

Indian Government Accounting Standard 4

General Purpose Financial Statements of Government

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The standards, which have been set in bold italic type, should be read in the context of the paragraphs of commentary in this Standard, which are in plain type, and in the context of the "Preface to Indian Government Accounting Standards". Indian Government Accounting Standards are not intended to apply to immaterial items.

1 Introduction

- 1.1.1 Under Article 150 of the Constitution of India, the accounts of the Union and the States are to be kept in such form as the President may, on the advice of the Comptroller and Auditor General of India, prescribe. Finance Accounts of the Government presented to the Legislature constitute the comprehensive body of financial information about a Government and are in the nature of a general purpose financial statement. The constitution ordains that no amount can be withdrawn from the Consolidated Fund without the enactment of an Appropriation Bill by the Parliament (in case of Union) or by the legislatures (in case of the States). Appropriation Accounts, which are a condensed presentation of Grant-wise compliance information with respect to the Appropriation Acts, can be seen to be compliance statements.
- 1.1.2 The Controller General of Accounts prepares the annual Finance Accounts for the Union Government and the Union Appropriation Accounts (Civil). The Departments of Defence, Posts and Railways prepare their own annual Appropriation Accounts. The annual Finance Accounts and Appropriation Accounts for State Governments are prepared by the Accountants General in the respective States and Union Territories with Legislature (with the exception of Goa, Delhi and Puducherry, which have their own Directorate / Controller of Accounts). The accounts of Union and States are audited by the Comptroller and Auditor General and are presented to the parliament or the respective legislatures.
- 1.1.3 In this standard, financial statements have been defined as set of documents, schedules and accompanying notes that convey comprehensive financial information about an entity. Management reports designed to meet specific information needs of the executive are not meant to convey comprehensive information about the entity and are not included in the standard.

2 Objective

- 2.1.1 The purpose of this Standard is to lay down the principles to be followed in presentation of general purpose financial reports of Governments and to prescribe the minimum requirements relating to structure and contents of financial statements of government prepared under cash basis of accounting.
- 2.1.2 The statement of receipts and disbursements during the year and information about cash flows of an Entity enable stakeholders to evaluate the likely sources and uses of cash and the ability of an Entity to generate adequate cash in the future. This information also indicates the expenditure priorities of the Entity in the delivery of goods and services as well as the impact of the taxation policies of the Entity. Stakeholders can then assess the sustainability of the Entity's activities (whether future budgetary resources will be sufficient to sustain public services and to meet obligations as they become due) and appraise financial accountability.
- 2.1.3 All Financial Statements need to be standardized to obtain optimal information, to ensure

comparability with the Entity's own financial Statements of previous periods and with those of other entities. The basis and policies of accounting need to be uniform to permit meaningful consolidation to develop Whole of Government Accounts. Desirable attributes need to be defined to obtain a basic standard for financial reporting.

- 2.1.4 To achieve these objectives, this Standard sets out the financial elements for the presentation of financial reports prepared under the cash basis of accounting. It also requires that the selection of accounting policy should ensure certain qualitative characteristics in the information being presented. Desirable attributes of financial reporting are required to heighten their value to the users.
- 2.1.5 General Purpose Financial Statements (GPFS) essentially consists of Finance Accounts and Appropriation Accounts. The Financial Statements referred to in this standard are the General Purpose Financial Reports (GPFR).

3 Scope of the requirements

3.1 An Entity, which prepares and presents Financial Statements under the cash basis of accounting as defined in this Standard, should apply the requirements of this Standard in the presentation of its Financial Statements.

- 3.1.1 The standard applies to financial reports of a government – Union or State. The standard does not apply to accounts of (i) local bodies and (ii) Government Business Enterprises or Departmental Commercial Undertakings.

3.2 An Entity whose Financial Statements comply with the requirements of this Standard should disclose that fact. Financial Statements should not be described as complying with this Standard unless they comply with all the requirements of this Standard.

