (deficit) over expenditure</b>				
<b><u>Adjustments for</u></b>				
<b>Add:</b>				
Depreciation				
Interest & finance expenses				
<b>Less:</b>				
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.				
<b><u>Changes in current assets and current liabilities</u></b>				
(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>B. Cash flows from Investing Activities</b>				
(Purchase) of fixed assets & CWIP				

<b>Particulars</b>	<b>Previous Year (Rs.)</b>	<b>Current Year (Rs.)</b>
(Increase) / Decrease in Special Funds/Grants		
(Increase) / Decrease in Earmarked Funds		
(Purchase) of Investments		
<b>Add:</b>		
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)		
<b>C. Cash flows from Financing Activities</b>		
<b>Add:</b>		
Loans from banks/others received		
<b>Less:</b>		
Loans repaid during the period		
Loans & advances to employees		
Loans to others		
Finance expenses		
Net cash generated from (used in) financing activities (C)		
<b>Net increase/ (decrease) in cash and cash equivalents (A + B + C)</b>		
Cash and cash equivalents at beginning of period		
<b>Cash and cash equivalents at end of period</b>		
<b>Cash and Cash equivalents at the end of the year comprises of the following account balances at the end of the year:</b>		
i. Cash Balances		
ii. Bank Balances		
iii. Co-operative banks Balances		
iv. Balances with Post offices		
v. Balances with other banks		
<b>Total</b>		

Note: items in ( ) brackets denote as that they are to be deducted

**RECEIPTS AND PAYMENTS ACCOUNT**

9.125 The Receipts and Payments Account shows the sources of funds and the applications of funds during the accounting reporting periods.

9.126 The Receipts and Payments Account shall be prepared from the Balance Sheet, Income and Expenditure Statement, Ledgers and Cash Book.

9.127 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
<u>Add:</u> Bills raised/Income accounted during the period	Rs.XXX
<u>Less:</u> Receivables at the end of the period	<u>Rs.XXX</u>
Cash received during the year	<u>Rs.XXX</u>

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
<u>Add:</u> Bills received/Expenditure accounted during the period	Rs.XXX
<u>Less:</u> Payables at the end of the period	<u>Rs.XXX</u>
Cash paid during the year	<u>Rs.XXX</u>

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.

9.128 The Receipts and Payments Account shall be prepared as shown in Table 9.19. It should be noted that the Table gives an illustrative list of receipts and payments.

9.129 The following shall be noted in relation to preparation of Receipts and Payments Account:

- a) The receipts considered are on cash basis and do not take into account the receivables. Similarly, the payments considered are on cash basis and do not take into account the payables.
- b) Non-cash items like Depreciation, Miscellaneous Expenditure 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 9.19****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.)
	<b>Opening Balances #</b> Cash balances including Imprest Balances with Banks/Treasury (including balances in designated bank accounts)						
	<b>Operating Receipts</b>				<b>Operating Payments</b>		
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	Programme Expenses		
1-60	Revenue Grants, Contributions & Subsidies			2-60	Revenue Grants, Contributions & Subsidies		
1-70	Income from Investments						



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.)
1-71	Interest Earned			4-30	Purchase of Stores		
1-80	Other Income						
	Other Collections on behalf of State and Central Government						
	<b>Non-Operating Receipts</b>				<b>Non-Operating Payments</b>		
3-30/31	Loans Received			3-50	Other Payables		
3-40	Deposits Received			**	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		

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 Loans & Advances (recovery)			4-60	Loans & Advances to Employees		
*	Deposits with External Agencies (recovery)			4-40	Prepaid Expenses		
	Other Receipts [specify]			4-60	Other Loans & Advances		
				4-60	Deposits with External Agencies		
					Other Payments [specify]		
					<b>Closing Balances #</b> Cash balances including Imprest Balances with Banks/Treasury (including balances in designated bank accounts)		
	<b>GRAND TOTAL</b>				<b>GRAND TOTAL</b>		

# Bank Balances 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**

9.130 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**

9.131 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.

