

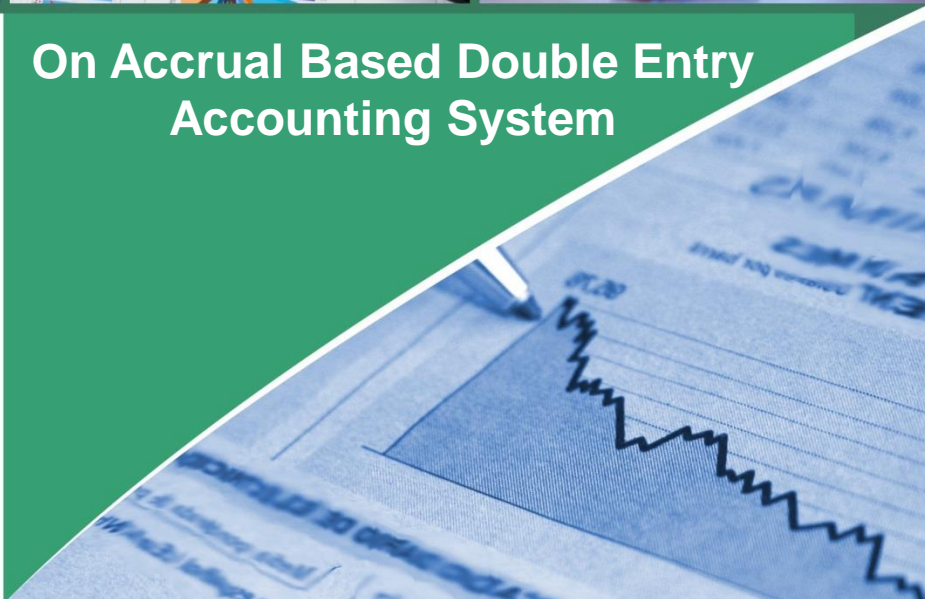


Abridged Bihar Municipal Accounting Manual



**On Accrual Based Double Entry
Accounting System**

**(Municipal Council/
Municipal Corporation/
Nagar Panchayat)
of Bihar**



PREFACE

The ministry of urban development and housing department, Government of Bihar had set an ambitious plan to implement the accrual based double entry accounting system in all urban local bodies of Bihar. To provide a generic framework and simplified toolkit to the urban local bodies of Bihar, the department has taken the initiative to prepare Bihar Municipal Accounting Manual. The manual was prepared by taking care comprehensive requirement and provision of the National Municipal Accounting Manual prepared by Ministry of Urban Development, Government of India. **Later on Bihar Municipal Accounting Rules has also been prepared to set out further guidelines** for detailed transactions of the urban local bodies.

Although the department has drafted very good manual but later it is revealed that the drafted manual becomes very cumbersome and it is very difficult for small urban local bodies to read the lengthy manual and derive true meaning by co-relating between Bihar Municipal Accounting Manual and Bihar Municipal Accounting Rules. The department realized that a compact but useful abridged manual may be prepared for the benefit of the small urban local bodies.

Abridged Bihar Municipal Accounting Manual is a result of above revelation. Above manual is compilation of relevant provision of Bihar Municipal Accounting Manual and Bihar Municipal Accounting Rules. In this manual relevant provision of both documents has been compiled and explained in easy language at one place. For detailed provision, users are advised to refer original manual.

List of Abbreviations

| | |
|-------------------|---|
| AS | Accounting Standard (issued by ICAI) |
| A/c | Account |
| BMA | Bihar Municipal Act, 2007 |
| BMAM | Bihar Municipal Accounting Manual |
| BMAR | Bihar Municipal Accounting Rules, 2014 |
| BMBM | Bihar Municipal Budget Manual |
| C&AG | Comptroller and Auditor General of India |
| CWIP | Capital Work in Progress |
| DCB | Demand Collection Balance |
| DEAS | Double Entry Accounting System |
| FIFO | First-in-First-out |
| GoI | Government of India |
| GoB | Government of Bihar |
| ICAI | Institute of Chartered Accountants of India |
| IPSAS | International Public Sector Accounting Standards |
| NMAM | National Municipal Accounts Manual |
| O&M | Operation & Maintenance |
| OBS | Opening Balance Sheet |
| SEAS | Single Entry Accounting System |
| ABDEAS | Accrual Based Double Entry Accounting System |
| SLM | Straight Line Method (A method to charge Depreciation) |
| WDV | Written Down Value (A method to charge Depreciation) |
| UD& HD | Urban Development and Housing Department (Govt. of Bihar) |
| AU | Accounting Unit |
| IUT | Inter Unit Transaction |
| ATD/ATC | Advice Transfer Debit / Advice Transfer Credit |
| ESC | Empowered Standing Committee |
| SC | Standing Committee |

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1 – Introduction

Transition from cash based single entry accounting system to accrual based double entry accounting system is a cumbersome task and If one talks to implement it in entire urban local bodies of Bihar, it contains numerous challenges. The Ministry of Urban Development and Housing Department has taken this onus and prepared Bihar Municipal Accounting Manual and Bihar Municipal Accounting Rules, 2014 to set the comprehensive guidelines for the general and specific transactions of the urban local bodies.

As it was felt that above manual become very lengthy and to refer above manual and rules by smaller urban local bodies is very difficult, the abridged Bihar Municipal Accounts Manual came into the picture. This manual is prepared for easy reference of the accounting staff and smaller urban local bodies. Although the above manual is a honest effort to compile the provision of BMAM and BMAR at one place, but by nature the above manual is a guide book only and one should refer original BMAM & BMAR for complete opinion.

The manual contains important definitions, basic of accounting, significant accounting policies, logic for codification of chart of accounts and function, reference to books of accounts, key principal for general and specific transaction with model accounting entry, period end procedures, important information about annual financial statement, budget, MIS etc. Every efforts has been made to bring relevant provision of BMAM and BMAR at one place, but there need may arise in future, where original Manual and Rules books may be required to refer further as every written manual get outdated with passage of time and need to update above manual will also be arises after the passage of time and after the changed made in the original manuals

Further above manual has been derived to use for ULBs prospects and many definition and terms has been considering the urban local bodies environment. If any user want to refer the above manual in other context, he may derive suitable meaning accordingly required modification.

2 – Basics of Accounting

- 2.1 The various terms, being used in normal accounting, the accounting concepts and accounting convention of ABDEAS have been explained in this chapter. Definitions of the terms are those which can be easily understood and taken from the list of definitions inserted in the BMAM. For sake of brevity all definition could not be found space in this chapter, but for remaining terms, BMAM is advised to refer.
- 2.2 The definition of the some term used in the accounting is as follows:
- Accrual** - Recognition of revenues and costs as they are earned or incurred (and not as money is received or paid). It includes recognition of transactions relating to assets and liabilities as they occur irrespective of the actual receipts or payments.
 - Accrual Basis of Accounting**- The method of accounting whereby revenues and expenses are identified with specific periods of time (a month or year) and are recorded as incurred, along with acquired assets, irrespective of the date of receipt or payment of cash; distinguished from cash basis.
 - Accrued & Due- In respect of**
 - Assets** – A claim arises from sale of goods, rendering of services or otherwise and has become receivable.
 - Liability** – A claim arises from purchase of goods, receiving of services or otherwise and has become payable.
 - Income** – An amount earned on account of sale of goods, rendering of services or otherwise for which a claim to receive has become enforceable.
 - Expenses**: A claim arose on account of purchase of goods, receiving of services or otherwise for which a liability to pay has become enforceable.
 - Accrued but not Due- In respect of**
 - Assets**: At the period end a claim arises from sale of goods, rendering of services or otherwise but not become receivable due to partly performed and accumulating with passage of time.
 - Liability**: At the period end a claim arises due to purchase of goods, receiving of services or otherwise but not become payable due to partly performed and accumulating with passage of time.
 - Income**: An amount earned from sale of goods, rendering of services or otherwise on which right to receive has not become enforceable at period end due to partly performed but being accumulated with passage of time.
 - Expenses**: A claim arose on account of purchase of goods, receiving of services or otherwise for which a liability to pay has not become enforceable at period end due to partly performed but being accumulated with passage of time.

Illustration 1: Determine Accrued Income/ Expenses as on 31st March, 2014

Fixed Deposit Rs. 5,00,000/- made on 01/04/13 @ 10% interest p.a. Interest will due on 31st Dec & 30th June of every year. At end of financial year 2013-14 situation will be as follows:

- Interest accrued and due for the period 01/04/2013 to 31/12/2013= $5,00,000 \times 10\% \times \frac{9}{12}$ = Rs. 37500/-
- Interest for the period 01/01/2014 to 31/03/2014 will be due in the month of June, 2014 so it will be recognized as an interest accrued but not due i.e. = $5,00,000 \times 10\% \times \frac{3}{12}$ = Rs. 12500/-

- Liability** – The item for which ULB is responsible to pay/repay and includes loans deposit & cess collected on behalf of government and kept in the separate account. It includes all dues payable by municipality

Basics of Accounting

- f. **Provision for Expense** – An amount written off or retained by way of providing for depreciation or diminution in value of assets or by way of providing for any known liability, amount of which cannot be determined with substantial accuracy.
- g. **Capital Expenditure** – Payment made towards fixed assets creation / additions including expenditure incurred for increasing the value or life of existing assets.
- h. **Revenue Expenditure** – It means outlay benefiting only for current year. It is treated as an expense to be matched against revenue.
- i. **Infrastructure Assets** – Those assets with the characteristics of being,
 - A part of a system or network,
 - Specialized in nature and do not have alternative uses,
 - Immovable, and subject to constraints on disposal.
 - For example: Road network, Water Supply System etc.
- j. **Current Assets** – Cash and other assets that are expected to be converted into cash or consumed in the normal course of operations (Generally one year) of the ULBs.
- k. **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.
- l. **Contingent Liability** – An obligation relating to an existing condition or situation which may arise in future depending on the occurrence or nonoccurrence of one or more uncertain future events.
- m. **Contra Entry** – Contra entry means entry passed for the transactions which affects both bank and cash ledger and the entry should be posted to both cash and bank.
- n. **Surplus/ Deficit** – The excess of income over expenditure for an Accounting Period under consideration will be called Surplus while opposite situation will be called Deficit.
- o. **Earmarked Funds**– Funds representing funds to be utilized for specific purposes.
- p. **Municipal fund** - The municipal or general fund is the general operating fund of an ULBs. It can be used for all financial resources except those related to any special or trust funds.
- q. **Folio reference**- A page number, voucher or other number in a book, document of original or final entry, which refers to disposition or source of an entry or posting.
- r. **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 with other related aspects of the entry.
- s. **Receipt & Payment Statement**- A financial statement indicating the opening and closing cash balance with actual cash inflow and outflow during an accounting period. All non-cash related transactions shall be ignored while preparing the Statement.
- t. **Income and Expenditure Statement**- A financial statement showing all item of income and expenditure extracted from ledger balances, showing the excess of income over expenses (or vice-versa)for an accounting period.
- u. **Trial Balance**- A list or abstract of balances or of debits and credits for all ledgers in an Accounting Period, the purpose being to determine the equality of posted debits and credits and to establish a basic summary for financial statements.
- v. **Officers in municipality:**

| Officer | Municipal Corporation | Municipal Council | Nagar Panchayat |
|-------------------------|-----------------------|-------------------|-----------------------|
| Chief Councilor | Mayor | Chairperson | Chief Councilor |
| Chief Municipal Officer | Commissioner | Executive Officer | Executive Officer |
| Deputy Chief Councilor | Deputy Mayor | Vice-chairperson | Vice- Chief Councilor |

Basics of Accounting

2.3 **Accounting Concepts and Accounting Conventions:** The Accounting Concepts and Conventions have been developed over the years from experience, reason, usage and necessity and generally accepted for accounting of transactions and preparation of Financial Statements.

- a. **Accounting Concepts** are the necessary assumptions or conditions upon which the accounting is based. They are developed to facilitate communication of accounting and financial information to all readers of the financial statements, so that all readers interpret the statements in the same meaning and context. The Accounting Concepts are as follows:

| Concepts | Meaning |
|---|---|
| Entity | <ul style="list-style-type: none"> For accounting purpose organization is treated as a separate entity from “owners” and “stakeholders”. This concept helps in keeping private affairs of the owners and stakeholders separate from the business affairs. <i>For example</i>, ULB is a separate, independent and autonomous entity and governed by separate legislation and regulations . The various stakeholders of ULB, citizens, state government, environmentalist, etc. do not own the ULB. Thus, a separate financial statements is prepared in respect of the operations of ULB. |
| Dual Aspect/ Accounting Equitation | <ul style="list-style-type: none"> All entities own certain asset and such assets are acquired through contributions of those who have provided funds. Funds are made available either through the surplus of the entity or loans. The assets will be equal to the claims always. <i>For example</i>, ULB has taken a loan of Rs. 10000/- from Mr. Ram on April 2014 and purchased a furniture of Rs. 5000/ in may 2014- now the situation will be as follow: Assets = Capital + Liability Rs. 5000 (bank) +5000 (Furniture)= Rs. 10000/- (Loan Liability) |
| Going Concern | <ul style="list-style-type: none"> It is assumed that the organization will continue for a long time, until it has entered into state of liquidation. As per this concept, accountant does not consider market value of assets while valuing them, whether market value is higher or lower than the book value. Financial Statements are prepared at period-end to measure performance of entity and not on the closure of entity. |

Basics of Accounting

| Concepts | Meaning |
|--|--|
| Money Measurement | <ul style="list-style-type: none"> • Transactions which can be measured in money shall be recorded in the books of account. • Events or transactions that cannot be expressed in money are not recorded in books of account. • <i>For example:</i> 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 machinery can be measured in monetary value and hence recorded. |
| Cost Concept | <ul style="list-style-type: none"> • 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 realizable, replacement or market value. • The assets recorded at cost at time of purchase is systematically reduced through depreciation. |
| Accounting Period | <ul style="list-style-type: none"> • An accounting period is the interval of time at which the financial statements are prepared to ascertain the financial performance of the organization. • 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. Generally period from 1st April to 31st March is considered as accounting period. |
| Periodic matching of cost and revenue | <ul style="list-style-type: none"> • To ascertain the surplus or deficit, it is necessary that costs incurred are matched with the revenue earned by the entity during that accounting period • 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. |

Basics of Accounting

| Concepts | Meaning |
|----------------|---|
| Accrual | <ul style="list-style-type: none"> In 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. <i>For example:</i> salary of the march accrues at the end of march but normally paid in the month of April in next financial year, thus according to accrual concept it should be recognized as salary expenses in the month of March not in April. |

- b. **Accounting Conventions:** 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:

| Conventions | Detail |
|---------------------|--|
| Disclosure | <ul style="list-style-type: none"> The account and financial statement of an entity should disclose full & fair information to beneficiaries in order to enable them to form a correct opinion on performance of such entity, which in turn would allow them to take correct decisions. <i>For example,</i> accounting principles that have been followed for preparation of financial statement should be disclosed along with the financial statements for proper understanding and interpretation. |
| Materiality | <ul style="list-style-type: none"> The Accounts and financial statements should impart importance to all material information so that true and fair view of the affairs may given to its beneficiaries. Hence, keeping this convention in view, unimportant items are not disclosed separately and are merged with other items. An item should be regarded as material, if there is a sufficient reason to believe that knowledge of it, would influence the decision of beneficiaries. <i>For example,</i> the expenditure incurred on repairs and maintenance of a certain asset of the Municipalities, 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. |
| Conservatism | <ul style="list-style-type: none"> Anticipated doubtful profit should be ignored but all the anticipated losses should be provided in the books of account. This means that all prospective losses are taken into consideration, however, no doubtful income is taken into consideration in recording of transactions by an entity. <i>For example,</i> Provision is made for diminution in value of investments; however, no provision is made for any appreciation in value of investments. |

Basics of Accounting

| Conventions | Detail |
|--------------------|---|
| Consistency | <ul style="list-style-type: none"> The convention of consistency facilitates comparison of financial performance of an entity from one accounting period to another. Accounting principles should be followed consistently over the year so that it can facilitate comparison. If a change is made in accounting principle than it should be disclosed. <i>For example</i>, a municipality should not change its method of depreciation every year, i.e., from Straight Line Method to Written down Value Method or vice-versa and if change is made than it should be disclosed. |

2.4 Major rules of accounting are based on following equation

Assets = Own Fund (Capital) + Liabilities

Or

Own Fund = Capital – Liabilities

2.5 Example

- Ajay started business by investing Rs. 50,000/-

→ Assets = Capital + Liabilities

→ 50,000 (Cash) = 50,000 (Capital) + 0 (Liabilities)

Balance Sheet of Ajay

As on ...

| Liabilities + Capital | Amount | Assets | Amount |
|-----------------------|---------------|--------------|---------------|
| Capital | 50,000 | Cash | 50,000 |
| Total | 50,000 | Total | 50,000 |

- Ajay purchased furniture of Rs. 10,000 in cash.

→ Assets = Capital + Liabilities

→ (50,000 - 10,000) Cash + 10,000 (Furniture) = 50,000
(Capital) + 0 (Liabilities)

Balance Sheet of Ajay

As on ...

| Liabilities + Capital | Amount | Assets | Amount |
|-----------------------|---------------|--------------|---------------|
| Capital | 50,000 | Furniture | 10,000 |
| | | Cash | 40,000 |
| Total | 50,000 | Total | 50,000 |

Basics of Accounting

3. Ajay spend Rs. 25,000/- on building construction, payment of which is to be given to Mohan.
- Assets= Capital + Liabilities
 - (50,000-10,000) Cash+ 10,000(Furniture) + 25000 (Building) = 50,000 (Capital) + 25,000 (Liabilities)

Balance Sheet of Ajay

As on ...

| Liabilities + Capital | Amount | Assets | Amount |
|-----------------------|---------------|--------------|---------------|
| Capital of Ajay | 50,000 | Building | 25000 |
| Creditors- Mohan | 25,000 | Furniture | 10,000 |
| | | Cash | 40,000 |
| Total | 75,000 | Total | 75,000 |

4. Ajay sold Furniture costing Rs. 5,000 in Cash Rs. 4,000/-
- Assets = Capital + Liabilities
 - (50,000-10,000+4000) Cash+ (10,000-5,000) Furniture + 25000 (Building) = (50,000-1000) Capital + 25,000 (Liabilities)

Balance Sheet of Ajay

As on ...

| Liabilities + Capital | Amount | Assets | Amount |
|-----------------------|---------------|--------------|---------------|
| Capital of Ajay | 49,000 | Building | 25,000 |
| | | Furniture | 5,000 |
| Creditors (Mohan) | 25,000 | Cash | 44,000 |
| Total | 74,000 | Total | 74,000 |

- 2.6 Accordingly, increases in any asset may possible through increases in any liability or decreases in any asset. Same way, decreases in any assets is possible thorough increases in any assets or decreases in any liability. The rules of debits and credits are as follows:

| Type of Accounts | Debit Signifies (Means) | Credit Signifies (Means) |
|----------------------|-------------------------|--------------------------|
| Assets Accounts | Increases | Decreases |
| Liabilities Accounts | Decreases | Increases |
| Own Funds | Decreases | Increases |

Basics of Accounting

- 2.7 **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 accounting equation of Assets = Claims, the debits will always equal credits. If we expand above, the following will be the rules applicable to incomes, expenditures, grants, etc.

| Type of Accounts | Debit Signifies | Credit Signifies |
|---|-----------------|------------------|
| Expenditure (which will decrease own funds) | Increases | Decreases |
| Income (which will increase own funds) | Decreases | Increases |
| Grant Received | Decreases | Increases |

Illustration 2: Which side to be effected if below mentioned items is increased/decreased:

| Item | Item type | Increase | Decrease |
|---------------------|--------------|----------|----------|
| Machinery | Fixed assets | Debit | Credit |
| Rent paid | Expenses | Debit | Credit |
| Bills payable | Liability | Credit | Debit |
| Interest receivable | Assets | Debit | Credit |
| Property tax | Income | Credit | Debit |

3. Significant Accounting Policies

3.1 Meaning of Significant Accounting Policies

- These are specific accounting principles and methods of applying those principles adopted by which enterprise in the preparation and presentation of financial statements.
- There is no single list of accounting policies which are applicable to all circumstances. The choice of the appropriate accounting principles and methods of applying those principles in the specific circumstances of each enterprise calls for considerable judgement by the management of the enterprise.

