



RAPAR NAGARPALIKA

SCHEDULE: U : SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

1. Significant Accounting Policies

Important accounting policies to be followed by the Nagarpalika in respect of accounting for its transactions and in the preparation and presentation of the Financial Statements are prescribed in the National Municipal Accounting Manual (NMAM) & the Draft Gujarat Municipal Accounting Manual (GMAM). All the policies are disclosed below as per NMAM & GMAM even though transactions pertaining to one or several prescribed accounting principles & policies might not have taken place during the year at the Nagarpalika during its regular course of activity.

2 Basis of Accounting

The financial statement are prepared on a going concern and under historical cost basis under accrual basis of accounting, unless stated otherwise, and conform in all material aspects, to the Generally Accepted Accounting Principles in India and prevailing practices in Urban Local Bodies of the State of Gujarat. The financial statements are prepared by using the double entry accounting system.

2.1 Revenue recognition

- a. Property and Other Taxes (Particularly Property Tax, Water Tax, Cleaning, Tax, Streetlight Tax) are recognized in the period in which they become due and demands are ascertainable
- b. Revenues in respect of Profession Tax on Organizations / entities are accrued in the year to which it pertains and when demands are raised.
- c. Revenues 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, 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. Rent from Shopping Centre is recognized in the period in which they become due and the demand are ascertainable.



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

2.2 Provision against receivable:

- a. Prudential norms are applied based on type of income and age of receivable. Based on the policy on provisioning, incomes that have been accrual and are doubtful of recovery are provided for.
- b. For any demand that is outstanding beyond 2 years, provision to be made in the demand based on the following provisioning norms:
 - Outstanding for more than 2 year but not exceeding 3 years : 25 per cent.
 - Outstanding for more than 3 years but not exceeding 4 years : 50 per cent (additional 25 per cent)
 - Outstanding for more than 4 years but not exceeding 5 year : 75 per cent (additional 25 per cent)
 - Outstanding for more than 5 years : 100 per cent (additional 25 per cent)
- c. Any additional provision for demand outstanding (net on overall basis) that has to be made during the year is to be recognized as an expenditure for the current year and any excess provision written back during the year is to be recognised as the Nagarpalika's 'other income' for the current year.
- d. Refunds and remissions of taxes for the current year are to be adjusted against the income; if they pertain to previous years they are to be treated as prior period items.
- e. Write-offs of taxes are to be adjusted against the provisions made.
- f. Any subsequent collection or recovery of receivables for property taxes that were already written off shall be recognized as a 'prior period income'. Similarly Security deposit forfeited or unclaimed of earlier year is treated as "other prior period income".
- g. Demands raised with retrospective effect will be treated as prior period income to the extent that they pertain to earlier years.



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2.3 Recognition of Expenditure

- a. Expenses on Salaries, bonus and other allowances are recognized as and when they are due for payment.
- b. All revenue expenditure are treated as expenditures in the period in which they are incurred.
- c. Provision for expenses are made at the year-end for all bills received up to a cutoff date 15.05.2021.

2.4 Fixed Assets

(I) Recognition

- a. All Fixed Assets are carried at cost less accumulated depreciation. The cost of fixed assets include cost incurred/money spent in acquiring or installing or constructing the fixed asset, interest on borrowings directly attributable to acquisition or construction of qualifying fixed assets up to the date of commissioning of the assets and other incidental and indirect expenses incurred up to that date.
- b. All assets costing less than Rs. 5000/- would be expensed / charged to Income & Expenditure Account in the year of purchase.
- c. Any Fixed Asset, which has been acquired free of cost or in respect of which no payment has been made, is recorded at nominal value of Re. 1/-.

(II) Depreciation

Depreciation is provided on written down Value method at the rates provided in Income tax Act.

2.5 Borrowing cost

Borrowing cost is recognized as revenue expenditure on accrual basis except in the case of fixed assets.



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2.6 Inventories

Raw materials /Consumables and Spares/Service materials are to be valued at cost based on first-in-first-out method.