9.132 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 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.

9.133 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.

9.134 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 historical cost basis under accrual basis of accounting. The method of accounting is the double entry system.

#### **2. RECOGNITION OF REVENUE**

##### *j) Revenue*

- a) Property and Other Taxes are recognised in the period in which they become due and demands are ascertainable
- b) Advertisement taxes are accrued based on Demand or the contract.
- c) Revenue in respect of Trade License Fees is accrued in the year to which it pertains and when Demands are raised.
- d) Assigned revenues like Entertainment Tax, Profession 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.

- e) 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

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 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) Provisions 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 upto the date of commissioning of the assets and other incidental and indirect expenses incurred upto that date.
- b. All assets costing less than Rs.5,000 would be expensed / charged to Income and 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 Rupee One.

ii. *Depreciation*

- d. Depreciation is provided on Straight Line Method or Written Down Value

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. BORROWING COST**

Borrowing cost is recognised as revenue expenditure on accrual basis except in the case of fixed assets.

**6. INVENTORIES**

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-imbusement 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.

**STATEMENT ON CONTINGENT LIABILITIES**

9.135 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':

- Amount of Capital Contracts remaining to be executed and not provided for;
- Amount of claim in respect of suits filed against the ULB for which the ULB may be liable, in case the ULB loses suits;
- Claim against the ULB not acknowledged as debts; and
- Other money for which the ULB is contingently liable.

**SUBSIDY REPORT**

9.136 In accordance with the provisions of the Act and rules 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:

- Water supply and disposal of sewage;
- Scavenging,
- Transporting and Disposal of wastes;
- Street lighting.
- Hospitals
- Schools

9.137 The Subsidy Report may be prepared in the illustrative format provided below in Table 9.20. However, the ULBs shall adopt those formats as given in the Act and rules governing the ULBs and the local needs.

**Table 9.20**

**Subsidy Report for \_\_\_\_\_ for the period from \_\_\_\_\_ to \_\_\_\_\_**

Particulars	Current year's figures Amount (Rs.)	Previous year's figures Amount (Rs.)
<b>EXPENDITURE</b>		
Establishment expense		
Administration expenses		
Operation and Maintenance Expenses		
Interest on Loans and Financial Charges		
Depreciation		
Other Expenses		
<b>TOTAL EXPENDITURE (A)</b>		
<b>INCOME</b>		
Charges levied on rendering of Services		
Taxes levied		
Other Income		
<b>TOTAL INCOME (B)</b>		
<b>SUBSIDY PROVIDED (A-B)</b>		

The Subsidy, as computed above, indicates the extent of deficit of income as compared to the expenditure.

## OTHER DISCLOSURES

9.138 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 Mayor/Chairperson and ward members;
- 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.

9.139 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 persons 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 purified 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**

9.140 The Municipal Commissioner shall 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.

9.141 Further, the Municipal Commissioner's Report shall state that the books of accounts are maintained in the manner as required by the Act, rules 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.

### **COUNCIL/STANDING COMMITTEE'S RESOLUTION**

9.142 The Council/Standing Committee shall consider the Annual Financial Statements submitted to it for approval. In addition to such information as may be prescribed by the Government, the Resolution shall consist the approval and any comments on the Financial Statements and the Municipal Commissioner's Report.



9.143 The Financial Statements together with the resolution of the Council/Standing Committee's shall be sent to Auditors for the purpose of the audit.

### **FINANCIAL RATIO ANALYSIS**

9.144 A ratio is an arithmetical relationship between two figures. Ratios are indicators of performance of the ULB/Section. Financial Ratio Analysis is a study of ratios between various items or groups of items in the Financial Statements of the ULB.

9.145 On preparation of Financial Statements, the Accounts Section shall compute and present the following Financial Ratios as depicted in Table 9.21 below.