3.2 Areas in Which Different Accounting Policies are encountered

- The following are examples of in which different accounting policies may be adopted by different enterprises.
 - a) Methods of depreciation, depletion and amortization
 - b) Treatment of expenditure during construction
 - c) Valuation of investments
 - d) Treatment of retirement benefits
 - e) Recognition of profit on long-term contracts
 - f) Valuation of fixed assets
 - g) Treatment of contingent liabilities.

3.3 Considerations in the selection of accounting policies

- For this purpose, the major considerations governing the selection and application of accounting policies are:

a) Prudence

- In view of the uncertainty attached to future events, profits are not anticipated but recognised only when realized; though not necessarily in cash. Provision is made for all known liabilities and losses even though the amount cannot be determined with certainty and represents only a best estimate in light of available information.

b) Substance over Form

- The accounting treatment of transaction and presentation in financial statements of transactions and events should be governed by their substance and not merely by the legal form.

c) Materiality

- Financial statements should disclose all “material” items, i.e. items the knowledge of which might influence the decisions of the user of the financial statements.

3.4 Disclosure of Accounting Policies

- To ensure proper understanding of financial statements, it is necessary that all significant accounting policies adopted in preparation and presentation of financial statements should be disclosed.
- Such disclosure should form part of the financial statements.
- It would be helpful to the reader of financial statements if they disclosed all policies in one place instead of being scattered over several statements, schedules and notes.

Significant Accounting Policies

- Any change in an accounting policy which has a material effect should be disclosed. The amount by which any item in the financial statements is affected by such change should also be disclosed to the extent ascertainable.

3.5 Main Principles related to significant accounting policies

- All significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed.
- Disclosure of significant accounting policies should form part of financial statements and should be disclosed in one place.
- Any change in the accounting policies which has a material effect in the current period or which is reasonably expected to have a material effect in later periods should be disclosed. In the case of a change in accounting policies which has a material effect in the current period, the amount by which any item in the financial statements is affected by such change should also be disclosed to the extent ascertainable. Where such amount is not ascertainable, wholly / partially, the fact should be indicated.
- If the fundamental accounting assumptions, viz. Going Concern, Consistency and Accrual are followed in financial statements, specific disclosure is not required. If a fundamental accounting assumption is not followed, the fact should be disclosed.

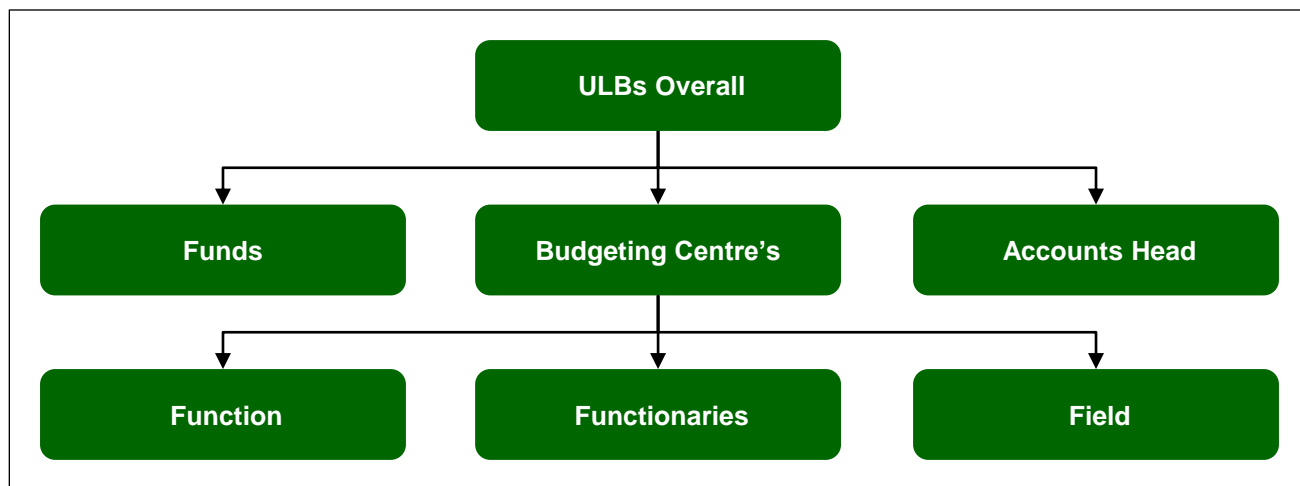
3.6 Fundamental Accounting Assumptions

Books of Accounts of an enterprise is prepared by taking consideration of following assumptions.

- Going Concern:** Its assumed that business will continue for a long time and entire accounting will be based on this assumption.
- Accrual:** As per this principles accounting transactions should be recorded on periodic basis not on the cash basis.
- Consistency:** Accounting principles should be followed by an entity consistently applied by over the year so that it can facilitate comparison.

4 – Codification Structure and Chart of Accounts

- 4.1 The coding structure of the chart of accounts is a key element of any accounting system and the coding structure shall uniformly apply to all the Municipalities of Bihar. The Coding Structure for Municipalities in Bihar shall contain of the following groups:

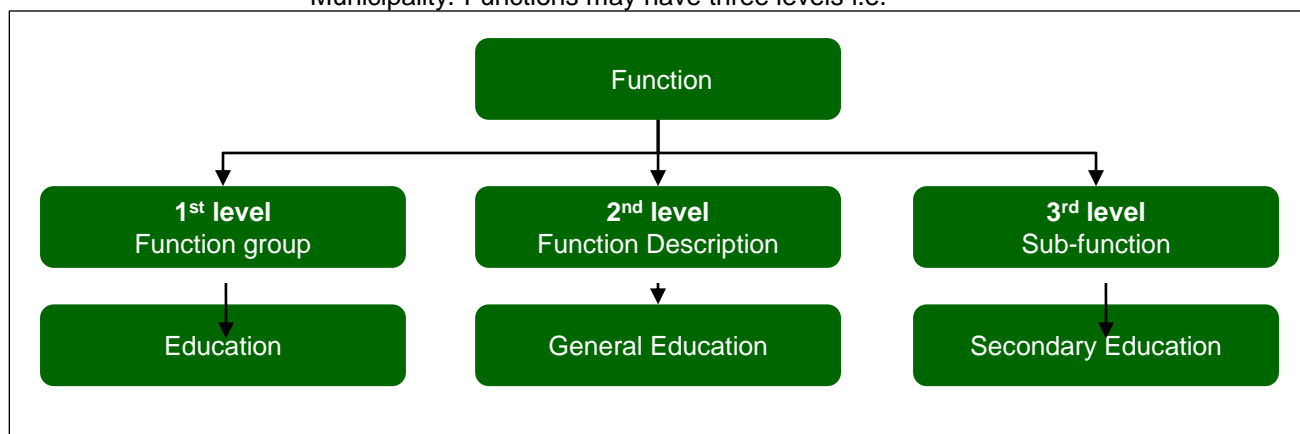


Codification logic is explained as below-

- 4.1.1 **Fund:** Separate books shall be maintained for each fund. Fund code shall be represented by one digit, as follows:

| Major Fund Code | Fund (Rule 5 of BMAR) |
|-----------------|--------------------------------|
| 1 | Municipal general fund |
| 2 | Basic services for urban poor |
| 3 | Water supply and sewerage fund |
| 4 | Solid waste management |
| 5 | Road development & maintenance |
| 6 | Enterprise fund |

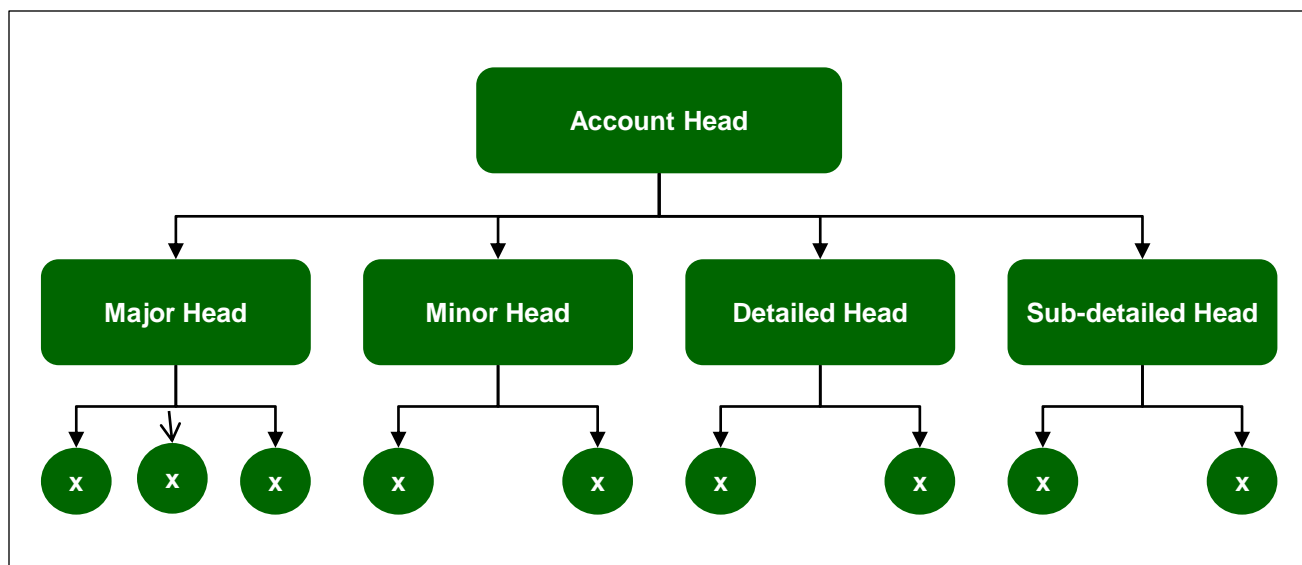
- 4.1.2 **Function:** Function represents the services offered or specific functions performed by the Municipality. Functions may have three levels i.e.



Codification Structure and Chart of Accounts

- 4.1.3 **Functionaries:** It represents organizational structure within ULB and can be used for the internal control purpose. We are not proposing any codification structure for the same.
- 4.1.4 **Field:** Field codes are intended to assist in identifying Income and Expenditure specific to a particular geographic area. The municipalities of Bihar shall use 1 level field code of 1 / 2 digit, which shall represent the Circle /Electoral Wards. For incomes or expenditure pertaining to the Head Office, i.e., which cannot be identified to any Electoral Ward, '0' codes shall be assigned. Further levels and digits can be created according to requirement.
- 4.1.5 **Accounts Head:** Accounting heads can be divided into two levels: Primary and Secondary. Primary account code represents the subject of the income and expenditure.
- 4.1.5.1 **Primary Account Codes:** The Code of an Account head shall be numeric and shall be 9 of digits. A 9 digit code is suggested to give flexibility to add new codes and for considering unique requirements of each ULB / State. The code is structured into:
1. Major Head Code;
 2. Minor Head Code;
 3. Detailed Head Code.
 4. Sub-Detailed Head Code.

4.2 The structure of Code of Accounts is schematically presented below:



- 4.3 **Major Head Code:** The first digit of the Major Head Code shall indicate the nature or type of the account. The next 2 digits of the Major Head Code shall denote the group codes for the various head of accounts.

For Example:

| Major code | First code shall denote | Next 2 digits shall denote |
|------------|------------------------------------|----------------------------------|
| 130 | (1) Revenue Income | Income from Municipal Properties |
| 210 | (2) Revenue expenditures | Establishment Expenses |
| 350 | (3) Capital receipts & Liabilities | Other Liabilities |
| 410 | (4) Capital Expenditures & Assets | Fixed Assets |

Codification Structure and Chart of Accounts

- 4.4 **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.

For Example:

| Minor code | First code shall denote | Next 2 digits shall denote |
|------------|---|----------------------------|
| 130-20 | Rental income from municipal properties | Rent from office buildings |

- 4.5 **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.

For Example:

| Detailed Head code | First code shall denote | Next 2 digits shall denote |
|--------------------|----------------------------|----------------------------|
| 130-20-02 | Rent from Office Buildings | Rent from Staff quarters |

- 4.6 **Sub-Detailed Head Code:** The sub-detailed head code shall be of 2 digits. An item covered by a sub-detailed head code is a subset of the detailed head code. Thus it shall be necessary to refer the sub-detailed head code in conjunction with the associated detailed head code.

For Example:

| Sub-detailed head code | First Seven Digits Shall Denote | Next 2 digits shall denote |
|------------------------|---------------------------------|------------------------------|
| 130-20-02-01 | Rent from staff quarters | Rent from staff quarters No. |

Note: Important accounting codes which are generally used by the ULBs are provided in Annexure-1 and further codes may be referred in Bihar Municipal Accounting Manual.

- 4.7 **Chart of function:** Chart of function is defined for the purpose of implementation of service level and function based accounting in the ULBs. It will help the ULBs to calculate per capita cost of every service being provided in the city and will be a step forward toward achievement of good public governance standard.

Note: Important code of functions which are generally used by the ULBs are provided in Annexure - 2 and for further codes of functions, Bihar Municipal Accounting Manual can be referred.

5 – Books of Accounts to be Maintained

- 5.1 Bihar Municipal Accounts Manual requires a list of books of accounts and registers to be maintained by each ULB:

Books of Accounts (Certain rules):

1. Books of accounts need to be maintained for each fund separately for each financial year (Rule 10 of BMAR).
2. Books of accounts shall be serially numbered and each page affixed with municipal seal (Rule 11 of BMAR).
3. Correction in accounts (BMAR Rule 19) :
 - a. Any correction in books of account shall be authorized by the controller of municipal finance and municipal finance officer.
 - b. Any correction in forms or registers shall be made in red ink and attested by the dated initials of the head of office.

- 5.2 Following books of accounts and registers needs to be maintained separately as per requirement of Rule 3.

| S No. | Books of Accounts | Form No. |
|-------|---|------------------|
| 1 | Cash Book | BMAR Form No. 1 |
| 2 | Register for Cash Drawn/Disbursed | BMAR Form No. 2 |
| 3 | Bank Book | BMAR Form No. 3 |
| 4 | Journal Book | BMAR Form No. 4 |
| 5 | Ledger Book | BMAR Form No. 5 |
| 6 | Function wise Income Subsidiary Ledger | BMAR Form No. 6 |
| 7 | Function wise Expenses Subsidiary Ledger | BMAR Form No. 7 |
| 8 | Cash / Bank Receipt Voucher | BMAR Form No. 8 |
| 9 | Cash / Bank Payment Voucher | BMAR Form No. 9 |
| 10 | Contra Voucher | BMAR Form No. 10 |
| 11 | Journal Voucher | BMAR Form No. 11 |
| 12 | Voucher Number Register | BMAR Form No. 12 |
| 13 | Bill For Municipal Dues | BMAR Form No. 13 |
| 14 | Summary Statement of Bill Raised | BMAR Form No. 14 |
| 15 | Receipt | BMAR Form No. 15 |
| 16 | Register for Cheques Received | BMAR Form No. 16 |
| 17 | Collection Register | BMAR Form No. 17 |
| 18 | Memorandum of Collection | BMAR Form No. 18 |
| 19 | Summary of Daily Collection | BMAR Form No. 19 |
| 20 | Register of Bill for Payment | BMAR Form No. 20 |
| 21 | Payment Order | BMAR Form No. 21 |
| 22 | Cheque Issue Register | BMAR Form No. 22 |
| 23 | Demand Register | BMAR Form No. 23 |
| 24 | Summary Statement of demand/ adjusted/ raised for the period in respect of (Property & Other tax) | BMAR Form No. 24 |
| 25 | Register of Civil Suits | BMAR Form No. 25 |

Books of Accounts to be Maintained

| | | |
|----|---|------------------|
| 26 | Register of Decrease | BMAR Form No. 26 |
| 27 | Register of Miscellaneous Sales / Auction | BMAR Form No. 27 |
| 28 | Grant Register | BMAR Form No. 28 |
| 29 | Utilisation Certificate | BMAR Form No. 29 |
| 30 | Advice showing the Details of Delegated loan Raised | BMAR Form No. 30 |
| 31 | Summary Statement of Status of Capital-Work-in-Progress/Deposit Works/Delegated Loan | BMAR Form No. 31 |
| 32 | Contractors Bill (Facing Sheet) | BMAR Form No. 32 |
| 33 | Normal Muster Roll | BMAR Form No. 33 |
| 34 | Daily Labor Report | BMAR Form No. 34 |
| 35 | Register of Works | BMAR Form No. 35 |
| 36 | Royalty Register | BMAR Form No. 36 |
| 37 | Register of Land | BMAR Form No. 37 |
| 38 | Register of Immovable Properties (other than land) | BMAR Form No. 38 |
| 39 | Register of Movable Properties | BMAR Form No. 39 |
| 40 | Asset Replacement Register | BMAR Form No. 40 |
| 41 | Scale Register | BMAR Form No. 41 |
| 42 | Pay Bill Acquaintance Roll of Permanent or Temporary Establishment of the ...Municipality for the year 20...20 | BMAR Form No. 42 |
| 43 | Periodical increment Certificate | BMAR Form No. 43 |
| 44 | Unpaid Salary Register for the year 20...20 | BMAR Form No. 44 |
| 45 | Detailed Statement of the Permanent/Temporary Pensionable Non Pensionable Establishment of theAs it stood 1 st March (Annual Return of Establishment) | BMAR Form No. 45 |
| 46 | Detailed Statement of New Employees, leave, etc (Annual Return of Establishment) | BMAR Form No. 46 |
| 47 | Register of Stores | BMAR Form No. 47 |
| 48 | Material Receipt Note | BMAR Form No. 48 |
| 49 | Material Issue Note | BMAR Form No. 49 |
| 50 | Summary of material issued to other departments for the month of ... | BMAR Form No. 50 |
| 51 | Statement of Closing Stock | BMAR Form No. 51 |
| 52 | Log Book for Vehicles | BMAR Form No. 52 |
| 53 | Summary of Driver's Note Book pertaining to trips. performed by the Municipal Cars and Lorries for the month of ... | BMAR Form No. 53 |
| 54 | Detailed Bill of Other Expenditure | BMAR Form No. 54 |
| 55 | Statement of Outstanding liabilities for Expenses | BMAR Form No. 55 |
| 56 | Register of Advance | BMAR Form No. 56 |
| 57 | Register of Employee Loans and Advances | BMAR Form No. 57 |
| 58 | Register of interest on Loan to Employees for the year 20...20 | BMAR Form No. 58 |
| 59 | Register of Permanent Advance | BMAR Form No. 59 |

Books of Accounts to be Maintained

| | | |
|----|---|------------------|
| 60 | Stamp Register | BMAR Form No. 60 |
| 61 | Stationary Stock Register | BMAR Form No. 61 |
| 62 | Register of Investment | BMAR Form No. 62 |
| 63 | Register of Deposits | BMAR Form No. 63 |
| 64 | Deposit Refund Advice | BMAR Form No. 64 |
| 65 | Summary Statement of Deposits Adjusted | BMAR Form No. 65 |
| 66 | Register of Securities | BMAR Form No. 66 |
| 67 | Register of Loans | BMAR Form No. 67 |
| 68 | Register of Sinking Funds | BMAR Form No. 68 |
| 69 | Register of Bonds/Debentures | BMAR Form No. 69 |
| 70 | Earmarked Funds Register | BMAR Form No. 70 |
| 71 | Receipts and Payments Account for the period From ...to... | BMAR Form No. 71 |
| 72 | Trial Balance for the period From ...to... | BMAR Form No. 72 |
| 73 | Income and Expenditure Statement for the period | BMAR Form No. 73 |
| 74 | Balance Sheet of ...ULB as on... | BMAR Form No. 74 |
| 75 | Budget Estimate Sheet Format for the period | BMAR Form No. 75 |
| 76 | Budget Estimate consolidation Format for the period | BMAR Form No. 76 |
| 77 | Summary of Budget for the period | BMAR Form No. 77 |
| 78 | Major Account Head wise Budget for the period | BMAR Form No. 78 |
| 79 | Summary of function wise Budget for the period | BMAR Form No. 79 |
| 80 | Summary of Field wise Budget for the period | BMAR Form No. 80 |
| 81 | Quarterly Budget Variance Report for the period | BMAR Form No. 81 |
| 82 | Format of Output & Outcome in Budget Estimates | BMAR Form No. 82 |
| 83 | Application for additional allotments by transfer on account of expenditure not provided for in the budget Estimate | BMAR Form No. 83 |
| 84 | Document control Register/Stock Account of Receipts/cheque book | BMAR Form No. 84 |
| 85 | Form of Security Bond | BMAR Form No. 85 |
| 86 | Statements of Receivables | BMAR Form No. 86 |
| 87 | Statements of Payables | BMAR Form No. 87 |
| 88 | Ward wise Works Liabilities Summary Report | BMAR Form No. 88 |
| 89 | Revenue Trend Analysis | BMAR Form No. 89 |

Note: For other statutory forms, Bihar Municipal Accounting Manual may be referred.