3.3 The standard lays down the minimum requirements that governments should follow in presentation of financial reports. The requirements in terms of contents of the financial report are the mandatory minimum requirements that financial reports should present.

4. Definitions

The following terms are used in this Standard with the meanings specified.

- 4.1 Accounting policies are the specific principles, bases, conventions, rules and practices adopted by an Entity in preparing and presenting Financial Reports.
- 4.2 Annual Financial Statement is the statement of estimated receipts and payments of a Government, required to be presented in Parliament vide Article 112 of the Constitution of India or in Legislative Assemblies vide Article 202 of the Constitution of India or Section 27 of the Union Territories Act, 1963, or all three, as the context may imply.
- 4.2.1 The Annual Financial Statement comprises the main budget document of the Government along with the Demands for Grants. The Annual Financial Statement shows the receipts and payments of Government under the three parts in which Government accounts are kept - Consolidated Fund, Contingency Fund and Public Account.
- 4.3 Cash comprises cash on hand and cash balance.
- 4.4 Cash balance Cash balance comprises the balances with the Reserve Bank of India and other banks, cash in treasuries and remittances in transit.
- 4.5 Cash basis means the basis of accounting where the transactions or other events represent the actual cash receipts and disbursements during the financial year.
- 4.6 Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- 4.7 Cash flows are inflows and outflows of cash and cash equivalents.

- 4.8 Consolidated Fund means the Consolidated Fund of India or a State, referred to in clause (1) of Article 266 of the Constitution of India, or of a Union Territory Government, referred to in Section 47 of the Union Territories Act, 1963, or all three, as the context may imply.
- 4.9 Contingency Fund means the Contingency Fund of India or a State, referred to in clauses (1) and (2) of Article 267 of the Constitution of India, or of a Union Territory Government, referred to in Section 48 of the Union Territories Act, 1963, or all three, as the context may imply.
- 4.10 Debt or Borrowings are the borrowed funds and include internal and external debt defined as Public Debt under the Consolidated Fund as well as the Liabilities of the Entity accruing under the Public Account.
- 4.11 Demands for Grants is a form for presenting the estimate of expenditure of the Government from the Consolidated Fund, to Parliament under Article 113 of the Constitution of India or to the Legislative Assembly of a State under Article 203 of the Constitution or to the Legislative Assembly of a Union Territory under Section 28 of Union Territories Act, 1963.
- 4.12 Departmental Commercial Undertaking means an enterprise that has all the following characteristics:
- (a) Is an entity that has been assigned limited financial and operational authority to carry on a business;
 - (b) Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;
 - (c) Is not intended to be reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length by government);
 - (d) Its receipts and payments flow into and out of Consolidated Fund or the Public Account;
 - (e) Pays interest on Government fund and maintains proforma accounts; and
 - (f) Is controlled by a Government.
- 4.13 Entity means a Government Union, State or Union territory with legislature
- 4.14 Estimates are estimated receipts and expenditure of the Government included in the Annual Financial Statement, the Demands for Grants or the supplementary demands for grants, laid before the Parliament, referred to in Articles 112, 113 and 115 of the Constitution of India or laid before the State Legislatures, referred to in Articles 202, 203 and 205 of the Constitution of India or laid before the Legislative Assemblies of Union Territories, referred to in Section 27, 28 and 30 of the Union Territories Act, 1963, or all three, as the context may imply.
- (a) Budget estimates are the original estimates for the subsequent year included in the Annual Financial Statement. These are also referred to as Original estimates.
 - (b) Revised estimates are the modified estimates for the current year included along with the Budget estimates for the subsequent year but not put to the vote of Parliament or State Legislatures or Legislative Assemblies of Union Territories.
 - (c) Supplementary estimates are the estimated supplementary or additional expenditure included in the supplementary demands for grants.
- 4.15 Financial Statements are a set of reports, schedules or accompanying notes conveying comprehensive financial information about an Entity relating to the operation of Government Account. Finance Accounts of a Government is an example. The terms 'Financial Report' and 'General Purpose financial statement' (as defined in 4.16) in this standard are used to refer Finance Accounts and Appropriation Accounts.
- 4.16 General purpose financial Statements means financial statements intended to meet the information needs common to users who are unable to command the preparation of reports/ statements tailored so as to satisfy, specifically, all of their information needs. They include the Finance Accounts and the Appropriation Accounts of the government.
- 4.17 Government means all departments and ministries of a Government taken together, whether of the Union Government or State Government or Union Territory Government with Legislature.
- 4.18 Government Account is the account relating to the Consolidated Fund, the Contingency Fund and the Public Account
- 4.19 Government Business Enterprise means an enterprise that has all the following characteristics:
- (a) Is an entity with the power to contract in its own name;
 - (b) Has been assigned the financial and operational authority to carry on a business;
 - (c) Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;