**Table 9.21**  
**Financial Ratios as on**

Sr. No.	Particulars	Current Year	Previous Year
	<b>Income Ratios</b>		
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... (%)		
	<b>Expense Ratios</b>		
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... (%)		
	<b>Net Income Ratios</b>		
12	Cash Surplus / Deficit to Total Income Ratio... (%)		
	<b>Efficiency Ratios</b>		
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... (%)		
	<b>Leverage Ratios</b>		
19	Loans to Reserves Ratio or Debt-Equity Ratio... (times)		
20	Interest Coverage Ratio... (times)		

Sr. No.	Particulars	Current Year	Previous Year
21	Debt Service Coverage Ratio... (times)		
	<b>Investment Ratios</b>		
22	Earmarked Fund Investments to Earmarked Funds Ratio... (%)		
23	Interest on Investments Ratio... (%)		
	<b>Liquidity Ratio</b>		
24	Current Assets to Current Liabilities Ratio... (times)		
	<b>Asset Ratios</b>		
25	Fixed Assets to Total Assets Ratio... (%)		
	<b>Performance Ratios</b>		
26	Income per Employee... (Rs.)		
27	Expenditure per Employee... (Rs.)		
28	Income per Person... (Rs.)		
29	Expenditure per Person... (Rs.)		

9.146 The Financial Ratios shall be calculated by the Accounts Section as shown in Table 9.22.

**Table 9.22**  
**Financial Ratio Analysis**

Sr. No	Financial Ratio	Method of Computation	Schedules to be referred	Description of the Ratio
	<b>Income Ratios</b>			
1	Tax Revenue to Total Income Ratio... (%)	$\frac{\text{Tax Revenue} \times 100}{\text{Total Income}}$	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... (%)	$\frac{\text{Property \& Other Taxes} \times 100}{\text{Total Income}}$	I-1	
1B	Octroi/Cess to Total Income Ratio... (%)	$\frac{\text{Octroi/Cess} \times 100}{\text{Total Income}}$	I-1	
2	Assigned Revenues & Compensations to Total Income Ratio... (%)	$\frac{\text{Assigned Revenues \& Compensations} \times 100}{\text{Total Income}}$	I-2	
3	Rental Income from Municipal Properties to Total Income Ratio... (%)	$\frac{\text{Rental Income from Municipal Properties} \times 100}{\text{Total Income}}$	I-3	
4	Fees & User Charges to Total Income Ratio... (%)	$\frac{\text{Fees \& User Charges} \times 100}{\text{Total Income}}$	I-4	
5	Revenue Grants, Contributions & Subsidies to Total Income Ratio... (%)	$\frac{\text{Revenue Grants, Contributions \& Subsidies} \times 100}{\text{Total Income}}$	I-6	
	<b>Expense Ratios</b>			
6	Establishment Expenses to Total Income Ratio... (%)	$\frac{\text{Establishment Expenses} \times 100}{\text{Total Income}}$	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

Sr. No	Financial Ratio	Method of Computation	Schedules to be referred	Description of the Ratio
7	Administrative Expenses to Total Income Ratio... (%)	$\frac{\text{Administrative Expenses} \times 100}{\text{Total Income}}$	I-11	as low as possible so that a higher surplus can be earned. However, this should not be at the sacrifice of service to the people.
8	Operations & Maintenance to Total Income Ratio... (%)	$\frac{\text{Operations \& Maintenance} \times 100}{\text{Total Income}}$	I-12	
9	Interest Expense to Total Income Ratio... (%)	$\frac{\text{Interest Expense} \times 100}{\text{Total Income}}$	I-13	
<b>Net Income Ratios</b>				
10	Cash Surplus / Deficit to Total Income Ratio... (%)	$\frac{\text{Cash Surplus or Deficit} \times 100}{\text{Total Income}}$  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.
<b>Efficiency Ratios</b>				
11	Gross Property Tax Receivables Ratio... (No. of Days)	$\frac{\text{Average Gross Property Tax Receivable} \times 365}{\text{Demand for property tax raised during the year}}$  Where Average Gross Property Tax (P.T.) Receivable = $\frac{(\text{Opening PT Receivable} + \text{Closing PT Receivable})}{2}$	B-15, I-1	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)	$\frac{\text{Average Gross Cess Receivable} \times 365}{\text{Demand for cess income raised during the year}}$  Where Average Gross Cess Receivable = $\frac{(\text{Opening Cess Receivable} + \text{Closing Cess Receivable})}{2}$	B-15, I-1	