6 – Key Principles of Recording of General Transactions

This chapter contains key principles for recording of income, expenditure, liabilities and assets. Key-principles of recording for each item are as follows

6.1 Key Principles of Recording of Receipts and Payments

6.1.1 Recording of receipts:

A. Procedure for accounting of collections

Collection may be made by collection officers, collection counters and Municipal collection offices etc.

B. General procedure for receipt, deposit and collections shall be as follows:

| S.N. | General Procedure | | |
|------|--|---|--|
| | Collection officer (Bill collectors/Department /Transferred Institutions etc.) | Collection counters (Designated bank branches/ external collection counters/ direct credit to bank etc) | Municipal collection offices (Zonal offices/head office etc.) |
| 1. | Issue of receipt (GEN-8) | Designated person shall obtain detail of individual receipt from collection counter and issue of receipt | Issue of receipt (GEN-8) |
| 2. | Entry in collection register (GEN-11) | Entry in collection register (GEN-11) | Entry in collection register (GEN-11) |
| 3. | Preparation of memorandum of collection (GEN-12) | Preparation of memorandum of collection (GEN-12) | Preparation of memorandum of collection (GEN-12) |
| 4. | Verification by clerk of concerned department | Entry in cheque received | Verification by clerk of concerned department |
| 5. | Authorization by head of department | Submission of memorandum of collection to accounts department | Authorization by head of department |
| 6. | Remittance at designated municipal office | | Entry in register of cheque received, Preparation of summary of daily collection and submission to accounts department |

Accounts department shall deposit sums received in form of cash/cheque/ bank draft in to bank through a challan signed by CMO and the acknowledgment shall be filled. Accounts department shall prepare bank/cash receipt voucher in form GEN-4 and pass the entry for recording of collections on the basis of summary of daily collection (GEN-13). Accounts department shall maintain separate subsidiary ledger for each of the major revenues in form GEN-34.

6.1.2 Certain Rules:

1. Money received to any member, officer or employee of a municipality in his official capacity shall be bought to account and to be lodged in a treasury or nationalized bank account **(Rule 22 of BMAR)**.
2. Authorized person shall draw any money required for disbursement from the treasury or banks **(Rule 22 of BMAR)**.
3. Money received on behalf of municipality shall not be utilized, paid or remitted to treasury and bank before taking in to accounts **(Rule 22 of BMAR)**.

Key Principles of Recording of General Transactions

4. Cash and account section of each municipality shall be kept distinct from each other and under distinct officials who shall be termed as cashier and accountant (**Rule 23 of BMAR**).

6.1.3 Recording of Payments

A. Procedure for accounting of payment

| No. | Activity | Description |
|-----|--|---|
| 1. | Receipt of claim | Claims against the municipality shall be received at the accounts department and details of the bill shall be entered in to register of bill and claim shall be sent to respective department for the verification. |
| 2. | Verification at the concerned department | Concerned department shall verify the bill, stamped as 'certified for payment' and signed by the concerned authorities. |
| 3. | Preparation of payment order | After the approval by the concerned authorities, payment order shall be prepared at concerned department. Bill, payment order and supporting for claim shall be sent to the accounts department. |
| 4. | Person responsible for accounts shall ensure | <ul style="list-style-type: none"> • Whether the supporting documents such as invoices, bills, etc are stamped with 'certified for payment' and signed by the authorities of the concerned department; • Whether adequate budget appropriation/provision is available under the particular head. • Whether evidence of entry into purchase /fixed assets/ investments register with folio and reference numbers are attached/ available; • A 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 like fixed assets/stock may also be carried out to ensure that the bill under 'payment order' is entered in the register. |
| 5. | Query found during verification | In case of any queries in the process of verification the same shall be noted on the payment order and shall be forwarded back to respective department. The concerned department shall resolve the query raised and make the necessary changes in the payment order, other register and forward back to accounts department. |
| 6. | Accrual of bill | After approval of payment, entry shall be updated in the Register of Bills for Payment maintained and a journal voucher shall be prepared. |
| 7. | Preparation of cash/bank payment voucher | A cash/bank payment voucher shall be prepared for payment and verified by the accounts department. |
| 8. | Preparation of cheque and sign | On the basis of payment voucher cheque shall be prepared and shall be signed by authorized signatory. Entry for the cheque shall be made in cheque issue register. |
| 9. | Recording entry for payment | Accounts department shall pass accounting entries for the payment. |

Key Principles of Recording of General Transactions

General Instructions for the Payment:

1. Every bill / claim for payment shall be presented at first to the accountant who shall check and examine it in relation to approved financial rules and purchase procedures and after checking if found correct than shall be presented to CMO / designated officer for payment (**Rule 37 of BMAR**).
2. No cash payment shall be allowed from the fund of the municipality however CMO may authorize cash payment up to Rs. 10000/- by recording the reason for such payment (**Rule 38 of BMAR**).
3. All payments made by the accounts department shall be recorded in the cash/bank book.
4. Payments exceeding limits prescribed shall be made only by "Account Payee Crossed" cheque/ demand draft, electronic system or direct credit to payees bank account.
5. Time barred payments shall be made after requisite sanction.
6. In respect of cancelled or lost cheque accounts, department shall update the cheque issue register and the cancelled cheque shall bear the approval of authorized signatory.

6.2 Key Principles for Recording of Incomes

6.2.1 Recording of Income

Income is the most essential part of any organization. There should be unanimity in recording of revenue. For better understanding income may be bifurcated into following parts

- A. Property tax (including its components)
- B. Water supply tax
- C. Rent, Fees and other income
- D. Grant in Aid of (Revenue nature)
- E. Assigned revenue

6.2.2 General principles for recording of income

A. Recording of income on accrual basis (Rule 20 of BMAR)

All revenue items which fulfills the following conditions shall be recognized on accrual basis:

- a) The income is earned and right to receive is established
- b) The amount due is determined or determinable with reasonable accuracy
- c) No significant uncertainty exists about its realization

B. Recording of income on accrual basis (Rule 21 of BMAR)

Incomes which not fulfills the conditions mentioned under rule 20, shall be recorded when they are actually collected or received by the ULB.

6.2.3 Property tax

Property tax is the main source of income and normally levied on residential, commercial properties and vacant land. It generally collected from owners and comprises holding tax, water tax, latrine tax, education cess, health cess etc. Revenue from property tax shall be recognized on the basis of following principles

| S.N. | Type of Income | Time of Recognition |
|------|--|---|
| 1 | Property and other taxes | When they become due and Demand are ascertainable |
| 2 | New/ changes in assessment | Serving of demand |
| 3 | Interest and Penalty | On receipt |
| 4 | Property transfer charges | On receipt |
| 5 | Collection on behalf of state govt. | Liability will be recognized on collection basis |
| 6 | Notice fee, Warrant fee and other fess | On raising of bill |

Key Principles of Recording of General Transactions

6.2.4

Water Supply Tax

Municipalities generally have an obligation to manage and maintain water works and the construction or acquisition of new works necessary for a sufficient water supply for public and private purposes. Municipalities are entitled to charge the users for the provision of these services. Revenue sources in relation to water supply are

- a) Water Tax
- b) Water Charges
- c) Connection Charges for Water Supply
- d) Road Cutting Charges.
- e) Fine and Penalty for unauthorized use of Water

A. Recognition of Income:

| S.N. | Type of Income | Time of Recognition |
|------|--|---|
| 1 | Water tax/ supply charges/ meter rent/ sewerage/drainage charges | When they become due and Demand are ascertainable e.g. invoice raised |
| 2 | Connection Charges | On receipt |
| 3 | Interest and Penalty | On receipt |
| 4 | Water Tanker Charges and Road Damages Charges | On receipt |

6.2.5

Rent, Fees and Other Income:

Municipalities derive substantial portions of their revenue from property tax, water tax and grants. In addition, there are some additional source of revenue as under:

- a) Rental income from municipal properties like rent from guest house, auditorium, stadiums etc.
- b) Fee and user charges like permit for construction of building, installation of machinery etc.
- c) Sale & hire charges like sale of agriculture products, sale of scrap etc.

A. Recognition of Income:

| S.N. | Type of Income | Time of Recognition |
|------|--|---|
| 1 | Advertisement | On the basis of terms of contract |
| 2 | Trade License | Serving of demand |
| 3 | Rent from properties | On the basis of terms of contract |
| 4 | Other income of regular course | Whenever demand is ascertainable i.e. bill raised |
| 5 | Interest and Penalty | On Receipt Basis |
| 6 | Other incomes which are of uncertain nature and demand not be raised in regular course | On Receipt Basis |

Key Principles of Recording of General Transactions

| S.N. | Type of Income | Time of Recognition |
|------|--|-------------------------------|
| 8 | Fees for certificates & extracts, Birth & Death Certificate, building Construction permission fee, betterment fee, sale of products, scrap sale, sale of tender forms, etc | On Receipt Basis |
| 7 | Notice fee, warrant fee and other fee | When bill raised for the same |

6.2.6 Internal controls for property tax, water tax and rent, fees and other income

1. The revenue department shall ensure that the receipt / summary of daily collection prepared, provides reference to the collection register.
2. The accounts officer and the head of the respective departments shall reconcile the balance at the beginning of the accounting year in respect of year-wise receivables with year-wise total of the arrears recorded in the demand register.
3. A half yearly reconciliation between accounts department and respective department shall be made for amount collected and the amount outstanding (year wise).
4. The officers for operating the designated bank accounts (if any) shall co-ordinate with the Banks on daily basis and ascertain status of the Cheque/drafts deposited by them.
5. Write-off of receivables shall be only after sanction of municipal council.
6. In addition to above, the chief municipal officer shall specify other appropriate calendar of returns /reports for monitoring.

6.2.7 General accounting principles for property tax, water tax and rent, fees and other income

1. **Refund or remission of taxes:** If refund or remission relates to the current year than it shall be adjusted against the income of Current year and if it pertains to previous year, then shall be treated as a prior period income/Expenses.
2. **Subsequent collection or recovery:** Recovery of taxes which were already written off shall be recognized as prior period income.
3. **Write-offs of taxes:** Write-offs of taxes shall be adjusted against the provisions made and to that extent recoverable shall get reduced.
4. **Demand rose retrospectively:** Portion of demand which relates to the earlier years shall be treated as a prior period income.
5. **Revision of demand:** If related to earlier years, than any increase in demand shall be treated as prior period income and any decrease in demand shall be treated as prior period expenses.
6. **Part-payment received:** Part payment shall be first adjusted against penalty and interest, arrear demand and current demand in the listed order. Part payment of arrear demand or current demand shall be proportionately divided among the various taxes collected as a part of Property Tax, including collections to be made on behalf of Government.

6.2.8 Assigned Revenue

Assigned Revenues are usually in the nature of a share in the revenues of government, to compensate for certain losses in revenue and arrangements of resources of the municipality. This type of revenue may include entertainment tax, stamp duty/ surcharge on transfer of immovable property.

Key Principles of Recording of General Transactions

If such assigned revenue/shared tax is adjusted by the Government against any dues of the Municipality such as electricity charges etc, the amount should be treated as income and the deduction made by the Government should be treated as expenditure under the relevant account head.

Recognition of Income:

| S.N. | Type of Income | Time of Recognition |
|------|-------------------|---------------------|
| 1 | Assigned Revenues | On Receipt |

6.2.9 Grant in Aid

The Municipality receives grants from the State and/or Central Government(s). Grants received by the Municipality may be of a capital or revenue nature.

General Grant: Grants received for general (unspecified) purposes are usually in the form of a lump sum payment from the Government to meeting certain expenditure (usually revenue in nature).

Specific Grant: The Municipality usually receive grants for carrying out specific projects/schemes or for meeting specific expenditures. These can be revenue or capital in nature based on the purpose for which they are received. Certain specific grants can have both, capital and revenue components. Specific grants may either be received in advance or as a reimbursement of the expenditure incurred by the Municipality.

- a. **Capital Grant:** It is usually utilized for capital expenditure i.e. 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.
For example: Capital component of grant under 12th finance commission, backward region grant etc.
- b. **Specific Revenue Grant:** It is generally utilized for meeting specific revenue nature expenditures.
For example: Census grant, grant for the payment of salary and administrative cost etc.

Note 1: if specific grant is received in advance, the Municipality is required to submit an "Utilization Certificate" in the prescribed manner.

Note 2: If grant receivable as a reimbursement of expenditure incurred is made by submitting "Statement of Expenditure" to the agency from which the grant is receivable at such prescribed intervals.

Note 3: The grant is sanctioned and ULBs have received the sanction/GO letter but has not received the Grant amount then such grant can be treated as "Grant Receivable" by the ULBs.

Key Principles of Recording of General Transactions

Recognition of Income:

| S.N. | Type of Income | Time of Recognition |
|------|---|--|
| 1 | General Grant, of revenue nature | On Receipt basis |
| 2 | Grant toward specific revenue expenditures | Shall be recognized as a liability till incurrence of such expenditures after this it shall be recognized as a income |
| 3 | For Capital Expenditure | Treated as liability till such assets is constructed or acquired. Proportionate amount will stand reduce from specific grant accounts and will be transferred to capital contribution. |
| 4 | In form of non-monetary assets | On receipt it will be recorded at nominal value i.e. Rs.1 |
| 5 | Income from investment made out of fund received for specific grant | Will be credited into specific grant account, on accrual basis |
| 6 | Grant received as nodal agency for an intended purpose | Treated as liability till it is used for intended purpose. |

6.2.10 Period end procedure in respect of grant

1. It shall be ensured that bills received up to last date of accounting period, are processed and forwarded to the accounts department for accounting and payment within 15 days from the end of period.
2. For grants received as nodal agency, it shall be ensured that the transfer entry is made for expenditures incurred against it and the balance in the 'Scheme Expenditure – Nodal Agency' account has become nil.

6.2.11 Internal controls in respect of grant's Sponsored Project

1. The accounts officer and the head of department implementing said project shall quarterly reconcile expenditure incurred (for each grant) during the period from the ledger and the grant Register maintained and relevant records maintained at the respective departments.
2. The CMO shall ensure that grants/funds received are utilized without delay for the purpose for which they are given.
3. Accounts officer shall:
 - a. Ensure that grant received for a specific purpose shall not be utilized for any other purpose;
 - b. Quarterly reconcile the amount of grant received / receivable in ledger and the grant register.
 - c. Ensure that the grant received is recorded in the grant register and bank book. Further, it shall be ensured that the receipt and summary of daily collections prepared provide reference of Grant Register.
 - d. Reconcile all balances of the public deposit account maintained at the treasury with the records of the municipality;

Key Principles of Recording of General Transactions

4. In addition to above, the CMO shall specify such appropriate calendar of returns /reports for monitoring

6.2.12 Other Taxes and Incomes

1. Advertisement tax:

Advertisement Tax is collected in lieu of advertisement rights given to external agencies to advertise in its jurisdiction. It is a common practice among the Municipalities to auction the right to collect advertisement taxes.

Recognition:

- If advertisement rights are auctioned to external agencies then it will be recognized as per terms of agreement.
- In other cases:
 - If Permission for advertisement is granted for the first time then tax shall be accrued at the point when tax is paid and permission is granted.
 - In case of renewal of Permission for advertisement then tax shall be accrued when renewal is due.

2. Entertainment & Show Tax

Entertainment tax is levied on cinema theatres based on the shows and other entertainment programmes, based on the collections.

Recognition: on actual receipt.

3. Profession Tax

Profession Tax is levied by the Municipality from the institutions / persons employed in institutions normally based on salary drawn by each of them. The Municipality raises a demand payable by Individual/Firm/Others but it is the responsibility of the employers to remit the taxes of the employees in their institution depending upon the salary level of the employees.

Recognition:

- Revenues in respect of professional shall be recognized on actual receipt.

6.3 Key-principles of Recording of Expenses

6.3.1 Stores

The functions of stores, involving procurement, storage, issue, disposal and accounting of materials, may be performed either centrally by central stores or by the department stores empowered to perform the aforesaid functions

Recognition of Expenses:

Key Principles of Recording of General Transactions

| S.N | Nature of Item | Accounting Treatment shall be |
|-----|--|--|
| 1. | Material, Equipment etc. procured | Recognized on accrual basis |
| 2. | Cost of inventory includes | Purchase price and expenditure incurred to bring the inventory to its present location |
| 3. | Earnest money deposit, security deposit, and retention money forfeited | Recognized as income when the right for claiming refund has expired |
| 4. | Goods received & accepted but no bills received as at the cutoff date | Provision made on the basis of purchase orders |
| 5. | Valuation of closing stock | Valued at cost with FIFO method |
| 6. | Revenue from disposal of store | Recognized on actual receipt |
| 7. | Consumption of store used for repair and maintenance | Charged to income and expenditures |
| 8. | Consumption of store in construction and creation of fixed assets | Added to the cost |

Period end procedures in respect of stores

At the period-end, the stores department shall ensure that all bills in respect of stores received and accepted before the last date of the accounting period, are processed and forwarded to the Accounts Department for accounting and payment within 15 days from the end of the accounting period.