- (d) Is not intended to be reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length by government); and
 - (e) Is controlled by a Government.
- 4.20 Indian Government Accounting Standards (IGAS): These are Government Accounting Standards as notified by Union government and are applicable to Union and States in India
- 4.21 Public Account means the Public Account of India or of a State referred to in Clause (2) of Article 266 of the Constitution of India or both as the context may imply.
- 4.22 Reporting currency is a currency used in presenting the Financial Reports.
- 4.23 Reporting date means the date of the last day of the reporting period to which Financial Statements relate.
- 4.24 Reporting period means the period reported upon in the Financial Report.
- 4.25 Reserve Bank of India means any office or branch of the Banking Department of the Reserve Bank constituted under the Reserve Bank of India Act, 1934.
- 4.26 Schedules are supplementary information of financial nature, not flowing from accounts, but relating to the Government Account and augmenting Reports in a Financial Report. The Schedule of Committed Expenditure and the Schedule of Guarantees are examples.
- 4.27 Reports convey comprehensive financial information about an Entity relating to the Government Account primarily based on accounts information. Statement of Receipts and Expenditure and Statement of Balances are examples.
- 4.28 Definitions of financial elements: The broad classes of transactions and other events grouped in accordance with their economic characteristics are financial elements. Financial Statements portray the financial effects of these elements. The financial elements recognized in statements of balances include Assets and Liabilities in the Consolidated Fund or the Public Account. A few related concepts are as follows:
- 4.28.1 Assets are resources controlled by an Entity as a result of past events and from which future economic benefits or service potential are expected to flow to the Entity. The assets specifically required to be depicted in the financial reports are the Cash and cash equivalents; other financial assets like loans and advances, equity investments in PSUs, etc.
 - 4.28.2 Capital Receipts are receipts of capital nature, which cannot be set-off against Expenditure on Capital Account. These include disinvestment proceeds, receipts of issue of bonus shares, recoveries of loans and receipts from Borrowings.
 - 4.28.3 Cash disbursements or payments are cash outflows.
 - 4.28.4 Cash receipts are cash inflows.
 - 4.28.5 Expenditure comprises decreases in economic benefits or service potential in the form of outflows during the reporting period and includes Expenditures on Revenue or Capital Account.
 - 4.28.6 Expenditure on Capital Account denotes the expenditure met mostly from borrowed funds with the object of creating assets or investing outside the Government, where the benefit from the assets / investment is available beyond the year. It includes expenditure on disbursement of loans and advance and on reduction of liabilities. It also includes receipts of a capital nature from sale proceeds of assets as a set-off against expenditure.
 - 4.28.7 Expenditure on Revenue Account denotes the expenditure met mostly from current revenues for the purchase of goods and services or transfer and other current payments.
 - 4.28.8 Liabilities are present obligations of the Entity arising from past events, the settlement of which is expected to result in an outflow from the Entity of resources embodying economic benefits or service potential. Liabilities to be reflected in Finance Accounts include Public Debt (internal debt and external debt); contingency fund; and liabilities on public account.
 - 4.28.9 Receipts are gross inflows of economic benefits or service potential during the reporting period and can be Revenue Receipts or Capital Receipts.
 - 4.28.10 Revenue Receipts denote the proceeds of taxation and other non-exchange revenues as well as all exchange revenues of the Government on the Revenue Account.

