

FROM THE EDITOR'S DESK

Greetings!

Government accounting is the process of collecting, recording, classifying, summarizing, communicating and interpreting the financial transactions relating to the revenues and expenditures of government offices. In other words, government accounting communicates the financial information regarding the collection and utilization of public funds and properties. In India the accounting policies followed by Government entities are outlined in the Government Accounting Rules (GAR) and the General Financial Rules (GFR). These set out the guidelines to be followed by the government entities for any receipts or expenses. The Comptroller and Auditor General of India has constituted Government Accounting Standards Advisory Board (GASAB) with the support of Government of India to facilitate reforms in Government Accounting.

Traditionally, the cash-based system of accounting is followed in India for budgeting, accounting and financial reporting. Though this system is simple and easy, it is not the most informative way of presenting government accounts. It does not have an adequate framework for accounting of assets and liabilities. Importantly, capital expenditure under the cash system is brought to account only in the year in which a purchase or disposal of an asset is made.

For the above reasons, on the recommendation of the Twelfth Finance Commission, the Indian Government Financial Reporting Standards (IGFRS) were formulated for an accrual-based government accounting. GASAB has also developed an operational framework for migration to accrual accounting GASAB has so far developed five IGAS and submitted them to the Government of India for notification.

The methods or systems of preparing government accounts can be classified into four broad categories:

- Cash accounting
- Modified cash
- Modified accrual
- Accrual

The system of government accounting follows single entry and double entry system. The annual accounts of



government consist of annual finance account and annual appropriation accounts of government. Finance account consists of main statement such as Receipts & Payment Account, Statement showing Surplus/Deficit for the year, Summary of Balances and supporting statements like Loans & Advances extended by the Union Government Statement on Investments, Statement on Capital Expenditure, Statement of Public Debt etc.

All the expenses of government are classified under five heads:

- Sectors
- Major heads
- Minor heads
- Sub heads
- Detailed heads of accounts

The accounts are kept in three major parts:

- Consolidated Funds of India
- Contingency Funds of India
- Public Account

Every officer incurring or authorizing expenditure from public moneys should be guided by high standards of ethics and financial propriety.

▪ Every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

▪ Expenditure from public moneys should not be incurred for the benefit of a particular person or a section of the people, unless:

- a. A claim for the amount could be enforced in a Court of Law,
- b. The expenditure is in pursuance of a recognized policy or custom.

This issue presents a good number of articles on the cover story theme 'Government Accounting and the Role of CMAs' by distinguished authors and an interview of an industry stalwart. We look forward to constructive feedback from our readers on the articles and overall development of the journal under this section. Please send your mails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers enjoy the articles.