Sr. No	Financial Ratio	Method of Computation	Schedules to be referred	Description of the Ratio
13	Property Tax Receivable to Property Tax Income Ratio... (%)	$\frac{\text{Property Tax Receivable at the end of the year} \times 100}{\text{Demand for property tax raised during the year}}$ <p>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)</p>	B-15, I-1	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... (%)	$\frac{\text{Cess Receivable at the end of the year} \times 100}{\text{Demand for cess raised during the year}}$ <p>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)</p>	B-15, I-1	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.
15	Inventory Ratio... (No. of Days Consumption)	$\frac{\text{Average Stock} \times 365}{\text{Store consumed during the year}}$ <p>Where Average Stock = (Opening Stock + Closing Stock)/2</p>	B-14	<p>This ratio shall be calculated in respect of major stores of the ULB, for example, engineering stores, water supply stores, electricity stores, etc.</p> <p>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.</p>

Sr. No	Financial Ratio	Method of Computation	Schedules to be referred	Description of the Ratio
18	Operations & Maintenance to Gross Fixed Assets Ratio... (%)	$\frac{\text{Operations \& Maintenance}}{\text{Gross Block of Fixed Assets (as at the end of the year)}} \times 100$	I-12, B-11	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-5	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.
<b>Leverage Ratios</b>				
20	Loans to Reserves Ratio or Debt-Equity Ratio... (times)	$\frac{\text{Loans}}{\text{Reserves \& Surplus}}$	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)	$\frac{\text{Surplus + Depreciation + Interest (incl. interest capitalised)}}{\text{Interest (incl. interest capitalised)}}$	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)	$\frac{\text{Surplus + Depreciation + Interest (incl. interest capitalised)}}{\text{Debt instalments to be serviced (paid) during the next year + Interest (including interest to be capitalised)}}$	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.

Sr. No	Financial Ratio	Method of Computation	Schedules to be referred	Description of the Ratio
	<b>Investment Ratios</b>			
23	Earmarked Fund Investments to Earmarked Funds Ratio... (%)	$\frac{\text{Earmarked Fund Investments}}{\text{Earmarked Funds}} \times 100$	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.
	<b>Liquidity Ratio</b>			
25	Current Assets to Current Liabilities Ratio... (times)	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	B-5 to 8 & 12-15	This ratio indicates the ability of the ULB to meet its obligations in the short run, usually one year.
	<b>Asset Ratios</b>			
26	Fixed Assets to Total Assets Ratio... (%)	$\frac{\text{Fixed Assets}}{\text{Total Assets}} \times 100$	B-11	This ratio indicates the share of fixed assets in the total assets of the ULB.
	<b>Performance Ratios</b>			
27	Income per Employee... (Rs.)	$\frac{\text{Total Income as per Income \& Expenditure Account}}{\text{No. of Employees of the ULB}}$	-	These ratios indicate average income earned and average expenditure incurred per employee and per person 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.)	$\frac{\text{Total Expenditure as per Income \& Expenditure Account}}{\text{No. of Employees of the ULB}}$	-	
29	Income per Person... (Rs.)	$\frac{\text{Total Income as per Income \& Expenditure Account}}{\text{Population in the Municipal Area}}$	-	
30	Expenditure per Person... (Rs.)	$\frac{\text{Total Expenditure as per Income \& Expenditure Account}}{\text{Population in the Municipal Area}}$	-	

# CHAPTER - 10

## GUIDELINES FOR PREPARATION OF OPENING BALANCE SHEET

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### INTRODUCTION

10.1 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

10.2 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.