5. Basis of Accounting

- 5.1 ***The accounting shall be on Cash Basis, i.e. the transactions in Government accounts shall represent the actual cash receipts and disbursements during a financial year as distinguished from amounts due to or by the Government during the same period. However, certain book adjustments may be specifically authorized by the Central***

Government on the advice of the Comptroller and Auditor General of India, as exceptions to the cash basis of accounting.

- 5.2 *The basis of accounting being cash, the depreciation of physical assets and impairment losses are not recognized or expensed. The losses or write-offs of the physical assets at the end of their life are also not recognized or expensed.*

6. Recognition and Measurement of Financial elements

- 6.1 The Cash Receipts and Disbursements of the entity are recorded at the point of the cash transaction. Receipts and disbursements are recognised for the value of the cash transaction that is taking place, with the exception of specific cases of non-cash transactions where recognition and measurement is specifically defined by an order of the Central Government or by an Indian Government Accounting Standard.
- 6.1.1 The amounts under the debt, deposit, suspense, miscellaneous and remittance heads, with certain exceptions, are individually closed to balance. The balances of liabilities as well as the balances of loans and advances are recognised in financial reports.
- 6.1.2 The progressive investment of Government in statutory corporations, Government Companies, other joint stock companies, cooperative banks and societies etc as well as the progressive capital expenditure, through closing to government accounts annually, are recognised in financial statements.

7. Qualitative characteristics of Financial Statements

- 7.1 *While framing or adopting accounting policies, the preparers of Financial Statements should comply with the following requirements, in addition to specific requirements of other Indian Government Accounting Standards:*

- (a) Relevance*
- (b) Reliability*
- (c) Materiality*
- (d) Timeliness*
- (e) Offsetting*
- (f) Consistency of Presentation*
- (g) Comparative Information*

- 7.2 *Inappropriate accounting treatments are not rectified either by disclosure of the accounting policies used, or by notes or explanatory material.*

- 7.3 *Relevance requires that the accounting policy may ensure that the Financial Statements are relevant to the decision-making needs of users and fulfill the objectives of financial reporting.*

- 7.4 *Reliability of financial information demands*

- (a) A faithful presentation of financial performance and financial position of the entity is rendered;*
- (b) That the Financial Statements reflect the economic substance of events and transactions and not merely the legal form;*
- (c) There is no bias, that is, the information is neutral;*
- (d) Prudence has been exercised in cases where adjustments are effected; and*
- (e) Completeness in all material respects.*

- 7.4.1 Information has the quality of reliability when it is free from material error and bias and can be depended upon by the users to represent faithfully that which it either purports to represent or could reasonably be expected to represent. A faithful presentation of a statement of financial performance would mean representing the transactions and other events that result in either an increase or decrease in expenditure or receipts at the reporting date.

- 7.4.2 The substance of transactions or other events is not always consistent with that which is apparent from the legal or contrived form. For instance, an Entity may dispose of an asset to another Entity