Internal controls in respect of stores

- The accounts officer shall ensure :
 - Adequate budget allocation (after considering all commitments made);
 - All purchase bills/invoices were journalized before release of the payments;
 - That the entire dues recoverable (including advance provided to supplier) has been recovered before making the final payment to the supplier.
 - Material received is recorded in the stores ledger.
 - That the 'purchase of materials' account has been reconciled at the period end and the balance has become nil on accounting of stock entries for the closing stock and consumption of stores;
 - That the balance in the 'opening stock' account has become nil at the period end on accounting of stock entries and consumption based on the closing stocks;
- The stock in charge shall ensure to the followings:
 - Availability of adequate budget allocation (after considering all commitments made) before procuring any material.
 - At the time of issue of any material, the stores-in-charge shall ensure that there is an adequate budget provision in respect of that department/material;
 - Those materials in respect of which bills have been received but have not been forwarded to the accounts department are stated separately in the statement of closing stock and statement of material issues.
 - At the end of financial year, stock in charge in presence of the auditors/accounts officer, shall physically verify the stock lying in stores and compare it with records and in case any difference arises, take appropriate remedial steps .
- In addition to above, the Chief Municipal Officer shall specify appropriate calendar of returns /reports for monitoring.

Key Principles of Recording of General Transactions

6.3.2 Public Works

Public works generally includes development of land, construction of buildings, roads, water works, drainage systems and other public utilities including expansion, modification, Repair & maintenance. Apart from these, any non-civil contracts (e.g., furniture) undertaken by the municipality through the engineering department would also be covered. This sections also covers accounting treatment for 'deposit works' executed by the municipality on behalf of the government or government departments and recognition of revenue from these deposit works.

'Original Works' includes all new constructions, additions, alterations to existing works. Repairs to newly purchase or previously abandoned buildings, which are required for bringing them into use, should be classified as Original Works.

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

'Fees & User Charges' Where the Engineering Department 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.

'Deposit Works': The Government / its departments may use services of Municipality, for execution of certain works/schemes/approved infrastructure schemes. Money received for above shall be treated as 'Deposit Works' and are accounted as liability.

Municipalities are provided certain percentage of the value of the works/scheme/project/plans completed as their service charges.

Where works are executed through the agency of the public works department of the government they may consist of (a) Deposit works (b) Delegated Loan works (**Rule 70 of BMAR**).

Every municipality shall follow scheduled rate of public works department in force the year (**Rule 71 of BMAR**).

If the items not provided in the scheduled rate of PWD, the procedure prescribed in the PWD code for data rate shall be followed (**Rule 72 of BMAR**).

Recognition of public work expense shall be made on the basis of following principles-

| S.N | Nature of Item | Accounting Treatment (shall be) |
|-----|---|--|
| 1. | Assets under erection/installation on existing projects and capital expenditure on new projects | Shown as "capital work in progress" |
| 2. | Bill received up to cut off date | Provision shall be made |
| 3. | Deposit received/paid under deposit work | Treated as liability/assets |
| 4. | Revenue in respect of rent of equipment provided to the contractors | Recognized when deduction are made from the bill of contractor |
| 5. | Statutory deduction made from the contractor bill | Recognized when deduction are made from the bill of contractor |
| 6. | When work is done by daily labour, the basis of account (Rule 75 of BMAR) | Muster roll may prepare in BMAR form 33 |
| 7. | Measurement book (Rule 77 of BMAR) | All works executed by ULB shall be measured at least once in a month and recorded in the MB. |

Key Principles of Recording of General Transactions

Period end Procedure in respect of public works

1. At the period-end, the Engineering Department shall ensure that bills received in respect of work executed before last date of accounting period, are processed and forwarded to the Accounts Department for accounting and payment within 15 days from the end of the accounting period.
2. At period-end, the departments incurring expenditure on Deposit Works shall submit a Summary Statement of Status on Deposit Works Expenditure maintained category wise as Civil, Electrical and Others in Form PW – 1 (similar to Capital work in progress) detailing total amount of works incurred till date on each of the Deposit Works.

Internal controls in respect public works

1. The CMO / authorized person ensure availability of adequate budget allocation (after considering all commitments made against) before taking any new work.
2. The accounts officer shall exercise following internal controls:
 - a. Distinction should be maintained between capital and revenue expenditure.
 - b. Half yearly balance reconciliation shall be maintained at the engineering department shall be carried out with the deposit ledger accounts between deposit register maintaining at accounts and engineering department.
3. On completion of an original work, reconciliation of expenses shall be made between records maintained by the engineer department and accounts department.
4. Accounts officer shall ensure that total expenditure incurred as stated in the summary statement tallies with the cumulative total of several capital work-in-progress ledger accounts
5. Accounts officer shall ensure that the TDS Bihar construction workers welfare fund & other statutory dues deducted from the contractor bill is deposited with the government in accordance with respective provisions.
6. At end of each month, the accounts department shall reconcile the total expenditure as per the functional expenditure (repairs and maintenance) subsidiary ledger with the total expenditure recorded in the several repairs and maintenance ledger accounts.
7. The CMO, accounts department and engineering department shall exercise the following internal controls:
 - a. Ensure budget availability at the time of approval bill
 - b. Ensure that all the dues, including liquidated damages/penalties, are recovered from the contractor before making the final payment in respect of any contract;
 - c. Ensure that no amount is due from suppliers/contractors, which may be otherwise adjusted before payment;
 - d. Ensure that bills/invoices of contractors were journalized before release of the payments.
8. At period-end, the accounts officer shall review the work sheets to ascertain whether any CWIP qualifies for capitalization.
9. In addition to above , the CMO may specify such appropriate calendar of returns /reports for monitoring as he thinks necessary.

6.3.3 Establishment Expenses

1. Pay bills shall be prepared distinctly based on the functions as shown in the budget (Rule 88 of BMAR).
2. When a change in the sanctioned scale of establishment (permanent or temporary), is made or proposed a proposition statement showing its financial effect should be submitted with full explanation(Rule 89 of BMAR).

Key Principles of Recording of General Transactions

Recognition of Establishment Expenses

| S.N | Nature of Item | Time of Recognition |
|-----|---|--|
| 1. | Expenditure on salaries and other allowances | Due basis |
| 2. | Contributions for retirement benefit such as pension, gratuity | Due basis |
| 3. | Liability towards leave encashment | When amount is determined |
| 4. | Interest receivable to loan given to employee | Income, on accrual basis |
| 5. | Bonus, ex-gratia, overtime allowance, other allowances and reimbursement to the employees | Due basis |
| 6. | Statutory deductions from salary | Shall be recognized as liability when deduction are made |

Internal controls in respect of establishment expenses

1. Separate pay bill shall be prepared by each department and consolidation of pay bills shall be made department wise.
2. Consolidation of pay bill summary shall be checked with previous month to ensure that all departments bill are included.
3. A monthly reconciliation shall be carried by accounts officer and the head of administrative/establishment department in respect of loans and advances outstanding between ledger employee advances/individual register.
4. Accounts officer shall ensure:
 1. Accounting entry for interest accrued on loans given to employees has been passed.
 2. Timely remittance of various statutory deductions to concerned authorities.
 3. Timely remittance of various contributions to concerned authorities .
 4. Total establishment expenditure incurred and recorded in the functional expenditure subsidiary ledger reconciles with the balance as per the respective establishment expenditure ledger account.
5. Every month, the accounts officer or other designated officers shall verify that provident fund subscription and pension fund contribution deducted for the employees on deputation have been deposited with the concerned authorities.
6. In addition to the reports specified in this manual, the Chief Municipal Officer shall specify such appropriate calendar of returns /reports for monitoring as he feels necessary.

6.3.4 Health & Sanitation

Recognition of Expenses:

| S.N | Nature of Item | Time of Recognition |
|-----|--|---|
| 1. | Hospital fees, maternity homes fees, diagnostic center fees etc. | On actual receipt |
| 2. | Hospital training fees | On actual receipt |
| 3. | Rent or hire charges in respect of ambulance etc. | On actual receipt |
| 4. | Sale of fertilizers and waste, sale of animals and sale of scrap | On actual receipt |
| 5. | Rent in respect of equipment provided to the contractors | When deduction are made from their bill |

Key Principles of Recording of General Transactions

Internal controls in respect of health and sanitation

1. A half yearly reconciliation shall be carried out by the accounts officer and the head of the health function for amount collected under various heads based on balances standing in the functional income subsidiary ledger (accounts department) and collection register (health department).
2. The officer designated shall co-ordinate with banks on a daily basis and ascertain the status of the Cheque deposited by them;
3. The accounts officer shall ensure budget availability with respect to the expenditure incurred time of accruing of the expenditure;
4. The Accounts Officer shall ensure that all the bills/invoices were journalized before release of the payments;
5. In addition to above, the Chief Municipal Officer shall specify such appropriate calendar of returns /reports for monitoring, as he feels.

6.3.5 Other Revenue Expenditure

Payment in respect of all expenditures incurred by municipality shall be made centrally by accounts department. However, payment for certain categories of expenditures, may be made from the permanent advance granted to a head of the department from advance provided to the employees.

Permanent advance refers to those advances, which are granted to head of departments for incurring certain specific expenditure, usually of a minor nature involving payments of small amounts.

The municipality may grant miscellaneous advance for incurring expenditure to employees of municipality. Such advances are expected to be settled immediately after fulfilling sanctioned purpose.

Recognition of Expenses:

| S.N | Nature of Item | Accounting Treatment |
|-----|--|---|
| 1. | Other revenue expenditures | Shall be recognized on due basis |
| 2. | Any expenditure for which payment has been made in the current period but the benefit is likely to arise in both current and future period | Expenditure shall be recognized in current and future both periods in proportion of benefit |

Internal controls in respect of other revenue expenditure

1. The accounts officer shall ensure:
 - a. Budget availability before accruing the expenditure
 - b. All bills/invoices are journalized before release of payment
 - c. Proper authorization of payment
 - d. Relevant supporting documents are annexed to the payment order
 - e. Appropriate classification of expenditure head for corresponding period.
 - f. Monthly reconciliation of total expenditure in the departmental expenditure subsidiary ledger is carried out with the total expenditure recorded in several administrative expenditure ledger accounts
2. The accounts officer shall
 - a. Conduct physical verification of cash in hand held at the various departments;
 - b. Tally it with the departmental records maintained there and with the register of advances maintained at the accounts department

Key Principles of Recording of General Transactions

3. At the time of making payment, the accounts department shall ensure:
 - a. That reference to the departmental register is provided in the payment order and;
 - b. In case of non-referencing, the accounts department shall return the payment order to the concerned department for rectification and resubmission.
 - c. In addition, at the time of payment it shall be ensured that no amount is due from them, which may be adjusted before payment;
4. In addition to reports specified above, the CMO may specify such appropriate calendar of returns /reports for monitoring, as he feels necessary.

6.4 Key-principles of Recording of Liability

6.4.1 Borrowings

The municipality may borrow funds, in accordance with the laws in force either by issuing debentures, or otherwise, for the purposes specified in the approval. These borrowings are generally secured by movable and immovable properties vested in the municipality. Unless specifically approved by the government, the loans cannot be used for any purpose other than that specified in the approval.

Recognition of liability:

| S.N | Nature of Item | Accounting Treatment (shall be) |
|-----|---|--|
| 1. | Interest on loan | Recognized on accrual basis |
| 2. | Interest directly attributable to qualifying fixed assets up to date of commissioning of assets | Capitalized |
| 3. | Interest accrued between the last payment and date of financial statement | Provision shall be made and charged to current year income and expenditure a/c |
| 4. | Expenditure incurred while issuing debentures or bonds | Deferred and amortized in equal installments over a period of 5 years or tenure of the loan whichever is earlier |

Note: No loan or guarantee exceeding 25 lakhs in case of Municipal Corporation, 12 lakhs in case of municipal council or 5 lakhs in case of nagar Panchayat shall be taken unless it shall be sectioned by concerned ULBs and director of local bodies.

Internal controls in respect of borrowings

1. The accounts officer shall :
 - a. Ensure that adequate provision is made for the interest accrued between the date of last payment and date of financial statements and charged to the current period's income and expenditure statement.
 - b. Carry out Physical verification of sinking fund investment documents and compare with the sinking fund investment account.
 - c. Monitor the funds borrowed and ensure proper utilization of funds.
 - d. Ensure that transfers to escrow account out of income collected are as per the conditions of borrowings.
 - e. That the present value of the sinking fund investment ties up with the value of the fund.
2. The CMO shall ensure:
 - a. The loans raised are utilized for the identified purpose only. In case of any diversion; the Government shall take the appropriate action against the CMO.
 - b. That funds raised are utilized for specified purpose without delay
3. In addition to the reports specified in this manual, the Chief Municipal Officer may specify such appropriate calendar of returns /reports for monitoring as he feels necessary.

Key Principles of Recording of General Transactions

6.4.2 Special Funds

Special funds are created for specified objects only, considered essential to allocate separate funds out of general funds or by earmarking certain percentage of specific receipts of municipality for example –sinking fund. 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.

Recognition of liability:

| S.N | Nature of Item | Accounting Treatment (shall be) |
|-----|--|--|
| 1. | Special Fund | Treated as a liability |
| 2. | Income on investments made from special funds | Recognized and credited in special fund, whenever accrued |
| 3. | Profit/loss on disposal of investments | Recognized and credited/debited in special fund |
| 4. | Expenditure of revenue nature, which is incurred on scheme for which a special fund has been created | Charged to that special fund |
| 5. | On completion of the construction of fixed assets or acquisition of fixed assets out of special fund | The amount equivalent to the cost of such fixed assets shall be transferred from the respective special fund to the special fund (Utilized). |

Period end procedure in respect of special fund

The following entries shall be passed for provisioning of the unpaid bills.

- Recording of period-end provision :** A provision shall be made for the revenue expenditure incurred but not paid at the end of the accounting period. For making provision, the Accounts Department shall pass the following entry:

| Accounting Code | Ledger Account | Amount |
|-----------------|---|--------|
| 311-00-00-00 | Earmarked Special Fund Dr. | |
| 350-10-01-03 | To contractors control account – special fund Cr. | |

- Recording of payment :** On payment of the expenditures in respect of which period- end provision entry has been passed, the Accounts Department shall pass the following entry:

| Accounting Code | Ledger Account | Amount |
|-----------------|--|--------|
| 350-10-01-03 | Contractors control account – special fund Dr. | |
| 450-41-00-00 | To Designated Bank Account Cr. | |

Internal controls in respect of special fund

- The accounts officer/officer designated shall ensure:
 - The fund created is recorded in the special fund register, before transferring the money from main bank account to the respective designated special fund bank account.
 - That the journal voucher shall provide reference to the special fund register
 - Timely transfer of mandatory contribution to special fund bank accounts.
 - Amount of special fund should not be utilized for any other purpose.

Key Principles of Recording of General Transactions

- e. Bank reconciliation shall be carried out on a monthly basis.
 - f. Regularly match the expenditure and necessary reduction in respective balance.
 - g. Reconcile the ledger balance of special fund account with the special fund register and the special fund bank balance.
2. In addition to the reports specified above, the CMO shall specify such appropriate calendar of returns /reports for monitoring as he feels necessary.

6.5 Key-principles of Recording of Assets

6.5.1 Fixed Assets

Fixed assets are assets meant to use over an extended period. These are held for providing services and are not for resale in the normal course of operations. Fixed Assets may be constructed, acquired, gifted, donated for its own use or for public benefit.

Valuation of assets (Rule 85 of BMAR):

| S.N | Nature of Item | Accounting Treatment (shall be) |
|-----|--|---|
| 1. | Fixed Assets | Carried out at historical cost minus depreciation |
| 2. | Capitalization of CWIP (BMAR Rule 83) | When an asset is ready and put to use |
| 3. | Any addition or improvement to the fixed assets that results in increase or useful life of assets | Capitalized and included in the cost of fixed assets |
| 4. | Interest on borrowings directly attributable to acquisition or construction of qualifying fixed assets up to date of commissioning of assets | Capitalized and included in the cost of fixed assets |
| 5. | Fixed assets which are acquired free of cost | Recorded at nominal value of Re. 1 /- |
| 6. | Assets recorded in the register but not physically available | Written-off after obtaining specific sanction from the government |

| S.N | Nature of Item | Accounting Treatment (shall be) |
|-----|---|--|
| 1. | Depreciation method | Straight line method (SLM) |
| 2. | Rate of depreciation | Based on the useful life of assets and will be prescribed by government |
| 3. | Assets which are purchased and constructed after 1 October of accounting year | Depreciation shall be charged by half rate |
| 4. | Assets which are disposed of before 1 October of the accounting year | Depreciation shall be charged by half rate |
| 5. | No depreciation shall be charged | 1.Assets acquired free of cost 2.Assets not transferred in the name of municipality 3. Statues and heritage assets 4. Land etc. |

Key Principles of Recording of General Transactions

Revaluation of assets (Rule 87 of BMAR):

| S.N | Nature of Item | Accounting Treatment (shall be) |
|-----|--|---|
| 1. | Revaluation of assets shall be done | With written sanction of the empowered standing committee |
| 2. | Increase in book value of assets due to revaluation | Credited to a revaluation reserve account |
| 3. | Decrease in book value of assets due to revaluation | Charged to income and expenditure account |
| 4. | Revaluation reserve shall be reduced by transfer of equivalent amount of depreciation charged to the revalued portion of the cost of the fixed assets. | |

Example for revaluation of assets:

ULB purchased a building of Rs. 2, 00,000 on 1 April, 2008. The building has a useful life of 10 years.

Treatment in the financial year 2008-2009:

Recognition of asset: ULB shall pass following entry to record the assets:

| | |
|------------------|-----------------|
| Building a/c Dr: | Rs. 2, 00,000/- |
| To Bank: | Rs. 2, 00,000/- |

Depreciation on asset: At the end of year ULB shall charge depreciation on building using SLM method:
 Amount of Depreciation = Cost of Building/ Useful life of asset i.e. 2, 00,000/10 Years= Rs. 20,000/-. Now carrying value of asset = Rs. 2, 00,000-Rs.20, 000= Rs. 1, 80,000/-

Treatment in the financial year 2009-2010:

ULB carries out a revaluation of building which estimates the fair value of the building Rs. 1, 90,000/- as on 31st March, 2010. The carrying amount of as the date is Rs. 1,60,000/-(1,80,000-20,000 Depreciation of current year) and revalued amount is Rs. 1,90,000/- so upward adjustment in value of asset shall be made by following entry:

| | |
|-------------------------|--------------|
| Building a/c Dr: | Rs. 30,000/- |
| To Revaluation Reserve: | Rs. 30,000/- |

Carrying value of assets for the next financial year will be revalued amount i.e. Rs. 1, 90,000/-

Treatment in the financial year 2010-2011:

Carrying value of assets= Rs. 1, 90,000/-

Depreciation for the financial year 2010-2011= Revalued amount of asset/ Remaining useful life
 = Rs. 1, 90,000/8 years= Rs. 23750/-

Amount of depreciation if revaluation has not been carried out= 1, 60,000/8= Rs. 20,000/-

Excess depreciation due to revaluation= Rs. 23750-20000= Rs. 3750/-

As point 5 specified in above table, ULB shall charge depreciation of Rs. 20,000/- to income and expenditure statement and depreciation of Rs. 3750/- from revaluation reserve.