10.3 The assets and liabilities for which guidelines and formats have been furnished are as under:

- a. Fixed Assets
  - Immovable Property
    - Land (Form 1)
    - Buildings (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 Equipment (Form 13)
  - Other Equipment (Form 14)
  - Live Stock (Form 15)
- b. Investments (Form 16)
- c. Current Assets
  - Cash Balance (Form 17)
  - Bank Balances (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)
  - Section - wise Inventory (Form 23)
  - Consolidated Inventory (Form 23 A)
  - 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**

10.4 This section contains the general guidelines to be followed while preparing the formats for the assets and liabilities. Specific guidelines required for the asset or liability, have been mentioned on the relevant formats.

As far as possible, all details should be collected Section-wise and then consolidated to give an overall picture for the ULB. For instance, Form 12 - Furniture & Fixtures, 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 pounds and other locations within the Health Section for collecting information of the assets there, which shall be then consolidated at the section level.

10.5 The ULB should form separate teams who would be responsible for collating information in the formats provided, within a specific time frame.

10.6 A Steering Committee comprising of City Engineer, Head of Town Planning Section, Head of Accounts Section and Head of Pre-Audit Section shall be responsible for coordinating the task of collecting information for each of the categories of fixed assets. An illustrative list of the assets for which separate teams should be formed is as under:

- Land – the team should necessarily include an official from Town Planning Section
- Buildings - the team should include a Civil Engineer, preferably a Structural Engineer
- Roads, Streets and Lanes - the team should include a Civil Engineer and a Town Planning official
- Bridges, Culverts, Flyovers, Subways and Causeways - the team should include a Civil Engineer, preferably a Structural Engineer
- Furniture & Fixture, etc.

10.7 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.

10.8 It is suggested that the Provisional Balance Sheet be prepared as on December 31<sup>st</sup> of the financial year, so as to facilitate a quick and efficient preparation of Opening Balance Sheet as on April 1<sup>st</sup> of the next financial year.

10.9 The General Guidelines to be followed for Fixed Assets have been arranged as General Guidelines for Immovable Assets and General Guidelines for Movable Assets.

**10.9.1 The General Guidelines to be followed for Immovable 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.
- 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 acquisition 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 i.e. Rupee One.

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 is complete. 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 relevant format. 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 Section shall provide appropriate depreciation for assets held by the ULB to arrive at the book value of the assets. Depreciation shall be provided at the rates (specified by the State Government) and shall be calculated from the date of acquisition or installation as the case may be upto the date of Opening Balance Sheet as per the principles laid down under the Chapter 8 on Fixed Assets.

**10.9.2 The General Guidelines to be followed for Movable Assets are as follows:**

- a. Conduct physical verification of the movable assets. Allot an asset reference number to all categories of plant and machinery, vehicles, furniture, fixtures 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 A1.11 (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. A1.11 (g).
- g. From whom acquired is the same as discussed in para A1.11 (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 format. 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.

### **10.10 Guidelines for Determination of Value of Current Assets**

In respect of Investments, Receivables, Other Current Assets, Loans and Advances, Borrowings/Loans Payable, Unutilised Grants, Reserve Funds and Current Liabilities, the ULB should compile the information required in the formats from the registers maintained by the ULB currently. As far as possible, all details should be collected Section-wise and then consolidated to give an overall position for the ULB.

The ULB shall also provide for income receivable, expenses payable, provisions for current assets, loans and advances 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.