- in such a way that the documentation purports to pass legal ownership to that party; nevertheless, agreements may exist that ensured that the former entity continues to enjoy the future economic benefits embodied in the asset.
- 7.4.3 Financial Statements are not neutral if, by the selection of presentation of information, they influence the making of a decision in order to achieve a predetermined result or outcome. Prudence is the inclusion of a degree of caution in the exercise of the judgement that is needed in making the estimates under conditions of uncertainty.
- 7.5 *Materiality: Information is material if its omission or mis-statement could influence the decision-making or assessments by users about the allocation and stewardship of resources, and the performance of the entity made on the basis of the Financial Statements. Materiality depends on the nature or size of the item or error judged in the particular circumstances of omission or mis-statement.***
- 7.6 *Each material item should be presented separately in Financial Statements. Immaterial amounts should be aggregated with amounts of similar nature or function and need not be presented separately.***
- 7.6.1 In deciding whether an item or an aggregate of items is material, the nature and the size of the items are evaluated together. Depending on the circumstances, either the nature or the size of the items could be the determining factor. Items that are material by virtue of their nature or by virtue of their size may be presented separately in Financial Statements.
- 7.6.2 The inherent nature or characteristics of an item or a group of items may also render these material. For example - where the law or regulation requires these to be separately disclosed, it may be considered material regardless of the amount involved. Article 112(2) of the Constitution of India provides that the estimates of Expenditure embodied in the Annual Financial Statement shall show separately the sums required to meet Expenditure charged upon the Consolidated Fund of India – similar requirements are available in case of Expenditure charged upon the Consolidated Funds of States and Union Territories with Legislatures. Therefore the charged Expenditure is shown separately from voted Expenditure, in Annual Financial Statement as well as the Finance Accounts and Appropriation Accounts, the two main Financial Reports of Governments.
- 7.6.3 Materiality provides a threshold rather than being a primary qualitative characteristic as to which information must be included to be useful. An item that is not sufficiently material to warrant separate presentation on the face of the Financial Statements may nevertheless be sufficiently material that it should be presented separately in the notes.
- 7.7 *Timeliness: Financial information should be made available within a reasonable period of time. Financial Statements prepared annually should be made available before the end of six months from the end of the reporting year.***
- 7.7.1 The usefulness of Financial Statements is impaired if these are not made available to the users in time. If there is an undue delay in the reporting of information it may lose its relevance. Conversely, if reporting is delayed until all aspects are known, the information may be highly reliable but of little use to users who have had to make decisions in the interim. In achieving a balance between relevance and reliability on the one hand and timeliness on the other, the overriding consideration is how best to satisfy the needs of the decision-makers.
- 7.8 *Disallow offsetting: Items of Receipts and Expenditure should not be offset except when:***
- (a) *An Indian Government Accounting Standard requires or permits it; or*
(b) *A specific order of the Central Government provides for it.*
- 7.9 *Consistency of Presentation: The presentation and classification of items in the Financial Statements should be retained from one period to the next unless***
- (a) *A significant change in the nature of the operations of the entity being reported upon or review of its Financial Reports demonstrates that the change will result in a more appropriate presentation of events or transactions; or*
(b) *An Indian Government Accounting Standard or a later amendment*

requires a change in presentation thereto.

7.9.1 The establishment of National Small Savings Fund (NSSF) in the Public Account of India in April 1999 is an illustration of a structural change in the presentation of financial statement. A sub-sector was introduced in the chart of accounts and a new statement was introduced in the Union Finance Accounts showing the position of National Small Savings Fund. This significant change in accounting procedure and presentation of Financial Statements resulted from a review of the operation of small savings schemes of the Government of India. The change was to result in a more transparent presentation of the transactions of these small savings operations in Government Accounts.

7.10 When the presentation or classification of items required to be disclosed in the Financial Statements is amended, corresponding amounts in the previous period should be reclassified, unless it is impracticable to do so, to ensure comparability with the current period, and the nature, the amount of, and the reason for any reclassification should be disclosed. When it is impracticable to reclassify comparative amounts in the successive periods, an entity should disclose the reasons for not reclassifying and the nature of changes that would have been made if amounts were reclassified.

7.10.1 In case of rationalization of heads of accounts under a certain category it may not be possible to recreate the information for the previous period in line with the new classes of accounting heads created.

7.11 Comparative Information: Unless a provision of the Standard permits or requires otherwise, comparative information should be disclosed in respect of the previous period for all numerical information required by the Standard to be disclosed in the Financial Statements, except in respect of the Financial Statements for the reporting period to which this Standard is first applied. Comparative information should be included in narrative and descriptive information when it is relevant to enhance the understanding of the current period's Financial Statements.