2.7 Grants

- a. General Grants, which are of revenue nature, are recognized as income on actual receipt .
- b. Grants, which are re-imbursement of specific revenue expenditure are recognized 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.

2.8 Employee benefits

- a. Separate Funds are to be formed for meeting the pension and other retirement benefits including Gratuity and Leave encashment.
- b. Contribution towards Pension and other retirement benefit funds are recognized as and when it is due.
- c. Contribution on Provident fund is recognized as expenses when incurred.

2.9 Investments

- a. All investments are initially recognized 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, theses are provided for.
- c. Short-term investments are carried at their cost or market value (if quoted) whichever is lower.



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3. Notes to the Accounts

Background

For the purpose, available accounting data was entered into customized TALLY 7.2 software. The Financial Statements presented herewith are the outcome of this Parallel Run. The quality and reliability of the financial statements presented herewith are dependent upon and subject to the quality and reliability of available accounting input supplied by the Nagarpalika to the parallel run.

3.1 Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles, NMAM and draft accounting guidelines as per GMAM requires Nagarpalika to make estimates and assumptions that affect the reported balances of assets and liabilities and also disclosures relating to contingent liabilities as at the date of financial statements and reported amounts of income and expenses during the reported period. Examples of such estimates relied upon includes provisions on Tax Receivables, useful lives of fixed assets etc. Differences between the actual result and estimates are recognized in the period in which the results are known / materialized.

3.2 Revenue Recognition

Professional Tax income is accounted or credited on actual receipt basis. as the Nagarpalika does not raise bills for such taxes and/or do not maintain record/register for current & arrear amount of such taxes.

3.3 Provision against receivable:

So far as the provisions on Tax Receivables is concerned, in absence of necessary details regarding year wise outstanding break up, Nagarpalika is not able to make provisions at the rate prescribed in Draft Accounting Manual issued under GMAM. However, provisions has been made@ 25% on total tax receivables as on 31-03-2021 as under.

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Sr.	Particulars of Tax Receivable	Year	O/s Amt.	Provision made @ 25 %
1	Property Tax	2021	8846157.00	2211539.25
2	Special Water Tax	2021	2146331.00	536582.75
3	Sanitation (Cleaning) Tax	2021	992340.00	248085.00
4	Electricity Tax	2021	963663.00	240915.75
5	Sewerage Tax	2021	1325005.00	331251.25
6	Shopping Center Rent	2021	271750.00	67937.50
	Total		14545246.00	3636311.50

3.4 Depreciation on Fixed Assets

3.4.1 Rate & Manner

In absence of any prescribed rate, manner and method of depreciation on fixed assets in draft NMAM, rates, manner and method of depreciation has been adopted as per the Indian Income Tax Act, 1961.

3.4.2 Accounting Treatment & Disclosure thereof

Depreciation provided during the year on fixed assets are credited to accumulated depreciation account, the balance whereof are carried over to next year.

3.4.3 Fully depreciated assets

Assets which have been fully depreciated but still in active use by the Nagarpalika are disclosed in financial statements at gross value along with accumulated depreciation thereon. Such assets are written off only when formally recognized as an item of scrap due to its retirement from active use by the Nagarpalika.

3.5 Inventories

Inventories consist of different types of stores and spares consumed by the different departments of the Nagarpalika for providing various types of services viz. Water, Sanitation, Health, Public Transportation, Street Lighting etc. Generally most of the purchases are need based and are directly expensed to revenue accounts, however in case of Health Department, Water Works Department & Street Light Department had physical balances of store items which are accounted as Closing Stock, if any.



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3.6 Employee Benefits

- 3.6.1 The liability in respect of leave encashment accrued for the year has not been provided. However, the same is considered on payment basis and Rs 6,48,686/- has been paid as Leave encashment during the year.
- 3.6.2 Gratuity and liability for bonus accrued for the year has not been provided. The same is considered on payment basis.
- 3.6.3 Contribution to Provident Fund is recognized as expenses when incurred. The same is considered on payment basis. Rs. 7,80,007/- has been paid as E.P.F Contribution during the year .