### **MUNICIAPL FUNDS**

10.11 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**

10.12 ULBs may encounter transitional issues, few of them 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.

The State Government 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**

10.13 The entry to be passed for incorporating the opening balances is given below:

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
410-(b)	Fixed Assets (Specify the name of the assets for e.g. Buildings) Dr	5,00,000		Journal Book , Ledger
412- (b)	Capital Work in progress Dr	3,00,000		
420/ 42- (b)	Investments (Specify the name of the relevant fund also) Dr	1,00,000		
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	1,00,000		
440- (b)	Prepaid expenses Dr	10,000		
450-(b)	Cash and Bank Accounts Dr	60,000		
310-10-(a)	To Municipal fund (General fund)		4,54,000	
311-(b)	To Earmarked funds		80,000	
312- (b)	To Reserves		1,20,000	
330/331 – (b)	To Loans payable		1,50,000	
340-(b)	To Deposits (specify the nature of deposits)		25,000	
411- (b)	To Accumulated depreciation – Fixed assets (Specify the name of the asset for e.g. Buildings)		3,00,000	
432- (b)	To Provision for Sundry Debtors		15,000	
461- (b)	To Provision for Loans & advances		2,000	
360-10-(a)	To Provision for expenses		8,000	
350-(b)	To Other liabilities		21,000	

Narration: Being incorporation of Assets and Liabilities in the Opening Balance Sheet

- (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. A Journal voucher shall be prepared for incorporation of account balances in the Opening balance sheet.

## **REVISION OF OPENING BALANCE SHEET**

10.14 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.)

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
410-10-(a)	Land a/c Dr	1,00,000		Journal Book , Ledger
310-10-(a)	To Adjustments to Opening balance sheet		1,00,000	
Narration: Being incorporation of Land in the subsequent Opening Balance Sheet				

b. Incorporation of Buildings (e.g. Art Gallery Building, Auditorium Building, etc.)

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
410-20-(a)	Buildings a/c Dr	10,00,000		Journal Book , Ledger
310-10-(a)	To Adjustments to Opening balance Sheet		10,00,000	
Narration: Being incorporation of Buildings in the subsequent Opening Balance Sheet				

c. Incorporation of Contractor Bills Payable in respect of maintenance of road

Account		Amount (Rs.)		Books to be entered into
Code	Description	Debit	Credit	
310-10-(a)	Adjustments to Opening balance sheet Dr	10,00,000		Journal Book , Ledger
350-10-(a)	To Contractors Control Account		10,00,000	
Narration: Being incorporation of Contractors Bills Payable in the subsequent Opening Balance Sheet				

(a) Insert Detailed Heads Codes of Account as applicable.

This account “Adjustments to Opening Balance Sheet” will be shown as an addition to the Municipal Fund at the time of preparation of the Balance Sheet.

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.

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 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. Also 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.



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 building acquired, specify estimated date of completion of construction along with date of acquisition	In case of building constructed by 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.)	Amount of depreciation provided on the building (Rs.)	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 pools, temples, factory sheds for water works and drainage system, libraries, slaughterhouses, markets etc.

Name of the ULB \_\_\_\_\_

**ROADS, STREETS, LANES AND FOOTPATHS DETAILS as on**

S. No.	Name of the road, street or lane	Specify whether the road, street or lane is earthen, tar or concrete	Survey No. of land on which the road, street or lane has 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.	Was the road, street or lane subject to any improvement? (Yes/No)	If yes, specify the details of improvement		Total Cost (Rs.)	Amount of depreciation provided (Rs.)	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 cement concrete road or extension of the road, etc.
3. Specify the details of the footpaths annexed to the road, street or lane immediately below the details of the said road, street or lane.

Name of the ULB \_\_\_\_\_

**BRIDGES, CULVERTS, FLYOVERS, SUBWAYS AND CAUSEWAYS DETAILS as on**

S. 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

S. 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.)	Amount of depreciation provided on the structure (Rs.)	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

Name of the ULB \_\_\_\_\_

**DRAINS INCLUDING UNDERGROUND DRAINS DETAILS as on**

S. No.	Description of the drain, specifying whether it is open or underground drain	Name of the road/street where the drain is located	Survey No. of the land where drain is located	Dimension of the structure			Area of the land where the drain 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
				Length	Breadth	Height			
1	2	3	4	5	6	7	8	9	10

S. 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.)	Amount of depreciation provided on the structure (Rs.)	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.