7.12 In practice, a balancing or trade-off between qualitative characteristics is often necessary. The objective is to achieve an appropriate balance among the characteristics in order to meet the objective of Financial Statements.

8 Attributes of financial statements

8.1 Readability: This will ensure that the user is able to scan through the financial statements at ease and obtain the solution he is seeking.

8.1.1 The Financial Statements need to be presented in an attractive format with a meaningful and lucid narrative commentary to enhance readability. For instance, table headings need to be repeated on each page if reports flow into several pages, so that the reader follows the information with ease. Headers and footers may be optimally used to bring about continuity in longer reports – the title and sub-title of the statement may be reflected in the header while other relevant details can be introduced in the footer. Page numbering may invariably be incorporated.

8.1.2 In case of accounts of governments, the amounts are generally substantial, running into thousands of crores of rupees. It is important therefore, to depict the amounts in the Financial Statements in thousands/lakhs or crores to enable ready comprehension of the magnitude of the amounts. It is also necessary to use commas as dividers for these large figures. To the extent feasible, the reporting unit may be uniform.

8.1.3 Layering of the information can further improve readability. While the general users would appreciate the summary statements for an overview, the technical users would need specific details and may be guided to these reports or notes, by linkages provided in the summaries. The introduction of charts and graphs will also enhance readability. The introduction of tables in the

accompanying review is encouraged. Where the source of the information in the table is outside the account, the same should be invariably mentioned.

8.2 *Clarity: The Financial Statements should possess clarity and the information should be so presented as to guide the user according to his need.*

8.2.1 Proper cross-linkages and a table of contents can facilitate easy understandability and clarity.

8.3 *Balanced: The Financial Statements should give a balanced coverage of performance of the entity.*

8.4 *Cost effective: The benefits derived from information should exceed the cost of providing it.*

8.4.1 The balance between benefits and costs is a pervasive constraint. The evaluation of benefits and costs is a matter of judgement. The costs do not always fall on those users who enjoy the benefits. Benefits may also be enjoyed by users other than those for whom the information is originally prepared. While this is a difficult and subjective criterion to apply, those responsible for the preparation of Financial Statements and the users of Financial Reports need to be aware of this constraint.

8.5 *Internal Consistency: The presentation of receipts and disbursements as well as progressive balances in the Financial Statements should possess internal consistency. The differences in the depiction of similar measures in different reports may be annotated to reconcile the amounts, if the differences are material.*

8.6 *Accessibility and Updation: The Financial Statements should be readily accessible to the concerned users and should be updated with regularity.*

8.6.1 The body of the Financial Statements should indicate where the Financial Statements are available to interested public (sale / distribution centres or the address of the website on the Internet). All statements placed on websites should be updated regularly and should have a field to indicate the date of last updation.

8.7 *Understandability: The users may be reasonably expected to comprehend the meaning of information presented in the Financial Statement. The information about complex matters should be suitably portrayed and annotated - it should not be excluded from the Financial Statements merely on the grounds that it may be too difficult for certain users to understand.*

8.7.1 Users are assumed to have a reasonable knowledge of entities, activities and the environment in which they operate and to be willing to study the information. As indicated under the attribute of readability, layering of information may be resorted to for different levels of users, indicating different levels of details and complexities.

8.8 *Robustness: The information system should be able to withstand organisational changes.*

8.8.1 Organisational changes should not distort the financial reporting system - within the constraint of change, comparability should be possible. Where comparable figures are not available, the same should be disclosed.

8.9 *Attributability: The activity measured must be capable of being attributed to the services or functions of the entity.*

8.9.1 Ideally, decision centre-wise breakup of reports of financial performance may be presented as an aid to decision making by the implementing agencies and the executive.

8.10 *Verifiability: The processes used in measurement of financial elements should have a clear documentation and should be amenable to validation.*

8.10.1 Indicators used in the Financial Statements should be defined in an objective way so that different people have the same understanding of what the indicator means. Such documentation will allow the verification of the Financial Statements.