Now carrying value of building will be = Rs. 1, 90,000- 23750= 1, 66,250/-

Balance in revaluation reserve: Rs. 30000- Rs. 3750 = Rs. 26,250/-

Entries for the above transactions:

| | |
|---|--------------|
| 1. Depreciation a/c Dr. | Rs.23,750/- |
| To Accumulated Depreciation on Building | Rs.23, 750/- |
| 2. Income and Expenditure a/c Dr. | Rs.20,000/- |
| Revaluation reserve a/c Dr | Rs. 3,750/- |
| To Depreciation a/c | Rs. 23,750/- |

Key Principles of Recording of General Transactions

Period end procedure in respect of fixed assets

- a. Recording of liability for fixed assets purchased for which payment has not been made: At period end, the concerned departments shall ensure that received before the last date of the accounting period are processed and sent to the Accounts Department for accounting and payment within 15 days from end of the accounting period.
- b. Provision for Depreciation: 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. 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.
- c. Fixed Assets purchased under any financial assistance or the cost of which is met from Special Fund, period-end entries as described in Chapter of "Grants" and Chapter of "Special Funds", shall be recorded.

Internal controls in respect of fixed assets

1. The concerned department before purchasing the new assets and award of new contract, shall ensure the availability of adequate budget allocation balance.
2. Accounts officer shall carry out half yearly reconciliation as per the deposit register maintained at the concerned department with the deposit ledger accounts.
3. Account office shall ensure:
 - a. That assets replacement bank account shall be utilized only for the purpose of purchase or acquisition of fixed assets.
 - b. Fixed assets acquired are recorded in the assets register before releasing payment to supplier .
 - c. That payment order provides reference to the assets register where the entry of fixed assets is recorded.
 - d. That accumulated depreciation provided on any fixed asset does not exceed its cost of acquisition;
4. The CMO shall ensure that the title document are properly maintained and shall verify the same on a periodical basis.

6.5.2 Investments

Municipalities may invest surplus funds as per the prescribed rules. Investments mean assets held not for operational purposes and comprises financial assets resulting from investments of cash surpluses.

Investments shall be classified based on the maturity profile / nature (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 realizable, 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.

Valuation of investments:

All long-term investments shall be carried / stated in the books of accounts at their cost. In the case of the market values is less than the carrying value, the diminution in the value of investments will be accounted as charge to the income and expenditure statement in the case of municipal fund investment or to respective funds account as the case may be. Short-term investments shall be carried at their cost or market value (if quoted) whichever is lower.

Key Principles of Recording of General Transactions

At the end of the financial year, the Accounts Department has to ascertain whether any amount is to be provided towards diminution or decline in value of the investments.

Recording of investments:

| S.N | Nature of Item | Shall be recognized |
|-----|--|--|
| 1. | Recognition of long term investments | At cost, however any permanent diminution in their value shall be provided |
| 2. | Recognition of short term investment | Cost or market value, whichever is lower |
| 3. | Interest on investments | On due basis |
| 4. | Dividend on investments | On actual receipt |
| 5. | Profit and loss on disposal of investments | In the year of disposal |
| 6. | Income on investments made from special fund or grants under specific scheme | Credited to special fund or grant under specific scheme |

Internal controls in respect of investments

- The Accounts officer shall ensure:
 - Investments are made as per applicable law.
 - Interest and dividend is actually received.
 - The investments are valued at cost or market value which is lower at the year end.
 - Investments are not stated over the original cost of acquisition.
- At the end of every month the accounts officer/designated officer shall reconcile the ledger balance of various investment accounts with the investment register.
- The CMO shall:
 - Verify every security or investment at least once in every quarter and
 - Reconcile the balance as denoted with the balance in ledger accounts.
 - Each investment instrument shall be tallied with the Investment Register;
- The accounts Officer/ designated officer shall review the investment register on a weekly basis to identify and list investments maturing within next two weeks for necessary information to CMO;
- In addition above CMO shall specify such appropriate calendar of returns /reports for monitoring as he feels necessary.

6.5.3 Loan & Advances

ULB may give loans out of general funds, specific funds, grants if the terms and conditions of the fund/grant provide for the same. In such cases, interests earned shall be credited to respective funds/grants account.

Recording of investments:

| S.N | Nature of Item | Accounting Treatment |
|-----|--|--|
| 1. | Interest and penal interest | Shall be recognized on due basis |
| 2. | Interest and penal interest earned on loan given out of specific fund/ grant | Directly credited to special fund/ grant account |
| 3. | Loan given to employee cannot recovered(if any) | May be Written-off |

Key Principles of Recording of General Transactions

Internal controls in respect of loan and advances

1. Loans to others shall be entered in the 'register of loan to others'.
2. On monthly basis the amount as per register shall be reconciled with amounts as per ledger account.
3. Interest accrued at period ends shall be entered in the registers
4. Interest on loans as per registers shall be reconciled with the amount as per Interest ledger.
5. At the end of the year, an abstract of 'loans to others' has to disclose:
 - a. Loan outstanding at beginning of the year
 - b. Loan given during the year
 - c. Total interest accrued during the year
 - d. Total amount of recoveries and adjustment during the year
6. In addition to the reports specified above, the Chief Municipal Officer shall specify such appropriate calendar of returns /reports for monitoring as he feels necessary.

7 – Key Principles for Special Transactions

Key Principles in respect of Provision

In the end of each financial year, ULB shall make a provision in respect of outstanding demand for property tax, water tax and other revenue etc. on the basis of principles prescribed in the BMAM. According to convention of conservatism, anticipated doubtful profit should be ignored but all the anticipated losses should be provided in the books of account of an entity.

7.1.1 Provision for Property Tax:

In respect of demand outstanding beyond two (2) years, provision shall be made to the extent of Total provision required less existing provision, as per following norms:

Rate of Provision

| Outstanding Period for making Provision | % of Provision |
|---|----------------|
| More than 2 years but not exceeding 3 years | 25% |
| More than 3 years but not exceeding 4 years | 50% |
| More than 4 years but not exceeding 5 years | 75% |
| More than 5 years | 100% |

For example, In the year 2012-13

- Demand rose for property tax during the year – Rs. 8 Lacks.
- Let's assume there is a balance of provision made in the earlier years – 0.50 lacks

Other information related to outstanding demand and collection:

(Rs. In Lakhs)

| Year | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | Total |
|--|---------|---------|---------|---------|---------|-------|
| Outstanding Demand | 4 | 3 | 2 | 5 | Nil | 14 |
| Collection made during the year relates to | 2 | 1 | 1 | 2 | 6 | 12 |

Accounting treatment during the financial year 2012-13

Calculation of provision for property tax:

(Rs. In Lakhs)

| Year | Period | Outstanding demand on 1/04/2012 | Collection during the year | Outstanding demand on 31/03/2013 | Rate of provision | Amount |
|---------|-------------------|---------------------------------|----------------------------|----------------------------------|-------------------|--------|
| 1 | 2 | 3 | 4 | 5= (3-4) | 6 | 7= 5*6 |
| 2008-09 | More than 3 years | 4 | 2 | 2 | 50% | 1 |
| 2009-10 | More than 2 years | 3 | 1 | 2 | 25% | 0.50 |
| 2010-11 | Less than 2 year | 2 | 1 | 1 | NA | Nil |
| 2011-12 | Less than 2 year | 5 | 2 | 3 | NA | Nil |
| 2012-13 | Current Year | | 6 | 2 | NA | Nil |
| Total | | 14 | 12 | 10 | | 1.50 |

Journal entries for the above transactions:

1. Entry for demand raised for the current year:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------------|-------|----------|
| 431-10-01-00 | Receivables for holding tax | Dr | 8,00,000 |
| 110-01-00-00 | Income from holding tax | Cr | 8,00,000 |

Key Principles for Special Transactions

2. Entry for collection of property tax made during the year 2012-13

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------------------------|-------|-----------|
| 450-10-01-00 | Bank | Dr | 12,00,000 |
| 431-10-02-00 | Receivables for holding tax (2008-09) | Cr | 2,00,000 |
| 431-10-02-01 | Receivables for holding tax (2009-10) | Cr | 1,00,000 |
| 431-10-02-02 | Receivables for holding tax (2010-11) | Cr | 1,00,000 |
| 431-10-02-03 | Receivables for holding tax (2011-12) | Cr | 2,00,000 |
| 431-10-02-04 | Receivables for holding tax (2012-13) | Cr | 6,00,000 |

3. Entry for additional Provision of holding tax:

| | | |
|--|---|------------|
| Cumulative amount of provision 2012-13 | = | 1.50 lakhs |
| Less: Provision already made | = | 0.50 lakhs |
| Now provision to be recognized | = | 1.00 lakhs |

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|----------|
| 270100101 | Provision for doubtful receivables- holding tax | Dr | 1,00,000 |
| 432100000 | Provision for outstanding property tax | Cr | 1,00,000 |

Note: While making provision for receivables as stated above, the relevant proportion 'State Government Cesses/levies in Property Taxes - Control account' shall also be provided by debiting to a separate account.

7.1.2 Provision for Rental Fees and other income:-

In respect of the demand outstanding beyond two (2) years, provision shall be made to the extent of income of Municipality in the demand, based on the following provisioning norms:

Rates of Provision

| Outstanding Period for making Provision | % of Provision |
|---|----------------|
| More than 2 years but not exceeding 3 years | 50% |
| More than 3 years but not exceeding 4 years | 100% |

Note: Procedure for calculation of provision and entries shown above can be referred from the example provided in property tax as above.

7.1.3 Provision for Loan & Advances:-

In respect of demand outstanding beyond two (2) years, provision shall be made to the extent of income of Municipality in the demand, based on the following provisioning norms:

| Outstanding Period for making Provision | % of Provision |
|---|----------------|
| More than 2 years but not exceeding 3 years | 50% |
| More than 3 years but not exceeding 4 years | 100% |

Key Principles for Special Transactions

7.1.4 Provision for Other Revenue Expenditure

Provisions shall be made for all bills received up to a cutoff date. The cut-off date may be 30 days before the date prescribed for finalization of Annual Financial Statements under the Rules.

7.2 Reconciliation Procedures

| Points | Particulars | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|-------------|--------|--------|-------------------------------|--|--|--|--|--|--|--|--|-----------|--|--|--|--|--|---|--|--|-------------------------------|--|--|
| 1. Objective | Objective of reconciliation procedure is to ensure that if accounting information is recorded at more than one place, there are no discrepancies between the difference set of records. | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. By whom carried out | These procedures are to be carried out by the accounts department, auditors and the concerned departments. | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Area covered | <p>The Procedures will include the following:</p> <ul style="list-style-type: none">• Bank Reconciliation• Reconciliation of Deposits• Reconciliations of receivables and collections• Reconciliation of Advance• Reconciliation of loan received• Reconciliation of payable• Reconciliation of balances with government• Reconciliation of loan given to others | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. Bank Reconciliation (Rule 118 of BMAR) | <ul style="list-style-type: none">• It is the most important reconciliation procedure that ensures the accuracy of bank transactions occurred during the period.• Bank book shall be daily closed and monthly reconciliation duly signed by accountant .• Format of bank reconciliation is as follows. <table><tr><th>Particulars</th><th>Amount</th><th>Amount</th></tr><tr><td>Bank balance as per bank book</td><td></td><td></td></tr><tr><td>Add: Cheque issued but not presented into bank</td><td></td><td></td></tr><tr><td>Add: Credit given by bank either for interest or for any other bank account but not accounted in bank book</td><td></td><td></td></tr><tr><td>Sub Total</td><td></td><td></td></tr><tr><td>Less: Cheque Deposited but not cleared by bank</td><td></td><td></td></tr><tr><td>Less: Bank charges not accounted in the bank book</td><td></td><td></td></tr><tr><td>Balance as per bank statement</td><td></td><td></td></tr></table> | Particulars | Amount | Amount | Bank balance as per bank book | | | Add: Cheque issued but not presented into bank | | | Add: Credit given by bank either for interest or for any other bank account but not accounted in bank book | | | Sub Total | | | Less: Cheque Deposited but not cleared by bank | | | Less: Bank charges not accounted in the bank book | | | Balance as per bank statement | | |
| Particulars | Amount | Amount | | | | | | | | | | | | | | | | | | | | | | | |
| Bank balance as per bank book | | | | | | | | | | | | | | | | | | | | | | | | | |
| Add: Cheque issued but not presented into bank | | | | | | | | | | | | | | | | | | | | | | | | | |
| Add: Credit given by bank either for interest or for any other bank account but not accounted in bank book | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sub Total | | | | | | | | | | | | | | | | | | | | | | | | | |
| Less: Cheque Deposited but not cleared by bank | | | | | | | | | | | | | | | | | | | | | | | | | |
| Less: Bank charges not accounted in the bank book | | | | | | | | | | | | | | | | | | | | | | | | | |
| Balance as per bank statement | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5.Reconciliation of Deposit | <ul style="list-style-type: none">• Each departments which had received deposits in the form of earnest money deposit, security deposits, or other shall prepare a reconciliation statement of deposit outstanding from the deposit register and forward it to the accounts department within 7 days from the end of the relevant Quarter. | | | | | | | | | | | | | | | | | | | | | | | | |

Key Principles for Special Transactions

| Points | Particulars | | | | | | | | | | | | | | | | | | |
|---|--|-------------|--------|--------|---|--|--|-------------------------------|--|--|-----------|--|--|------------------------------|--|--|----------------------------------|--|--|
| | <table><tr><th>Particulars</th><th>Amount</th><th>Amount</th></tr><tr><td>Deposit balance as per deposit Register</td><td></td><td></td></tr><tr><td>Add: Addition during the Year</td><td></td><td></td></tr><tr><td>Sub Total</td><td></td><td></td></tr><tr><td>Less: Refund During the Year</td><td></td><td></td></tr><tr><td>Balance as per Deposit Ledger</td><td></td><td></td></tr></table> <ul style="list-style-type: none">• The statement shall be compared with the ledger accounts kept with accounts department.• The reason for difference, if any shall be identified and rectification entries will be passed. | Particulars | Amount | Amount | Deposit balance as per deposit Register | | | Add: Addition during the Year | | | Sub Total | | | Less: Refund During the Year | | | Balance as per Deposit Ledger | | |
| Particulars | Amount | Amount | | | | | | | | | | | | | | | | | |
| Deposit balance as per deposit Register | | | | | | | | | | | | | | | | | | | |
| Add: Addition during the Year | | | | | | | | | | | | | | | | | | | |
| Sub Total | | | | | | | | | | | | | | | | | | | |
| Less: Refund During the Year | | | | | | | | | | | | | | | | | | | |
| Balance as per Deposit Ledger | | | | | | | | | | | | | | | | | | | |
| 6.Reconciliation of Receivable and Collection | <ul style="list-style-type: none">• The tax department, water supply department, license department or other shall prepare a reconciliation statement of receivable and collection.• The reconciliation statement shall prepare from the demand collection register and forward to accounts department within 7 days from the end of relevant quarter <table><tr><th>Particulars</th><th>Amount</th><th>Amount</th></tr><tr><td>Balance of receivable and collection as per collection register</td><td></td><td></td></tr><tr><td>Add: Addition during the year</td><td></td><td></td></tr><tr><td>Sub Total</td><td></td><td></td></tr><tr><td>Less: Refund during the year</td><td></td><td></td></tr><tr><td>Balance as per collection ledger</td><td></td><td></td></tr></table> <ul style="list-style-type: none">• The reconciliation statement received by the accounts department shall be reconciled with the respective ledger accounts maintained by the accounts department. | Particulars | Amount | Amount | Balance of receivable and collection as per collection register | | | Add: Addition during the year | | | Sub Total | | | Less: Refund during the year | | | Balance as per collection ledger | | |
| Particulars | Amount | Amount | | | | | | | | | | | | | | | | | |
| Balance of receivable and collection as per collection register | | | | | | | | | | | | | | | | | | | |
| Add: Addition during the year | | | | | | | | | | | | | | | | | | | |
| Sub Total | | | | | | | | | | | | | | | | | | | |
| Less: Refund during the year | | | | | | | | | | | | | | | | | | | |
| Balance as per collection ledger | | | | | | | | | | | | | | | | | | | |
| 7.Reconciliation of Advance | <ul style="list-style-type: none">• Any discrepancies shall be adjusted suitably by passing the necessary accounting entries.• Department prepare reconciliation statement of advance from register of advance and forward it to accounts department within 7 days from the relevant quarter. <table><tr><th>Particulars</th><th>Amount</th><th>Amount</th></tr><tr><td>Balance of advance as per advance register</td><td></td><td></td></tr><tr><td>Add: Addition during the Year</td><td></td><td></td></tr><tr><td>Sub Total</td><td></td><td></td></tr><tr><td>Less: Refund during the year</td><td></td><td></td></tr><tr><td>Balance as per advance ledger</td><td></td><td></td></tr></table> <ul style="list-style-type: none">• The balance as per the reconciliation statement shall be reconcile with the ledger account maintained by accounts department | Particulars | Amount | Amount | Balance of advance as per advance register | | | Add: Addition during the Year | | | Sub Total | | | Less: Refund during the year | | | Balance as per advance ledger | | |
| Particulars | Amount | Amount | | | | | | | | | | | | | | | | | |
| Balance of advance as per advance register | | | | | | | | | | | | | | | | | | | |
| Add: Addition during the Year | | | | | | | | | | | | | | | | | | | |
| Sub Total | | | | | | | | | | | | | | | | | | | |
| Less: Refund during the year | | | | | | | | | | | | | | | | | | | |
| Balance as per advance ledger | | | | | | | | | | | | | | | | | | | |

Key Principles for Special Transactions

| Points | Particulars | | | | | | | | | | | | | | | | | | | | | | | |
|--|-------------|---|--|-------------|--------|--------|---------------------------------|--|--|-------------------------------|--|--|---------------------------------------|--|--|-----------|--|--|------------------------------|--|--|--------------------------------|--|--|
| 8.Reconciliation of Loan received | of | <ul style="list-style-type: none">• The account department at year end prepares a confirmation statement of loan borrowed from the register of loan from each borrower and bring confirmation from each borrower.• Based on the reply received, the accounts department shall take step for reconciliation of the difference. | | | | | | | | | | | | | | | | | | | | | | |
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| | | <table><tr><th>Particulars</th><th>Amount</th><th>Amount</th></tr><tr><td>Balance as per loan register</td><td></td><td></td></tr><tr><td>Add: Addition during the Year</td><td></td><td></td></tr><tr><td>Add: Interest accrued during the year</td><td></td><td></td></tr><tr><td>Sub Total</td><td></td><td></td></tr><tr><td>Less: Refund during the year</td><td></td><td></td></tr><tr><td>Balance as per borrower ledger</td><td></td><td></td></tr></table> | | Particulars | Amount | Amount | Balance as per loan register | | | Add: Addition during the Year | | | Add: Interest accrued during the year | | | Sub Total | | | Less: Refund during the year | | | Balance as per borrower ledger | | |
| Particulars | Amount | Amount | | | | | | | | | | | | | | | | | | | | | | |
| Balance as per loan register | | | | | | | | | | | | | | | | | | | | | | | | |
| Add: Addition during the Year | | | | | | | | | | | | | | | | | | | | | | | | |
| Add: Interest accrued during the year | | | | | | | | | | | | | | | | | | | | | | | | |
| Sub Total | | | | | | | | | | | | | | | | | | | | | | | | |
| Less: Refund during the year | | | | | | | | | | | | | | | | | | | | | | | | |
| Balance as per borrower ledger | | | | | | | | | | | | | | | | | | | | | | | | |
| 9.Reconciliation of payable | of | <ul style="list-style-type: none">• The accounts department shall prepare reconciliation statement of payable from the register of bill for payment. | | | | | | | | | | | | | | | | | | | | | | |
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| | | <table><tr><th>Particulars</th><th>Amount</th><th>Amount</th></tr><tr><td>Balance as per payable register</td><td></td><td></td></tr><tr><td>Add: Addition during the Year</td><td></td><td></td></tr><tr><td>Add: Interest accrued during the year</td><td></td><td></td></tr><tr><td>Sub Total</td><td></td><td></td></tr><tr><td>Less: Refund during the year</td><td></td><td></td></tr><tr><td>Balance as per payable ledger</td><td></td><td></td></tr></table> | | Particulars | Amount | Amount | Balance as per payable register | | | Add: Addition during the Year | | | Add: Interest accrued during the year | | | Sub Total | | | Less: Refund during the year | | | Balance as per payable ledger | | |
| Particulars | Amount | Amount | | | | | | | | | | | | | | | | | | | | | | |
| Balance as per payable register | | | | | | | | | | | | | | | | | | | | | | | | |
| Add: Addition during the Year | | | | | | | | | | | | | | | | | | | | | | | | |
| Add: Interest accrued during the year | | | | | | | | | | | | | | | | | | | | | | | | |
| Sub Total | | | | | | | | | | | | | | | | | | | | | | | | |
| Less: Refund during the year | | | | | | | | | | | | | | | | | | | | | | | | |
| Balance as per payable ledger | | | | | | | | | | | | | | | | | | | | | | | | |
| 10.Reconciliation of balance with the Government | of the | <ul style="list-style-type: none">• The accounts department prepare a reconciliation of receivable / payable balance with the Govt. / other agency• Where both the amount is due and payable to any authority/agency, both the Statements shall be submitted for balance confirmation to the authority/agency concerned. | | | | | | | | | | | | | | | | | | | | | | |
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7.3 Transferred Institutions

Transferred institutions concepts have been introduced considers decentralization of power to the local self govt. Govt. may transfer certain institutions under various department of Govt. of Bihar for centralization of public services at one place. ULB shall take care of transactions related to transfer institutions routed through the municipality and shall record the transactions as per the principles given in the various chapters of manual.