Name of the ULB \_\_\_\_\_

**WATER WORKS DISTRIBUTION DETAILS as on**

S. 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 acquisition / construction (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.)	Amount of depreciation provided on the structure (Rs.)	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 etc. should be provided in this form.

Name of the ULB \_\_\_\_\_

**PUBLIC LIGHTING SYSTEM DETAILS as on**

S. No.	Name of the road/ location	Survey No. of road where the system is installed	Number of lamp posts	Cost of lamp posts and erection charges (Rs.)	Length of cables used	Cost of cables and laying charges (Rs.)	Total Cost (Rs.)	Amount of depreciation provided (Rs.)	Value after considering depreciation provision (Rs.)	Year of purchase/ erection/ laying	from whom purchased/acquired	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

Name of the ULB \_\_\_\_\_

**LAKES AND PONDS DETAILS as on**

S. No.	Description of the lake or pond	Location	Survey No. of the land where it is located	Area of the lake / pond (acre / sq. m.)	Date of acquisition / construction	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 or ponds, also specify whether the lake or pond is used for potable purpose or for commercial activity.

Name of the ULB \_\_\_\_\_

**CAPITAL WORK IN PROGRESS DETAILS AS ON**

S. No.	Name of the project	Work Order No. 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

Name of the ULB \_\_\_\_\_

**PLANT AND MACHINERY DETAILS as on**

S. No	Description of the plant and machinery specifying the 'make'	Capacity	Location	No. of shifts in use	Date of acquisition	Cost of acquisition / construction (Rs.)	Amount of depreciation provided (Rs.)	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 Section-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 Section.
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.



Name of the ULB \_\_\_\_\_

**FURNITURE AND FIXTURES DETAILS as on**

S. No.	Description of the asset specifying whether it is table, chair, cupboard, partition, safe vault, cabinet, etc.	Location / Section	Asset reference number	Date of acquisition	Cost of acquisition / construction (Rs.)	Amount of depreciation provided (Rs.)	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 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.



Name of the ULB \_\_\_\_\_

**OFFICE EQUIPMENT DETAILS as on**

S. No.	Description of the asset specifying whether it is photocopier machine, typewriter, air conditioner, water cooler, computer etc.	Location / Section	Asset reference number	Date of acquisition	Cost of acquisition / construction (Rs.)	Amount of depreciation provided (Rs.)	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 class of office equipment, for instance, a separate list should be prepared for computers, photocopier machines, fax machines, telephone instruments, typewriters, air conditioners, water coolers, 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**

S. No.	Description of the equipment details, specifying the make and model of the same	Location / Section	Asset reference number	Date of acquisition	Cost of acquisition / construction (Rs.)	Amount of depreciation provided (Rs.)	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 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 Section-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**

S. No.	Specify location of the animal	Description of the animal	Specify number of animals	Amount paid for purchase/ acquisition (Rs.)	Date of purchase/ acquisition	From whom purchased/ 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.

Name of the ULB \_\_\_\_\_

**INVESTMENT DETAILS AS ON \_\_\_\_\_**

S. No.	Specify the funds from which investment made	Specify the instrument (government securities/ bank deposit) where Investment made together with Number & Date	Amount invested (Rs.)	Amount of interest receivable from the last receipt till the cut-off date (Rs.)	Remarks
1	2	3	4	5	6

In Column 5, 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.

**Name of the ULB \_\_\_\_\_**

**CASH BALANCE AS ON \_\_\_\_\_**

S. No.	Specify the name of the Section 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

**Name of the ULB \_\_\_\_\_**

**BANK BALANCES AS ON \_\_\_\_\_**

Sr.No.	Name of the Bank and Branch	Bank Account No.	Specify the purpose for which the bank account is maintained	Balance as per General Cash Book (Rs.)	Remarks
1	2	3	4	5	6

Name of the ULB \_\_\_\_\_

**DETAILS OF ADVANCES PAID TO SUPPLIERS / CONTRACTORS**  
**AS ON \_\_\_\_\_**

S. No.	Name of the Section which paid the advance	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 Section-wise.

**Name of the ULB \_\_\_\_\_**

**DETAILS OF LOANS & ADVANCES TO EMPLOYEES AS ON \_\_\_\_\_**

Sr. No.	Name of the Section which paid the advance	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 Section-wise.