8.11 *Sub-totaling: Grand totals and sub-totals at each level should be depicted in all Financial Statements.*

8.11.1 Users should not need to work out aggregates of reports. Non-depiction of sub-totals renders internal comparison difficult.

9 Reporting Period

9.1 *The Financial Report should be presented at least annually. When in exceptional circumstances, an Entity's reporting date changes and the Financial Statement is presented for a period longer or shorter than one year, an Entity should disclose, in addition to the period covered by the Financial Report:*

- (a) *The reason for a period other than one year being used; and***
- (b) *The fact that comparative amounts for certain reports are not comparable.***

9.1.1 In exceptional circumstances, an Entity may be required to, or decide to, change its reporting date. For example, this may be done in order to align the reporting cycle more closely with the budgeting cycle. When this is the case it is important that users are aware that the amount shown for the current period and comparative amounts are not comparable and that the reason for the change in reporting date is disclosed.

10 Authorisation Date

10.1 *An Entity should disclose the date when the Financial Statements were presented to legislature.*

11 Identification of Financial Statements

11.1.1 *The Financial Statements should be clearly identified and distinguished from other information in the same published document.*

11.1.2 This Standard applies only to Financial Statements, and not to other information presented in an annual report or other document. Therefore, it is important that users are able to distinguish information that is prepared using this Standard from other information that is not the subject of this Standard.

11.1.3 *Each component of the Statement should be clearly identified. In addition, the following information should be prominently displayed and repeated when it is necessary for a proper understanding of the information presented:*

- a. *The name of the reporting entity or other means of identification;***
- b. *The Reporting date or the period covered by the Financial Reports, whichever is appropriate to the related component of the Financial Report;***
- c. *The Reporting currency;***
- d. *The level of precision used in the presentation of figures in the Financial Reports; and***
- e. *The level of details in terms of classification used in the Financial Reports.***

12 Reporting Currency

- 12.1 The financial statements shall be maintained in Indian Currency i.e., Indian Rupees. All transactions of the entity taking place in other countries shall be passed on monthly by the Indian Embassies / Missions to India and brought to account finally in the Indian books after they have been converted into rupees.

13 Components of Finance Accounts

- 13.1 In particular, an Entity should prepare and present annual Finance Accounts for the Government. At the minimum, the Finance Account should depict the following information whether in separate statements or in appropriately condensed form:

- (a) Statement of Receipts and Expenditure during the year, by Major-heads, which recognizes all cash receipts, cash disbursements and cash balances controlled by the entity as well as book adjustments made;
- (b) Statement of Balances in summary – a statement of financial position showing balances in the Government Account at the end of the year;
- (c) Statement of Investments in share capital in government companies, corporations etc;
- (d) Statement of Cash, other financial assets and deficit, if any;
- (e) Statement of Liabilities (Public debt, contingency fund, liabilities on public account etc and accumulated surplus, if any);
- (f) Statement of Debt position including net addition to debt during the year;
- (g) Details of cash balance and investment of cash balance;
- (h) Statement of Loans and Advances extended during the year with balances;
- (i) Schedule of Guarantees given by the Government in summary, in case of annual reports;
- (j) Detailed statement of Receipts in the Consolidated Fund, by Minor heads;
- (k) Detailed Statement of Expenditure on Revenue Account and Capital outlay by Minor-heads indicating Plan and non-plan separately.
- (l) Detailed Statement of Progressive and Annual Capital Outlay by Minor-heads (except, by Major-heads / Sub-Major-heads for Capital Outlay on Railways and Defence Services in case of the Union);
- (m) Detailed Statements for the Statements of Investment, Debt and Loans and Advances, by Minor-heads with other details specified;
- (n) Statement showing distribution between Charged and Voted Expenditure;
- (o) Statement on Contingency Fund, with details of recoupment;
- (p) Details of receipts, disbursements and balances under the Public Account, by Minor-heads;
- (q) Detailed Statement on National Small Savings Fund;
- (r) Details of Prior Period Adjustments;

- 13.1.1 In addition to the requirements of this standard, the Finance Accounts should also represent any other statement, information or disclosure required mandatory as per any of the other Indian Government Accounting Standards (IGAS).