Since Nagarpalika has to recover contribution of employees for payment of PF made by nagarpalika for earlier years & therefore "Payable-Provided fund deduction" account shows Debit balance.

3.7 Treatment of Grants

3.7.1 Opening Balance of Grants

Grant Funds actually represented by balance in current / saving / Term bank account of individual grants as on 01.04.20 were taken as the opening balance of respective grant fund account in absence of required data with the Nagarpalika.

3.7.2 Additions / Deductions during the year

Grants received from Government Agencies are credited directly to respective Grant Fund Liability Account and expenditure incurred there from is debited to respective Grant expenditure control account - 'expenditure against grant'. At the year end, accumulated balances in control accounts are transferred to individual assets / capital work-in-progress / specific revenue expenditure accounts as the case may be. In the other side, funds equal to capital expenditure incurred during the year against grant are transferred to Capital Contribution from grants liability. Whereas funds equal to revenue expenditure incurred against grants are transferred to revenue grants from grant liability. In several cases where any revenue expense incurred by Nagarpalika in regular course of activity is met by grant funds, the expenditure is directly charged to concerned expenditure account instead of first charging it to expenditure control account and then transferring it to revenue.

3.7.3 Interest on Grant Funds

Interest received on saving/ term bank account belonging to grant funds are directly credited to respective grant fund accounts.



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3.8 Grant Remarks :

A.	Aggregate unutilized grants	79873129.21
B.	Represented by :	
	a. Aggregate of Balances in Bank:	
	Savings deposits	36040520.92
	Current deposits	
	Fixed Deposits	
	b. Aggregate unadjusted advances from grant fund	
	A-B	43832608.29

Note 1: Nagarpalika has not maintained Grant wise Bank Accounts. Nagarpalika has not matched the Account wise Balance with the amount of unutilized Grant Balance. Total Amount of Balance in the Bank Accounts for Grants is Rs. 3,60,40,520.92 as on March 31, 2021.

Note 2 : During the year, total Capital Expenditure of Rs. 3,32,10,419/- has been incurred, out of which Rs. 12,30,443/- has been incurred from Mun. Fund Balance and Rs. 3,19,79,976/- has been incurred out of Grant Fund.

Note 3: Total Deduction as per Grant Details Part II is Rs. 3,82,22,234/-, while as per Tally Code 992, the same is Rs. 3,82,22,234/-.

Note 4: Details of Unutilized Grants and corresponding Bank Balance has not been provided by Nagarpalika. On the basis of available details on records, we have shown the same.

Note 5: Total Revenue Expenditure of Rs. 1,10,88,284/- as per Grant Table while as per Code 160 the same is Rs 62,42,258/- . Difference of Rs. 48,46,026/- is towards Education Grant of Rs 20,766/-, land Revenue Grant of Rs 163733, Salary & allowance Grant of Rs 2766876/-, Corona Virus Grant - 10,00,000/-, Aatma Nirbhar Grant- 2,16,000/-, Capacity Building -51,651/-, Aarthik vikas yojna Grant -2,27,000/-, Mahila Utkarsh Grant -4,00,000/- (Total Rs. 4846026/-) directly credited to Revenue Portion.



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3.9 Other Disclosures

1. Debit / Credit balances in Loans & Advances are subject to confirmation / reconciliation and consequent modification, if any.
2. Penal interest levied by lending institutions as received from their confirmation is considered as interest while preparing these financial statements.
3. In the opinion of appropriate authority of Nagarpalika, the "Current Assets, Loans & Advances" have a value on realization, in the ordinary course of activity, at least equal to the amount at which they are stated in these financial statements.
4. Provisions, Contingent Liabilities & Contingent Assets: Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes, if any. Contingent Assets are neither recognized nor disclosed in the financial statements.
5. Security Deposits received from the contractors in the form of Bank FDR are not entered in the financial books, instead a separate register is being maintained for the physical control purpose.