Name of the ULB \_\_\_\_\_

**RECEIVABLES DETAILS (Including Taxes, Water Charges, Rent etc.)**  
**AS ON \_\_\_\_\_**

Sr. No.	Name of the Section 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 Section-wise.

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 Government (Rs.)	Remarks
1	2	3	4	5	6

**Name of the ULB** \_\_\_\_\_

**INVENTORY DETAILS AS ON** \_\_\_\_\_

**NAME OF SECTION -** \_\_\_\_\_

S. No.	Name of Article	Quantity in Stock	Rate at which valued Rs.	Value of the inventory Rs.	Remarks
1	2	3	4	5	6

**Examples of inventory**

- Health - Pesticides & Chemicals (Phenol, Powder) etc., Medicines, Test-tubes, Injections etc.
- Electric Goods- Bulbs, Tube lights, Lampshades, Holders, Starters, Chokes, Condenser etc.
- Water - Meters, Pipes, Spare-parts etc.
- Fire Brigade - Fireman pipe, Nozzles, Spare-parts etc.
- Vehicle - Tyres, Tubes, Hosepipe, Spare-parts, Bearings etc.
- Office Stationery - Forms, Register etc.

Name of the ULB \_\_\_\_\_

**INVENTORY DETAILS AS ON  
CONSOLIDATED STATEMENT OF INVENTORY**

<b>S. No.</b>	<b>Name of the Section</b>	<b>Value of the inventory Rs.</b>	<b>Remarks</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>

Note: This statement will be compiled Sections/Stores-wise from the Form 23 filled separately by each of the Sections/Stores.

Name of the ULB \_\_\_\_\_

**DETAILS OF DEPOSITS MADE AS ON \_\_\_\_\_**

S. No.	Description of the Deposit made	Amount of Deposit (Rs.)	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

Name of the ULB \_\_\_\_\_

**LOANS PAYABLE DETAILS AS ON**

S. No.	Name of the Institution from whom the loan is received	Purpose for which the loan is received	Outstanding amount of loan (Rs.)	Amount of interest payable from the date of last payment till cut-off date (Rs.)	Penal interest, if any, levied by the lending institution on undischarged amount of loan repayable (Rs.)	Remarks
1	2	3	4	5	6	7

Name of the ULB \_\_\_\_\_

**UNUTILISED GRANTS DETAILS AS ON \_\_\_\_\_**

S. No.	Name of the Grant	Government Sanction Order No. and date 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 utilisation of Grant has lapsed	Remarks
1	2	3	4	5	6	7

Note: Purpose for which the grant is received should be captured along with the name of the grant in column number 2.

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



Name of the ULB \_\_\_\_\_

**DETAILS OF DEPOSITS RECEIVED AS ON \_\_\_\_\_**

Sr. No.	Section 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 Section-wise.
- (2) Same nature of deposits received should be recorded together. (e.g. In case of Engineering section, - all the Earnest Money Deposits received should be recorded together; all the Security Deposits received/ deducted from the supplier/contractor bills should be recorded together.

Name of the ULB \_\_\_\_\_

**BILLS & OTHER PAYABLES DETAILS AS ON**

Sr. No.	Name of the supplier / contractor	Specify nature of payables	Amount Payable (Rs.)	Name of the Section procuring the material or incurring the expenditure	Remarks
1	2	3	4	5	6

In Column 3, if more than one contract is given to the same supplier/ contractor, then specify nature of each bill/expense payable in separate line for that supplier/ contractor.