- 13.1.2 Finance Accounts are reports of receipts and disbursements for the purpose of the Government for the year, together with the financial results disclosed by the revenue and capital accounts, the accounts of the public debt, the liabilities and assets as worked out from the balances recorded in the accounts.

- 13.1.3 The Statement of Balances is in the nature of a statement of financial position at the end of the year while the Statement of Receipts and Expenditure can be compared to a statement of financial performance of the Government during the year. These Reports depict the information separately for the Consolidated Fund, the Contingency Fund and the Public Account. The formats for the Statement of Receipts and Expenditure and the Statement of Balances are appended.

- 13.1.4 In addition, the following statements or information are recommended for inclusion in Finance Accounts in form of statement, information or disclosure over a period of time.

- (a) An object head-wise summary of expenditure incurred, separately under Revenue and Capital;
- (b) Statement of subsidies given, both implicit and explicit;

- (c) Statement containing debt and other liabilities as well as repayment schedule;
- (d) Expenditure on the North-East with balances in the pool, if applicable;
- (e) Statement of incomplete capital works;
- (f) Statement containing expenditure on salaries by various departments / units;
- (g) Detailed information on pensioners and expenditure on government pension;
- (h) Information on committed liabilities;
- (i) Accretion to or erosion in financial assets held by government;
- (j) Implications of major policy decisions taken by government during the year or new schemes proposed in budget for future cash flows;
- (k) Statement on maintenance expenditure with segregation of salary and non-salary portions.

14. Components of Appropriation Accounts

- 14.1 An Entity should prepare and present annual Appropriation Accounts for the Government, comprising the following components:
- (a) Review containing a summary table and an overview;
 - (b) Summary of Grant-wise Appropriation Accounts;
 - (c) Statement of Recoveries;
 - (d) Statement showing capital and loan investments voted by Parliament for individual government business enterprises and actual expenditure there against;
 - (e) Notes and comments to include reasons for excess /savings in actual expenditure

14.1.1 Appropriation Accounts are annual reports detailing grant-wise, the sums expended by the Government in the reporting year compared with the several sums specified in the schedule appended to the Appropriation Acts passed under Articles 114 and 115 of the Constitution of India.

14.1.2 The Review should contain a commentary with priority to items in accordance to their significance and the quantum of deviation.

14.1.3 The Notes should indicate the extent of unreconciled expenditure.

14.2 *The norms for recording reasons of variation and their presentation and condensation of head-wise Appropriation Accounts separately defined by the Controller General of Accounts or Comptroller and Auditor General of India should be adhered to.*

15 Notes and Disclosure of Accounting Policies

15.1 *The basis of preparation of Financial Statements and significant accounting policies related to material items shall be disclosed. Any changes from earlier policy may be disclosed along with the impact of such a change on financial indicators.*

15.2 *The notes should provide additional information, which is not readily discernible from the Financial Statements but is necessary for a fair presentation of the entity's financial performance and position.*

15.3 *Notes to the Financial Statements should be presented in a systematic manner. Each item in the statements should be cross-referenced to any related information in the notes.*

15.3.1 The notes are supplementary to the Review: the latter is an overview of the Financial Statement whereas the notes detail all relevant facts and figures necessary to fully understand the Financial Report. Conclusions about the direction of finances of the Entity in the Review, based on

comparison with budget and the past year may be amplified in the notes.

16 **Effective date**

- 16.1 This Indian Government Accounting Standard on General Purpose Financial Statements of Government shall be effective for the financial statements for the periods commencing from the 1st April subsequent to the date of notification of the standard by the Government.