Key Principles for Special Transactions

7.4. Inter Unit Transactions

| | |
|---------------------------------------|--|
| 1. Introduction | Some ULB may have decentralized accounting setup. This may result in more than one accounting unit (AU) within ULB and each AU maintains separate books of accounts and prepares their trial balance. AUs may also enter into accounting transactions with each other and transactions occurring between any two accounting units shall be called 'Inter Unit Transaction' (IUT). |
| 2. Types of IUTs | IUTs are of following types: i. Transfer of funds between the AUs. ii. Transfer of Asset/Liabilities form one AU to another AU. |
| 3. Classification of AUs. | AUs are classified as originating unit and responding unit. • Originating Unit: Unit, in which the transaction occurs and which arises the document for IUTs, called 'Advice of Transfer'. • Responding Unit: Unit, on which the originating unit raises the 'Advice of Transfer'. |
| 4. Types of Advice of Transfer | Advice of Transfer is classified as Advice Transfer Debit (ATD) and Advice Transfer Credit (ATC). • ATD: When originating unit debits other accounting unit. • ATC: When originating unit credits other accounting unit. |
| 5. Finalization of Accounts | Final accounts may be prepared at every AU and then consolidated at HO or prepared directly at HO based on trial balance sent from every AU. |

Journal Entries for above IUTs is given below:

1. Transfer of funds between the AUs

For Example: Originating unit transfer fund of Rs. 10000 to 'responding unit'.

a. Recording of transfer of funds in the books of 'Originating AU'.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------|-------|--------|
| 470200000 | Inter Unit Account-AU | Dr | 10,000 |
| 450210000 | To Bank Account | Cr | 10,000 |

b. Recording of receipt of funds in the books of 'Responding AU'

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------|-------|--------|
| 450210000 | Bank Account | Dr | 10000 |
| 470200000 | To Inter unit Account | Cr | 10,000 |

2. Transfer of payment/receipts from one AU to another for payment/collections made on behalf of another AU.

a. In the books of 'Originating AU'

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 431800000 | Respective Receivable Control accounts | Dr | XXX |
| 470200000 | To Inter Unit Account | Cr | XXX |

Key Principles for Special Transactions

b. In the books of 'Responding AU'

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 470200000 | Inter Unit Account | Dr | XXXX |
| 431800000 | To Respective receivable control accounts | Cr | XXXX |

3. Transfer of Asset/Liabilities form one AU to another AU.

For Example: Originating unit transfers machinery of Rs. 20000 and stock of Rs. 10000 to responding unit.

a. In the books of the 'Originating AU'.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------|-------|--------|
| 470200000 | Inter Unit Account-AU | Dr | 30,000 |
| 410000000 | To Fixed Assets | Cr | 20,000 |
| 430000000 | To Stock in Hand | Cr | 10,000 |

b. In the books of 'Responding AU'

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------|-------|--------|
| 410000000 | Fixed Assets | Dr | 20,000 |
| 430000000 | Stock in Hand | Dr | 10,000 |
| 470200000 | Inter Unit Account-AU | Cr | 30,000 |

7.5 Lease and Hire Purchase

7.5.1 Hire Purchase: Under Hire-purchase system purchaser pays the price of the goods in installments. The goods are delivered to the purchaser at the time of agreement before the payment of installments but the title on the goods is transferred after the payment of all installments as per the hire-purchase agreement. The special feature of a hire-purchase transaction is that the payment of every installment is treated as the payment of hire charges by the purchaser to the hire vendor till the payment of the last installment.

| Type | Hire purchase | |
|--------------------------------|---|---|
| Municipality | Buyer | Seller |
| To be recorded as | Assets | Receivable from hire purchase |
| Value | Cost | Sale price including interest |
| Lease payment/ HP installments | Apportioned between the finance charge and the reduction of the principle outstanding | Apportioned between the interest and reduction of the receivables |
| Depreciation on assets as | Owned Assets | Not Applicable |

Key Principles for Special Transactions

7.5.2 Journal Entries required in Hire Purchase

A. In case of Hire Purchase (Buyer):

For Example: Municipality purchase a Machinery of worth Rs. 90000 and total hire purchase amount for this machinery Rs. 110000 (Rs. 90000+ Rs. 20000 interest charges). Municipality has paid Rs. 10000 and paid remaining amount Rs. 25000 (includes 5000 as interest charges) per year each.

a. For recording down payment of Rs. 10000.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------|-------|--------|
| 460400105 | Supplier/Vendor | Dr | 10,000 |
| 450210000 | To Bank Account | Cr | 10,000 |

b. Accounting for purchase of Fixed Assets.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|----------|
| 410000000 | Fixed Asset | Dr | 90,000 |
| 470300000 | Interest control payable- Hire Purchase | Dr | 20,000 |
| 330600000 | To Other term loans | Cr | 1,00,000 |
| 460400105 | To Supplier | Cr | 10,000 |

c. Accounting for payment of Installment:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|------------------|-------|--------|
| 330600000 | Other term loans | Dr | 25,000 |
| 450210000 | To Bank Account | Cr | 25,000 |

d. Accounting for Finance Charges:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 240600300 | Interest on Hire Purchase | Dr | 5,000 |
| 470300000 | To Interest control payable- Hire purchase | Cr | 5,000 |

B. In case of Hire Purchase (Seller):

a. For recording of receipt down payment of Rs. 10000.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-------------------|-------|--------|
| 450210000 | Bank Account | Dr | 10,000 |
| 350800300 | To Hire Purchaser | Cr | 10,000 |

Key Principles for Special Transactions

b. Accounting for sale of Fixed Assets.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|----------|
| 350800300 | Hire Purchaser | Dr | 10,000 |
| 460800100 | Hire purchase installments receivables | Dr | 1,00,000 |
| 410000000 | To Fixed Asset | Cr | 90,000 |
| 350800400 | To interest control receivables- Hire Purchase | Cr | 20,000 |

c. Payment of Installment is as follows:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 450210000 | Bank Account | Dr | 25,000 |
| 460800100 | To Hire purchase installments receivable | Cr | 25,000 |

d. Finance Income:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 350-80-04-00 | Interest Control receivables-Hire purchase | Dr | 5,000 |
| 171-80-01-00 | To Interest on Hire Purchase | Cr | 5,000 |

7.5.3 Lease Transactions:

Lease is an agreement whereby the lesser conveys to the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments.

A finance lease is a lease that transfers substantially all risks and rewards incident to ownership of an asset. An operating lease is a lease other than a finance lease.

| Type | Finance lease | Operating lease | Finance Lease | Operating lease |
|---------------------------|---|------------------------|--------------------------|---|
| Municipality | Lessee | Lessee | Lessor | Lessor |
| To be recorded as | Asset and liability | Expense | Assets to be transferred | Own Assets |
| Value | Cost | As per lease agreement | Cost | Cost |
| Lease payment | Apportioned between reduction in liability and finance charge | As per lease agreement | As per lease agreement | Income on straight line basis over the lease term |
| Depreciation on assets as | Owned Assets | Not to be charged | Not to be charged | Owned Assets |

Key Principles for Special Transactions

Journal Entries

1. In case of Financial Lease, when municipality is Lessee.

For example: An asset has been purchase d on financial lease of Rs. 10000/- and interest payable under lease agreement is Rs. 1000/-.

- Recording of purchase of Fixed Assets

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--------------------------|-------|--------|
| 410000000 | Fixed assets | Dr | 11,000 |
| 450210000 | To Lease charges payable | Cr | 11,000 |

- Recording of Lease Payments

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------|-------|--------|
| 350080200 | Lease charges payable | Dr | 11,000 |
| 450210000 | To Bank Account | Cr | 11,000 |

- Recording of Finance Charges

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-------------------------------------|-------|--------|
| 240600200 | Interest on Leases | Dr | 1,000 |
| 470300000 | To Interest control payable- leases | Cr | 1,000 |

2. In case of Financial Lease, when municipality is Lessor.

- Recording of accrual of lease rental

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------------------|-------|--------|
| 431400500 | Receivables against lease rentals | Dr | 11,000 |
| 135050000 | To Lease rentals | Cr | 11,000 |

- Recording of receipt of lease rental

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-------------------------------------|-------|--------|
| 450210000 | Bank Account | Dr | 1,000 |
| 431400500 | To Receivable against lease rentals | Cr | 1,000 |

7.6 Other Special Transactions

- Fixed assets created on behalf of Municipalities by an executing agency.
- Grants given by municipalities to organizations, institutions etc.
- Contributions made by Municipalities in creation of assets not owned by it.
- Joint venture investments

Key Principles for Special Transactions

7.6.1 Fixed assets created on behalf of Municipalities by an executing agency:

Sometimes municipalities may have assets created by an executing agency and these assets may be funded by one or more of the following sources:

1. Loans
2. Grants from government or
3. Own contribution. I.e. contribution by municipalities.

For example, A water scheme for Rs 5 crore is sanctioned of which Rs 3 crores would be receivable as loan and Rs 1.5 crore grant from govt. and balance would be contributed by the municipality. The said scheme would be executed by an executing agency on behalf of the municipality.

The amount of loan and grant would be directly disbursed to the executing agency and the municipalities also remit its own contribution to the executing agency.

Municipalities shall pass following entry in its books on directly disbursement of fund to executing agency:

1. On receipts of intimation of **disbursement of loan to an executing agency**

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-------------------|-------|-------------|
| 460500000 | Advance to others | Dr | 3,00,00,000 |
| 330000000 | To loans | Cr | 3,00,00,000 |

2. For **grants disbursed directly to the executing agency**, on receipts of intimation from the govt. or executing agency

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|-------------|
| 460500000 | Advance to others | Dr | 1,50,00,000 |
| 320000000 | To Grants, contribution for specific purposes | Cr | 1,50,00,000 |

3. In accordance with the term of a sanctioned scheme, fund may be remitted by the **Municipalities as their contribution to executing agency**.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-------------------|-------|-----------|
| 460500000 | Advance to others | Dr | 50,00,000 |
| 450210000 | Bank account | Cr | 50,00,000 |

Revolving Fund

For receiving the fund from government (both loan and grants) ULB may be required opening a separate designated bank account. The amount deposited in the designated bank account shall be utilized only for the purpose specified in the scheme sanctioned. This account is called Designated Revolving Fund Bank Account. The deficit in the designated bank account, if any, shall be met from the municipality's bank account.

7.6.2 Grants given by municipalities to organizations, institutions etc.

Accounts department shall maintain a Register in form SPL-1 for grants given. The details of the grants sanctioned shall be recorded in the register. This register shall be updated for each payment of the grant.

Accounting entry for grant is give below:

Key Principles for Special Transactions

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------|-------|--------|
| 260100000 | Grant | Dr | - |
| 450210000 | To Bank Account | Cr | - |

7.6.3 Contributions made by Municipalities in creation of assets not owned by it.

In this case, municipality does not have any ownership rights on the assets. In accordance with the terms of understanding, funds may be remitted by the municipalities as their contribution to the executing agency.

Accounting Entry for payment made by the accounts department:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------|-------|--------|
| 260200000 | Contributions | Dr | - |
| 450210000 | To Bank Account | Cr | - |

7.6.4 Joint venture investments

Municipalities may be involved in joint venture projects. The investment in a joint venture shall be treated as an investment of the Municipality. If investments are in kind like contributing land for development, the accounting treatment to be adopted will depend on agreement between parties. Public private partnerships are one form of joint ventures.

8 – Model Accounting entry for General Transactions

In every organization there is some transaction, which has to be recorded very frequently. In ULBs also, some transaction are being incurred by the ULBs very often, in this chapter, model accounting entry for common transaction have been compiled. Those transactions, for which no accounting entry is provided in this chapter, same can be derived by following golden rules of accounting, or following the common nature of transactions provided below.

8.1 Accounting entries in respect of incomes:

Municipalities have various type of income and that incomes will be recorded in accounts on accrual and receipt basis.

Recognition of income on accrual basis:

For example: Rs. 5000 is receivable from Mr. A for property tax:-

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|------------------------------|-------|--------|
| 431100100 | Receivables for property tax | Dr | 5,000 |
| 110010000 | Property Tax | Cr | 5,000 |

Recognition of income on receipt basis:

For example: Rs. 5000 is received from Mr. A for property tax

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------|-------|--------|
| 450210000 | Bank | Dr | 5,000 |
| 110010000 | Property tax | Cr | 5,000 |

8.1.1 Accounting entries in respect of property tax

Recording of demand raised for holding tax on existing assessment for current year:

For example: Total demand raised for current financial year of Rs. 10,000 under holding tax out of which is Rs.1000 is related to state govt. cess.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 431100100 | Receivables for holding tax (Current) | Dr | 10,000 |
| 110010000 | Holding Tax | Cr | 9,000 |
| 430910000 | State Govt. cess in property tax-Control Account | Cr | 1,000 |

Recording of demand rose for holding tax on existing assessment for previous year:

For example: Total demand raised for previous financial year Rs. 10,000 under holding tax out of which Rs. 1,000 is to be transferred to State Govt. cess in property tax – control account.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 431100200 | Receivables for holding tax (Arrear) | Dr | 10,000 |
| 280100100 | Prior Period Income – holding Tax | Cr | 9,000 |
| 430910000 | State Govt. cess in property tax-Control Account | Cr | 1,000 |

Model Accounting entry for General Transactions

Recording of demand raised in the case of new assessment:

If demand raised for earlier financial years in which the assessment is made than demand should be split according to the related period to which it relates and income related to earlier period be accounted as Prior period Income.

Recording of change in assessments:

Any demand raised earlier may undergo changes by court order / by order of CMO/ by any other competent authority. This may either lead to increase or decrease in demand amount.

- In case the revised demand increased, then, the entry to be passed is same as accounting of existing demand, for the difference amount.
- In case revised demand is decreased, the entry passed earlier has to be reversed for the difference. The reversal shall be reflected in the current year revenue incase if demand relates to the current year and in any other case the reversal shall be accounted as prior period expenses. The accounting entry for the same is as follows.

If demand yet not paid:

Recording for remission or refund of holding tax (current year):

For Example: Rs. 10,000 which stood as Receivable for holding tax is Rs.5000 now remitted/ refunded to the tax payer out of which 500 was transferred to State government cess/levies.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 110900100 | Tax remission and refund- holding tax (Related to C.Y) | Dr | 4,500 |
| 431910000 | To State Govt. cess in property tax- Control Account | Dr | 500 |
| 431100100 | Receivables for holding tax (Current) | Cr | 5,000 |

Recording for remission or refund of holding tax (previous year):

For Example: Rs. 10,000 which stood as Receivable for holding tax (earlier year) is Rs.5,000 now remitted/ refunded to the tax payer out of which 500 was transferred to State government cuss/ levies A/c.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 280500100 | Prior period expenses- holding tax (Related to earlier years) | Dr | 4,500 |
| 431910000 | State Govt. cess in property tax-Control Account | Dr | 500 |
| 431100200 | Receivables for holding tax (Arrear) outstanding | Cr | 5,000 |

If Demand already paid:

Recording for remission or refund of holding tax:

For example, demand raised for the holding tax in previous year Rs.5000 and in current year Rs. 8,000 which were fully received and now due to change in assessment holding tax of Rs. 2000 related to previous year and Rs. 3000 related to current year are refundable. For recording of this transaction following entry shall be passed:

Model Accounting entry for General Transactions

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 110900100 | Tax remission and refund- holding tax (Related to C.Y) | Dr | 3,000 |
| 280500100 | Prior Period expenses-remission and refund of holding tax | Dr | 2,000 |
| 350400100 | Refund payable- Holding taxes | Cr | 5,000 |

Recording of refund paid for holding tax:

For example: Rs. 5,000 is paid as refund for property tax through SBI Bank Account

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-------------------------------|-------|--------|
| 350400100 | Refund payable- Holding taxes | Dr | 5,000 |
| 450210100 | Bank Account – SBI | Cr | 5,000 |

Recording on conversion of refund in advance collection of holding tax:

For example: Rs. 5,000 of holding tax which is refundable and converted into advance collection

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 350400100 | Refund payable- holding taxes | Dr | 5,000 |
| 350500100 | Advance collection of revenue- holding tax | Cr | 5,000 |

Self assessment

Self-Assessment a method of bringing better compliance and improved collection. In such cases, income shall be accrued on the due date based on the information available with the Municipality in the assessment records. The accounting procedure to be adopted will be same as change in assessment.