6 Loan Reconciliation:

We have not received the loan statement of Scarcity Loan & therefore could not reconcile the same however, we have not provided interest for the year.

Sr. no.	Specify the name of the Institution from whom the loan is received	Specify the purpose for which the loan is received	Principle amt. of Loan	Total Interest & Principle payable as on 31.3.21	Balance outstanding as per respective Nagarpalika As on 31.3.21	Difference	Reconciliation Made or not	Reason for non Reconciliation
1	GMFB	VAJPAT NAGAR VIKAS YOJNA-1	5000000/-	-333	-333	NA	NA	NA
2	GMFB	VAJPAT NAGAR VIKAS YOJNA-2	4500000/-	1603	-116920	118523	YES	Local Cess Fund Grant of Rs 118523/-, For F.Y 20-21 is not received during the year..
3	GMFB	NSDP			NA	-752400(*)	752400/-	In absence of loan statement & non recording of such loan in books of NP this has happened.

(*) In absence of loan statements, we have not provided any interest on above loans and due to such treatment the balances are negative.



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7. In absence of necessary information on record, security deposits lying with telephone service provider, if any, against telephone connections currently in use by the Nagarpalika, as well as security deposit lying with electricity supply company against electric connections of the Nagarpalika, such deposit amount could not be ascertained and consequently not recognized in these financial statements.
8. Segment Reporting: Municipal operations are by their very nature diverse. As a single entity, Nagarpalika involved in multifarious activities each with a specific purpose, some activities in the nature of business such as services of Public Transportation and others as a part of Governmental activity such as services of water, sanitation, street lighting and the like.
9. Govt. water electric bills : It is observed that bills of PGVCL raised for water supply includes penal interest also, as NP does not make payment regularly & NP booked total bill amt. as water exp. instead of bifurcating the same in to electric expense and penal interest.

We have not been supplied electricity bills of PGVCL by NP, However NP has maintained record in excel and on that basis we have booked water works & Street light. Therefore, outstanding of PGVCL is not tallied with O/s in books of Nagarpalika.

However Total Electricity bill for Water Department for the year is very high as compared to earlier years which has been objected by NP and Correspondence to this effect is being made with PGVCL.

3.10 Municipal Fund Entries detail is as under :

Sr No.	Amount	Dr	Cr.	Reason for Accounting Entry
1	14208.00	Municipal General Fund A/c	Vajpayee Nagar Vikas Yojna Phase-II Loan	To reconcile the loan statement.



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3.11 Table showing Bank Balances as per Nagarpalika's books and Tally :

Sr. No	Name of Bank	Balance as per Tally	Balance as per Nagarpalika books	DIFFERENCE
1	BOB-11209	98,096.42	98,096.00	0.42
2	BOI-4058	8,716.09	8,716.00	0.09
3	AXIS BANK-51233	401,479.00	-	401,479.00
4	AXIS BANK-8000070	227,410.00	227,410.00	-
5	AXIS BANK-5406	1,299,097.34	1,300,497.00	(1,399.66)
6	AXIS BANK-369806	5,931,104.06	5,929,702.00	1,402.06
7	AXIS BANK - 5486	644,607.00	644,607.00	-
8	BOB-86201	149,185.00	149,185.00	-
9	BOB-1103	185,929.88	185,929.00	0.88
10	AXIS BANK - 6833	11,069,723.13	11,069,723.00	0.13
11	AXIS BANK - 59998	16,025,173.00	16,025,173.00	-
12	Cash on hand	104,840.00	104,840.00	-
13	Cheque on hand	505,712.00	505,712.00	-

For GMARP Project CA Firm
Pankaj K Shah Associates
FRN: 107352W

Pankaj K Shah

Lead Manager
CA- PANKAJ K SHAH
(Partner)
M.No. 034603
UDIN : 21034603AAAAUO2467

Place: Ahmedabad
Date: 21.09.2021

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President

For Rapar Nagarpalika

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Chief Officer

Accountant

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