Collection of taxes:

Recording of collection of taxes:

For example, Rs.5000 received in cash and Rs.5000 by bank for holding tax for which demand already has been raised

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 450100100 | Cash account | Dr | 5,000 |
| 450210000 | Bank account | Dr | 5,000 |
| 431800100 | To Receivables control a/c-holding tax | Cr | 10,000 |

Recording of cash received deposited into bank:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------|-------|--------|
| 450210000 | Bank account | Dr | 5,000 |
| 450100100 | Cash account | Cr | 5,000 |

Model Accounting entry for General Transactions

Recording of break-up of collections:

For example: Property tax receivable control account having balance of Rs.10,000 in which Rs. 4000 relates to current year, Rs.3000 related to previous year, Rs. 2000 relates to advance collection and Rs. 1000 relates to penalty and fine.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 431800100 | Receivable control a/c-Property tax | Dr | 10,000 |
| 431100100 | Receivables for property tax (Current) | Cr | 4,000 |
| 431100200 | Receivables for property tax (Arrear) | Cr | 3,000 |
| 350410100 | Advance collection of revenue-Property tax | Cr | 2,000 |
| 140200000 | Penalties and fines | Cr | 1,000 |

Recording of demand raised for notice fee, warrant fee and other fee:

For example: a demand raised for the notice fee and warrant fee for Rs. 3000 and Rs.2000 respectively

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------------------|-------|--------|
| 431300000 | Receivables Fees and User Charges | Dr | 5,000 |
| 140400500 | Notice fee | Cr | 3,000 |
| 140400600 | Warrant fee | Cr | 2,000 |

Recording of refund and remission of notice fee and warrant fee:

Entry for recording of refund or remission of notice fee and warrant fee shall be same as property tax which is given as above.

Recording of property tax on government properties:

In case there is a provision for payment to the ULB for properties occupied by the government in lieu of property tax, education cess and service charges, than accounting entries for it shall be in same way as other properties.

Recording of provisions in respect of holding tax:

For example: Provision for doubtful receivables of property tax for Rs. 9,000/- and Rs. 1,000 is transferred to state government cess/ levies in property tax provision out of outstanding holding tax receivable. (Detailed example for the provision can be referred from the chapter-9)

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 270100101 | Provision for doubtful receivables- holding tax | Dr | 9,000 |
| 432910000 | State government cess/ levies in property tax provision | Dr | 1,000 |
| 432100000 | To Provision for outstanding holding tax | Cr | 10,000 |

Model Accounting entry for General Transactions

Recording of reversal of excess provision:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 432100000 | Provision for outstanding holding tax | Dr | - |
| 432910000 | To State government cess/ levies in property tax provision | Cr | - |
| 180600105 | To Excess provision written back-holding tax | Cr | - |

Recording of write-off in respect of holding tax:

Written-off of holding tax shall be adjusted against the provisions made and following entry shall be passed:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 432100000 | Provision for outstanding holding tax | Dr | - |
| 431910000 | State government cess/levies in property tax-control a/c | Dr | - |
| 431100200 | Receivables for holding taxes | Cr | - |
| 432910000 | State government cess/levies in property tax provision | Cr | - |

Recording of subsequent collection/recovery of receivables of property and other taxes written off:

In case of receivables of property and other taxes written off already were recovered during the year, the accounts department shall pass the following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 4318000100 | Receivables control a/c-property tax | Dr | - |
| 280030101 | Recovery of revenue written-off- holding tax | Cr | - |

Transfer of amount outstanding in current a/c to arrear a/c:

The amount outstanding in receivable for property tax current account shall be transferred to receivables for property tax arrears account in the starting of each financial year.

For example, suppose in the end of financial year 2013-14, outstanding balance in property tax receivable accounts is Rs. 15,000 in the year 2014-15 as on 01 April 2014 this balance shall be transferred in to property tax receivable arrear a/c. Following entry shall be passed for this transfer

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 431100100 | Receivables for property tax (Arrear) | Dr | 15,000 |
| 431100200 | Receivables for property tax (Current) | Cr | 15,000 |

Adjustment of advance collection of holding tax:

The accounts department shall adjust the advance collection of holding tax against the subsequent demand raised for holding tax and following entry shall pass:

Model Accounting entry for General Transactions

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 350410100 | Advance collection of revenue-holding tax | Dr | - |
| 431102000 | Receivables for property tax (Current) | Cr | - |

Recovery of property and other taxes through legal proceeding:

Recording of cost of recovery:

Expenditures incurred in respect of attachments and sale of properties of defaulter shall be recorded as cost incurred on recovery and accounting entry for the same will be as follows:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 220510400 | Legal expenses-cost of recoveries-tax revenue | Dr | - |
| 450210100 | Bank Account | Cr | - |

Collection on sale of attached property:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------------------|-------|--------|
| 450210100 | Bank Account | Dr | - |
| 350900100 | Sale proceeds-Attached properties | Cr | - |

Adjustment of amount collected on sale of attached property

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 350900100 | Sale proceeds-Attached properties | Dr | - |
| 431800100 | Receivable control account-property tax | Cr | - |
| 350300300 | Government dues payable- court attachments | Cr | - |
| 350400700 | Refund Payable- Attached property | Cr | - |

Amount paid for Govt. dues and refund of attached property:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 350300300 | Government dues payable- court attachment | Dr | - |
| 350400700 | Refund Payable- Attached property | Dr | - |
| 450210100 | Bank account | Cr | - |

Receipt of cost of recovery:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 431800100 | Receivable control account-property tax | Dr | - |
| 220510400 | Legal expenses-cost of recoveries-tax revenue | Cr | - |

Accounting entries for Professional tax, Advertisement tax:

The accounting procedure and entries in respect of Professional tax and Advertisement tax shall be in the same way of property tax than are given as above.

Model Accounting entry for General Transactions

8.1.2 Accounting entries in respect of rentals, fees and other income

Recording of income on actual receipt:

For example: Fees and user charges of Rs. 10,000 received in SBI Bank Account.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------|-------|--------|
| 450210000 | Bank account – SBI | Dr | 10,000 |
| 140000000 | Fees & user charges | Cr | 10,000 |

Recording of income received in advance:

Incomes that are accountable on actual receipt basis are received in advance, i.e., before providing the services/ goods, they shall be recorded as income on collection. In case the amount collected is to be refunded, the refund shall be recorded as expenditure.

For example: Fees and user charges of Rs. 10,000 received

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------|-------|--------|
| 450210000 | Bank account – SBI | Dr | 10,000 |
| 140000000 | Fees & user charges | Cr | 10,000 |

Recording of refund:

For example: In above example, fees and user charges of Rs. 10,000 received in advance but service not provided to customers and they demands a refund of amount paid by them in advance.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|------------------------------|-------|--------|
| 140900000 | Refund (Fees & user) charges | Dr | 10,000 |
| 450210000 | Bank account – SBI | Cr | 10,000 |

Deposits:

In respect of certain incomes a deposit is taken at the time of receiving the application for providing the services/goods, e.g., Rent Deposit, etc.

For example: A rent deposit received from A,B,C, Rs. 5,000/3,000/2,000 respectively

Accounts department shall pass following entries in respect of deposits:

Recording of receipt of deposits: The same shall be treated as a liability

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------|-------|--------|
| 450210000 | Bank account | Dr | 10,000 |
| 340200100 | Rent Deposit | Cr | 10,000 |

Recording of adjustments of deposits:

For example: In above example, rent deposit of Rs. 5,000 of Mr. A is adjusted against the rent.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 340200100 | Rent Deposit | Dr | 5,000 |
| 130000000 | Rental income from municipal properties | Cr | 5,000 |

Model Accounting entry for General Transactions

Recording of refund of deposits:

For example: In above example, rent deposit of Rs. 3,000 of Mr. B refunded to him.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------|-------|--------|
| 340200100 | Rent Deposit | Dr | 3,000 |
| 450210000 | Bank account | Cr | 3,000 |

Recording of lapsed deposit:

Deposits not claimed within the period as laid down by the Municipality, 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 departments shall prepare a list of such lapsed deposits. To recognize the income, on obtaining the approval of the authorized officer.

For example: In above example, rent deposit of Rs. 2,000 of Mr. C is not claimed by him and it is lapsed so accounts department shall pass following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------------|-------|--------|
| 340200100 | Rent Deposit | Dr | 2,000 |
| 180110600 | Lapsed deposit-Rent deposit | Cr | 2,000 |

Recording of income on accrual basis

Incomes of rent, license fee, advertisement and others which are accountable on accrual basis, accounting entries and procedure for these incomes shall be same as property tax and water charges given as above.

8.1.3 Accounting entries in respect of assigned revenue

Recording of income on actual receipt:

For example: Rs. 2,000, Rs. 3,000 and Rs. 5,000 is received against entertainment tax, duty on transfer of properties and others respectively. Out of this total amount of Rs. 10,000, Rs. 8,000 is received through cheque and rest Rs. 2,000 in cash.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--------------------------------|-------|--------|
| 450210000 | Bank account | Dr | 8,000 |
| 450100000 | Cash Account | Dr | 2,000 |
| 120100201 | Share in entertainment tax | Cr | 2,000 |
| 120100100 | Duty on transfer of properties | Cr | 3,000 |
| 120109900 | Others | Cr | 5,000 |

Recording of assigned revenue and shared tax against dues of the municipality:

The amount of assigned revenue & shared tax may be adjusted by the Government against any dues of the Municipality such as electricity charges, etc. There may be two instances of transactions.

For example, a income of Rs.10,000 share in entertainment is receivable from the government and Rs. 5000/- a electricity expenses incurred by the municipality which is payable to government.

1. In case the expenditure already recognized

In above example if it assumed that the municipality has already recognized electricity expenses in its books and showing government dues of Rs.5000.

Model Accounting entry for General Transactions

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------------------|-------|--------|
| 350300000 | Government dues payable | Dr | 5,000 |
| 450210000 | Bank account | Dr | 5,000 |
| 120100201 | Share in entertainment tax | Cr | 10,000 |

2. In case the expenditure not recognized

In above example if it assumed that the municipality has not been recognized electricity expenses in its books than following entry should be passed

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------------------|-------|--------|
| 220110100 | Electricity expenses | Dr | 5,000 |
| 450210000 | Bank account | Dr | 5,000 |
| 120100201 | Share in entertainment tax | Cr | 10,000 |

8.1.4 Accounting entries in respect of grant

Recording of receipt of general grant:

For example: Out of total revenue grant of Rs. 10,000, Rs. 4,000 is received in cash and rest is through via transfer in bank account.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------|-------|--------|
| 450210000 | Bank account | Dr | 6,000 |
| 450100000 | Cash Account | Dr | 4,000 |
| 160100000 | Revenue grant | Cr | 10,000 |

Recording of deductions made by the Government at the time of payment:

At the time of release, Government may deduct outstanding due like for Electricity Charges, interest on Loans, Loan repayment, etc. Municipalities shall account for the gross amount of the grant as income and book the relevant heads for the deductions made.

For example, a revenue grant of Rs. 10,000 is receivable from the government and municipality has incurred electricity expenses of Rs. 3,000 and interest on loan taken from the government Rs, 2000. Government adjusted this dues against the grant and balance amount of Rs. 5,000 paid to the municipality.

Recording of grant if expenses already not recognized in the books of municipality:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 450210000 | Bank account | Dr | 5,000 |
| 240200000 | Interest on loan from state government | Dr | 2,000 |
| 220110100 | Office electricity expenses | Dr | 3,000 |
| 160100000 | Revenue grant | Cr | 10,000 |

Model Accounting entry for General Transactions

Recording of grant if expenses already recognized in the books of municipality:

If it is assumed that expenses are already recognized in the books of municipality than following entry should be passed

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-------------------------|-------|--------|
| 4502100000 | Bank account | Dr | 5,000 |
| 350309900 | Government dues payable | Dr | 5,000 |
| 160100000 | Revenue grant | Cr | 10,000 |

Recording of receipt of specific grant in advance in respect of revenue expenditure:

For example: Rs 50,000 received in advance as specific grant for revenue nature expenditures.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 450610000 | Designated bank account | Dr | 50,000 |
| 320000000 | Grants, contribution for specific purpose | Cr | 50,000 |

Recording of liability on receipt of contractor/supplier bill:

On receipt of contractor bill in respect of material supplied or services rendered or works executed which is of a revenue nature. To record the expenditure accounts department shall pass the following entry:

For example, a contractor submitted a bill for the programme expenditures for Rs. 50,000 and following deductions are made from the bill of contractor and balance payable to the contractor:

TDS- Rs. 1000, advance paid already now deducted- 10,000 and retention money- Rs. 15,000

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 250400000 | Programme expenditure- specific grant | Dr | 50,000 |
| 350100102 | Contractor control account-specific grant | Cr | 24,000 |
| 340100302 | Contractor's retention money-specific grant | Cr | 15,000 |
| 350202101 | Recoveries payable-TDS etc. | Cr | 1,000 |
| 460400102 | Advance to supplier-advance paid (if any) | Cr | 10,000 |

Recording for payment to the contractor:

In above example, amount payable to contractor Rs. 24,000 is now paid and accounts department shall pass following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 350100102 | Contractor control account-specific grant | Dr | 24,000 |
| 450610000 | Designated bank account | Cr | 24,000 |

Model Accounting entry for General Transactions

Recording for the payment of statutory liabilities:

In above example, amount deducted for TDS of Rs. 1000 payable to income tax department, is now paid and accounts department shall pass following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--------------------------|-------|--------|
| 350-202101 | Recoveries payable – TDS | Dr | 1,000 |
| 450610000 | Designated bank account | Cr | 1,000 |

Recognizing grant income in respect of revenue expense incurred under specific grants:

At end of each quarter, accounts department shall identify revenue expenditure incurred under the specific grants received in advance. account department shall pass following entry:

For example, municipality has received a specific grant of Rs. 60,000 for revenue expenditure and recorded as a liability. Thereafter this municipality has incurred Rs. 50,000. The grant liability of Rs. 50,000 shall be transferred in income of the municipality.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 32000000 | Grants, contribution for specific purpose e | Dr | 50,000 |
| 160100000 | To revenue grant | Cr | 50,000 |

Recording of receipt of specific grant in advance in respect of capital expenditure:

For example: Rs 5,00,000 received in advance as specific grant for capital nature expenditures.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|----------|
| 450610000 | Designated bank account | Dr | 5,00,000 |
| 32000000 | Grants, contribution for specific purpose | Cr | 5,00,000 |

Note: Accounting entries and procedure for advance to contractor, recovery of advance, retention of money, deduction of statutory liabilities and payment to the contractor & Statutory authorities shall be same as “specific grant in respect of revenue expenditure which is described as above.

Recording of bill in respect of capital work in progress:

On receipt of a progress bill in respect of capital works being executed under Specific Grants.

For example, a contractor submitted 1st Running bill of Rs. 2,00,000 for a project which is executing under the specific grant. Accounts department shall pass following entry

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|----------|
| 412109900 | Capital work in progress- other specific grant | Dr | 2,00,000 |
| 350100302 | Contractors control account- specific grant | Cr | 1,96,000 |
| 350200201 | TDS | Cr | 4,000 |

Model Accounting entry for General Transactions

Recording for payment of TDS and contractor:

In the above example Rs. 1,96,000 payable to contractor and Rs. 4,000 payable to income tax department. On the payment of this the accounts department shall pass following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|----------|
| 350100102 | Contractors control account- specific grant | Dr | 1,96,000 |
| 350200201 | TDS | Dr | 4,000 |
| 450610000 | Designated bank account | Cr | 2,00,000 |

Recording capitalization of capital work in progress:

On completion of construction of capital project, the capital work-in-progress shall be capitalized for which the accounts department shall pass the following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 41000000 | Fixed assets (name of asset) | Dr | - |
| 412109900 | Capital work in progress- other specific grant | Cr | |

Recording of bill in respect of acquisition of fixed assets:

For example, a contractor submitted bill of Rs. 5,00,000 for a fixed assets purchased under specific grant. Accounts department shall pass following entry

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|----------|
| 410000000 | Fixed Assets (specify the name of asset) | Dr | 5,00,000 |
| 350100102 | Contractors control account- specific grant | Cr | 5,00,000 |

Recording of transfer of specific grant to capital contribution:

On capitalization of capital work-in-progress or on acquisition of any fixed assets under a specific grant, an amount equivalent to the such expenditure shall be transferred from the specific grant to the capital contribution.

For example: municipality has received a specific grant of Rs. 5,00,000 for capital expenditure and at the time of receipt this grant has been recorded as a liability. After this municipality has incurred capital expenditure of Rs. 2,00,000 against this grant. Now after incurring of expenditure, the grant of Rs. 2,00,000 shall be transferred in capital contribution.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|----------|
| 32000000 | Grants, contribution for specific purpose | Dr | 2,00,000 |
| 312100000 | Capital contribution | Cr | 2,00,000 |

Grant received as a nodal/implementation agency:

Municipalities may receive grants as a nodal agency under certain schemes, wherein the expenditure of the schemes are for a set of beneficiaries. There may be two instances

- The scheme expenditure is met by the Municipality directly
- Paid to the beneficiaries group who upon spending will produce the relevant expenditure/utilization statement.

Model Accounting entry for General Transactions

Recording of receipt of grant:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 450610000 | Designated bank account | Dr | - |
| 320000000 | Grants, contribution for specific purpose | Cr | - |

Payment of advance to executing agency:

The Municipalities may pay advance to the executing agency / beneficiary group towards the works to be undertaken by them. For recording the payment of advances, the accounts department will pass the following accounting entry.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|------------------------------------|-------|--------|
| 460500300 | Advance for project-specific grant | Dr | - |
| 450610000 | Designated bank account | Cr | - |

Recording of liability for 'scheme expenditure' on receipt of bill:

Municipalities may receive the bills for payment either directly from the contractors or from the implementing agency. The expenditures incurred against scheme to which the grant is received by the Municipality shall be taken to a separate control account to accumulate the expenditure incurred. For recording of the amounts payable to the contractors or nodal agencies the following entry shall be passed:

For example, a supplier submitted a bill for the scheme expenditures for Rs. 50,000 and following deductions are made from the bill of supplier and balance payable to supplier:

TDS- Rs. 1000, advance paid already now deducted- 10,000

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 460800200 | Other current assets-Scheme expenditure control a/c | Dr | 50,000 |
| 350100404 | Supplier control account-scheme expenditure | Cr | 39,000 |
| 350200201 | Recoveries payable-TDS etc. | Cr | 1,000 |
| 460509902 | Advance to supplier-advance paid (if any) | Cr | 10,000 |

Recording for payment to the supplier

In the above example, Rs. 39,000 paid to the supplier and following entry to be passed

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 350100404 | Supplier control account- scheme expenditure | Dr | 39,000 |
| 450610000 | Designated bank account | Cr | 39,000 |

Recording of transfer of scheme expenditure on completion of scheme or at period end:

On completion of scheme or at period ends, the amount of grant received shall be adjusted to the extent of utilized under the project. Accounting entry will be as follows:

Model Accounting entry for General Transactions

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 320000000 | Grants, contribution for specific purpose | Dr | - |
| 460800200 | Other current assets-Scheme expenditure control | Cr | - |

Repayment of unutilized specific grant received in advance:

Specific grants are normally used within a period specified in the Sanction order and shall be refunded in following circumstances:

- On expiry of the period for utilization as per grant sanction order.
- The total amount utilized out of the grant is lesser than the amount of the grant received.

Recording of liability for repayment of unutilized grant:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 320000000 | Grants, contribution for specific purpose | Dr | - |
| 350400600 | Refund payables – grants | Cr | - |

Recording of payment of unutilized grant:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--------------------------|-------|--------|
| 350400600 | Refund payables – grants | Dr | - |
| 450610000 | Designated bank account | Cr | - |

Expenditure incurred in excess of grant received in advance:

In certain cases, the agency giving the grant may permit incurrence of expenditure in excess of the grant amount. In such cases the expenditure shall be paid from main bank account and it shall be recorded as an ordinary expenditure. The grant becomes receivable on incurrence of expenditure under the grant.

Recording of excess expenditures incurred in respect of grant received:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------------------|-------|--------|
| 431500100 | Receivable from government grants | Dr | - |
| 160100000 | Revenue grant | Cr | - |

On receipt of grant received:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------------------|-------|--------|
| 435210000 | Bank account | Dr | - |
| 431500100 | Receivable from government grants | Cr | - |

Model Accounting entry for General Transactions

Specific grant received as reimbursement of expenditure incurred by the municipality:

Specific grants received as reimbursement of expenditures could be received towards revenue expenditures incurred during the ordinary course of Municipality or towards capital expenditure incurred under a specific project/scheme. These expenditures would be incurred from the Main Bank Account before claiming\ reimbursement. The grants receivable as reimbursement shall be accounted in the following manner.

Specific Grant for revenue expenditure incurred during the ordinary course:

Recognition of grant income on sanction of the grant:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------------------|-------|--------|
| 431500100 | Receivable from government grants | Dr | - |
| 160200000 | Reimbursement of expenses | Cr | - |

Recording of written off of grant receivables:

Municipality may consider writing-off the grants that have remained outstanding for a period exceeding three (3) years. If the Municipality decides to write-off any grants receivable, based on the Write-off Order, the Accounts Department shall pass the following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------------------|-------|--------|
| 270300600 | Revenues written-off | Dr | - |
| 4315100100 | Receivable from government grants | Cr | - |

Adjustment Of Grant Receivable against Municipality's Dues to the Government:

The Government may deduct any amount outstanding due, from the grants payable to the municipality.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|------------------------------------|-------|--------|
| 350300000 | Government dues payable | Dr | - |
| 431500100 | Receivables from government grants | Cr | - |

Specific grants drawn by drawing of bills on the state treasury:

Recording of grant on allotment:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 450610000 | Designated bank account | Dr | - |
| 320000000 | Grant, contribution for specific purpose | Cr | - |

Model Accounting entry for General Transactions

Grants are drawn by submitting bills to the Treasury for payment:

In case of revenue expenditure:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-------------------------|-------|--------|
| 250000000 | Programme expenditure | Dr | - |
| 450610000 | Designated bank account | Cr | - |

Simultaneous recognition of revenue income

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 320000000 | Grant, contribution for specific purpose | Dr | - |
| 160100000 | Revenue grant | Cr | |

In case of capital expenditure:

| Accounting Code | Ledger Account | Dr/Cr | Debit |
|-----------------|-------------------------|-------|-------|
| 410000000 | Fixed assets/CWIP | Dr | - |
| 450610000 | Designated bank account | Cr | |

Simultaneous transfer of liability in to capital contribution

| Accounting Code | Ledger Account | Dr/Cr | Debit |
|-----------------|--|-------|-------|
| 320000000 | Grant, contribution for specific purpose | Dr | - |
| 312100000 | Capital contribution | Cr | |

8.2 Accounting entries in respect of expenses

8.2.1 Accounting entries in respect of stores

Receipt of earnest money deposit:

For example, municipality received a EMD of Rs. 10,000 from the supplier.

| Accounting Code | Ledger Account | Dr/Cr | Debit |
|-----------------|-----------------------------------|-------|--------|
| 450210000 | Bank account | Dr | 10,000 |
| 340100105 | To supplier's EMD- Municipal Fund | Cr | 10,000 |

Refund of Earnest money deposit

In the above example EMD of Rs.5,000 refunded to supplier.

Model Accounting entry for General Transactions

| Accounting Code | Ledger Account | Dr/Cr | Debit |
|-----------------|--------------------------------|-------|-------|
| 340100105 | Supplier's EMD- Municipal Fund | Dr | 5,000 |
| 450210000 | To Bank account | | 5,000 |

Conversion of EMD in to security deposit

In above example remaining EMD of Rs. 5,000 converted in to security deposit

| Accounting Code | Ledger Account | Dr/Cr | Debit |
|-----------------|---|-------|-------|
| 340100105 | Supplier's EMD- Municipal Fund | Dr | 5,000 |
| 340100205 | To Supplier's Security Deposit- Municipal Fund | Cr | 5,000 |

Recording of liability in respect of material purchased:

On acceptance and approval of material supplied and on receipt of processed bill from the Stores Department, the accounts department shall pass the following entry:

For example, Store of Rs. 10,000 purchased from the supplier and deduction of Rs.500 for VAT and Rs. 5500 for advance has been made and balance amount is payable to supplier.

| Accounting Code | Ledger Account | Dr/Cr | Debit |
|-----------------|--|-------|--------|
| 430100200 | Purchase of material – stores | Dr | 10,000 |
| 350100301 | Supplier control account –municipal fund | Cr | 4,000 |
| 350200202 | Recoveries payable-Vat | Cr | 500 |
| 460400101 | Advance to suppliers- advance paid | Cr | 5,500 |

Recording of material returned to supplier:

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.

It is assumed in the above example, material of Rs.1,000 returned to the supplier

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 350100301 | Supplier control account – municipal fund | Dr | 1,000 |
| 430100200 | Purchase of material stores | Cr | 1,000 |

Recording of payment made to supplier:

In the above example balance of Rs. 3,000 payable to supplier now paid to the supplier

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 350100301 | Supplier control account –municipal fund | Dr | 3,000 |
| 450210000 | Bank account | Cr | 3,000 |

Model Accounting entry for General Transactions

Valuation of closing stock:

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.

The balances in various accounts of the item-wise stores Ledger shall be extracted and valued as per First in First out (FIFO) Method. Under this method the consignment of material, which shall be received first, shall be issued first;

For example, assume that opening stock of bleaching powder as on 1st Jan was 200 nos. acquired at the rate of Rs.2 per unit. Subsequent purchase and issue transactions during the month of January were as follows:

| Date | Transaction | Units | Rate |
|--------|-------------------|-----------------|----------------|
| Jan 3 | Purchase from A | 200 nos. | Rs. 3 per unit |
| Jan 5 | Purchase from B | 600 nos. | Rs. 4 per unit |
| Jan 7 | Issued to Dept. X | (500 nos.) | |
| Jan 11 | Purchase from B | 700 nos. | Rs. 4 per unit |
| Jan 19 | Issued to Dept. Y | (800 nos.) | |
| Jan 21 | Purchase from C | 300 nos. | Rs. 5 per unit |
| Jan 24 | Issued to dept. Z | (100 nos.) | |
| Jan 31 | Issued to Dept. R | (400 nos.) | |
| Jan 31 | Purchase from D | 200 nos. | Rs. 6 per unit |

The closing stock of 300 units of bleaching powder shall be valued at Rs.5 for 100 units and at Rs. 6 for the remaining 200 units. This is because the bleaching powder received earlier is still there in stock on the valuation date, which has to be valued at the rates applicable for that consignment.

Recording of material issued:

For example, municipality has been issued material of Rs. 10,000 to the contractor.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 460400000 | Advance to contractor- material issued | Dr | 10,000 |
| 430100000 | Purchase of material stores | Cr | 10,000 |

Recording of closing stock:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------------|-------|--------|
| 230300000 | Consumption of stores | Dr | - |
| 230000000 | Operation and maintenance | Dr | - |
| 412000000 | Capital work in progress | Dr | - |
| 430100300 | Closing stock-stores | Dr | - |
| 430100100 | Opening stores – store | Cr | - |

Finished Goods & WIP Related To Goods Produced For Sale

At the end of every accounting period, the finished goods and work-in-progress related to goods produced for sale shall be valued at cost.

Model Accounting entry for General Transactions

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 labor for converting the materials into finished goods;
- Variable production overheads such as, Power and other consumables. The variable production overheads are allocated to per unit of production;
- Fixed production overheads i.e. depreciation and maintenance costs of production facilities, are period costs, which are apportioned over the total units of production over that period.

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.

Recording of disposal of material

The unutilized / unusable material in the stores of ULB may be disposed off as per the existing rules. Following entries should be passed in respect of disposal of stores:

For example, municipality has sold stores in Rs. 5,000 and cost of this store is Rs. 4,000.

1. Recording receipt of sale proceeds

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------------|-------|--------|
| 450210000 | Bank Accounts | Dr | 5,000 |
| 350900200 | Sale proceeds- store | Cr | 5,000 |

2. Recording of profit or loss on disposal

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------------|-------|--------|
| 350900200 | Sale proceeds- store | Dr | 5,000 |
| 430100200 | Purchase of material stores | Cr | 4,000 |
| 150120100 | Sale of stores | Cr | 1,000 |

Recording of write- off of material:

The pilfered/damaged material in the Stores of the Municipality may be written-off as per existing rules and following entry should be passed:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------------|-------|--------|
| 270400300 | Assets written-off stores | Dr | 10,000 |
| 430100100 | Opening stock-stores | Cr | 10,000 |

Model Accounting entry for General Transactions

8.2.2 Accounting entries in respect of public works

Receipt of earnest money deposit:

For example, municipality received EMD for Rs. 10,000 from the bidders

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------------------|-------|--------|
| 450210000 | Bank account | Dr | 10,000 |
| 340100101 | Contractors EMD- Municipal Fund | Cr | 10,000 |

Refund of Earnest money deposit

In the above example EMD for Rs.8,000 refunded to unsuccessful bidders.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------------------|-------|--------|
| 340100101 | Contractors EMD- Municipal Fund | Dr | 8,000 |
| 450210000 | Bank account | Cr | 10,000 |

Conversion of EMD in to security deposit

In above example remaining EMD of Rs. 2,000 converted in to security deposit

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 340100101 | Contractors EMD- Municipal Fund | Dr | 2,000 |
| 340100201 | Contractor security deposit municipal fund | Cr | 2,000 |

Receipt of security deposit:

As per the terms of the tender and agreement, security deposit may be taken in advance from the successful bidder

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 450210000 | Bank account | Dr | - |
| 340100201 | Contractor security deposit municipal fund | Cr | - |

Recording of advance sanctioned to contractor:

Advance may be provided to the contractor as per the terms of agreement entered. To record the advance, accounts department shall pass following accounting entry:

For example, advance of Rs. 10,000 has been sanctioned to the successful bidder and Rs. 1000 deducted as a TDS.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 460400201 | Advance to contractors-advance paid- municipal fund | Dr | 10,000 |
| 350100401 | Contractor advance control account- municipal fund | Cr | 9,000 |
| 350200201 | Recoveries payable- TDS | Cr | 1,000 |

Model Accounting entry for General Transactions

Recording of disbursement of advance:

In the above example, advance paid to the contractor

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 350100401 | Contractor advance control account- municipal fund | Dr | 9,000 |
| 350200201 | Recoveries payable- TDs | Dr | 1,000 |
| 450210000 | Bank account | Cr | 10,000 |

Recording of material supplied to the contractor:

For example, municipality has supplied material of Rs. 10,000 to contractor

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 460400205 | Advance to contractor- material issued to contractor | Dr | 10,000 |
| 430100200 | Purchase of material- stores | Cr | 10,000 |

Recording of contractor bill in respect of original work:

For example, contractor submitted first running bill of Rs. 30,000 for the work executed by him. To record the liability accounts department shall pass following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 412000000 | Capital work in progress | Dr | 30,000 |
| 350100101 | Contractors control account –municipal fund | Cr | 10,000 |
| 340100201 | Contractors security deposit account – municipal fund | Cr | 4,000 |
| 350200201 | Recoveries payable-TDS | Cr | 1,000 |
| 460400201 | Advance to contractors- advance paid municipal fund | Cr | 10,000 |
| 460400205 | Advance to contractors- material issued to contractors municipal fund | Cr | 5,000 |

Recording of payment to contractor and recoveries made from contractor bill:

In the above example, after recording the liability payment made to the contractor and relevant authorities for deductions made

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 350100101 | Contractors control account – municipal fund | Dr | 10,000 |
| 350200201 | Recoveries payable-TDS | Dr | 1,000 |
| 450210000 | Bank account | Cr | 11,000 |

Model Accounting entry for General Transactions

Recording of difference between the store issue rate and the recovery rate for material issued to contractor:

The accounts department shall determine the difference between the stores issue rate and the recovery rate for material issued to contractors.

Favorable rate variance (Store issue rate < Recovery rate)

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 460400205 | Advance to contractors- material issued to contractors municipal fund | Dr | - |
| 412010000 | Capital work in progress- municipal fund | Cr | |

Adverse rate variance (Store issue rate > Recovery rate)

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 412010000 | Capital work in progress- municipal fund | Dr | - |
| 460400205 | Advance to contractors- material issued to contractors | Cr | |

Work executed by engineering department:

Materials consumed in original works. Based on the bill received from the engineering department for works executed, the accounts department shall pass the following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 412010000 | Capital work in progress- municipal fund | Dr | - |
| 430100200 | Purchase of material- stores | Cr | |

Capitalization of capita work in progress:

On receipt of contract completion certificate, the accounts department shall capitalize the amount lying in the capital work-in-progress account and convert the amount lying in the capital work-in-progress account into a fixed asset.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 410000000 | Fixed Assets | Dr | - |
| 412010000 | Capital work in progress- municipal fund | Cr | |

Recording of deductions from contractor's bill:

When deductions are made from contractor's bills for liquidated, the accounts department shall pass the following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 350100101 | Contractors control a/c-municipal fund | Dr | - |
| 18080000 | Misc. income | Cr | |

Model Accounting entry for General Transactions

Recording of capitalization of interest paid on loan borrowed for original works:

If any loan has been borrowed for the construction of any qualifying fixed asset than the cost of construction of qualifying fixed asset shall also include the interest paid on that loan till the date of capitalization of the asset. The accounting entry for capitalization of interest shall be passed for the interest accrued, whether paid or not, till the date of capitalization of the work.

For example, municipality has taken a loan On 1/07/2014 of Rs. 60,000 for the construction of qualifying fixed asset. Rate of interest on loan is 10%. Accounts department shall pass following entry on 31st March, 2015 to record the interest amount:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 412010000 | Capital work in progress- municipal fund | Dr | 4,500 |
| 240000000 | Interest and finance charges | Cr | 4,500 |

Refund of security deposit:

In case where any dues are recoverable from the contractor, after the receipt of approval, the accounts department shall draw the Cheque for net amount after deducting the recoveries to be made from the contractor.

For example, contractor has deposited a security deposit of Rs. 10,000 to the municipality and Rs. 2,000 is recoverable from the contractor, now municipality refunding the security deposit of the contractor. To record this transaction accounts department shall pass following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 340100201 | Contractor security deposit-municipal fund | Dr | 10,000 |
| 180800000 | Misc. income | Cr | 2,000 |
| 450210000 | Bank account | Cr | 8,000 |

Recording of lapsed deposit:

Earnest money deposit and security deposit received, if forfeited, shall be recognized as income in the year in which the right for claiming refund of these deposits has expired. Accounts department shall pass following accounting entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 340100201 | Contractor security deposit-municipal fund | Dr | - |
| 340100101 | Contractor EMD-municipal fund | Dr | - |
| 180110200 | Lapsed deposit | Cr | |

Note: 1 - For recording of repair and maintenance work, operating and maintenance ledger shall be debited and credited instead capital work in progress in above entries.

Deposit Work:

Receipt of money from govt./govt. departments for deposit work:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------------|-------|--------|
| 450210000 | Bank account | Dr | - |
| 341100000 | Deposit works- civil work | Cr | |
| 341200000 | Deposit works- electrical | Cr | |
| 341300000 | Deposit works-others | Cr | |

Model Accounting entry for General Transactions

Recording of contractor bill in respect of original work:

Record the liability in respect of contractor's bill for deposit works undertaken and also a percentage (as agreed with the Government/Government Department) of works completed, as an income for the Municipality, the following entry shall be passed:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 470100000 | Deposit works- expenditures | Dr | - |
| 350100101 | Contractors control account –municipal fund | Cr | - |
| 340100201 | Contractors security deposit account – municipal fund | Cr | - |
| 350200201 | Recoveries payable-TDS | Cr | - |
| 460400201 | Advance to contractors- advance paid municipal fund | Cr | - |
| 460400205 | Advance to contractors- material issued to contractors municipal fund | Cr | - |
| 140700200 | Supervision charges on deposit works | Cr | - |

Recording of difference between the store issue rate and the recovery rate for material issued to contractor:

The accounts department shall determine the difference between the stores issue rate and the recovery rate for material issued to contractors.

Favorable rate variance (Store issue rate < Recovery rate)

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 460400205 | Advance to contractors- material issued to contractors municipal fund | Dr | - |
| 470100000 | Deposit works – expenditure | Cr | - |

Adverse rate variance (Store issue rate > Recovery rate)

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 470100000 | Deposit works-expenditure | Dr | - |
| 460400205 | Advance to contractors- material issued to contractors | Cr | - |

Final payment to the contractors & Refund of security deposit:

Recording of deduction 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 department shall pass the following entry:

| Accounting Code | Ledger Account | Dr/Cr | Debit |
|-----------------|--|-------|-------|
| 350100101 | Contractor control accounts-municipal fund | Dr | - |
| 341000000 | Deposit works | Cr | |

Model Accounting entry for General Transactions

Recording of refund of security deposits after adjustment of recoveries:

Security deposit shall be refunded after the expiry 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, the accounts department shall draw the cheque for net amount after deducting the recoveries to be made from the contractor.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 340100201 | Contractor's Security Deposit- Municipal Fund | Dr | - |
| 341000000 | Deposit works (Recoveries) | Cr | |
| 450210000 | Bank account | Cr | |

Closure of deposit works expenditure account

On completion of deposit works, the assets under deposit works becomes ready for use and will be handed over to the concerned government department and the balance if any shall be refunded. Thus, it becomes necessary to adjust the cost incurred for deposit works against the money received. The account department shall pass the following entries:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------------|-------|--------|
| 341100000 | Deposit works- civil work | Dr | - |
| 341200000 | Deposit works- electrical | Dr | - |
| 341300000 | Deposit works-others | Dr | - |
| 470100000 | Deposit works expenditure | Cr | |

Refund of balance deposits works money:

The balance amount after utilization of the amounts for the deposit works shall be refunded to the governments/government departments by transferring the balance in 'deposit works' account to a liability account

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|------------------------------|-------|--------|
| 350400800 | Refund payable-deposit works | Dr | - |
| 450210000 | Bank account | Cr | |

Note: Accounting entries and procedures in respect of deposit works for EMD receipt, security deposit receipt, advance to the contractor, payment to the contractor, and lapsed deposit shall be same as original work as defined above.

8.2.3 Accounting entries in respect of establishment expenses

A Pay Bill shall be prepared for each department on the basis of employee musters and service book maintained. The pay bill shall provide computation of gross salaries payable to employees. From the gross salary, adjustments shall be made for deductions in respect of statutory payments such as TDS, professional tax etc. to arrive at the net salary payable to the employees.

On the basis of the consolidated pay bill, the accounts department shall pass the following entries every month for recognizing the expenditure and liability:

Recording of liability for salary and allowances:

Model Accounting entry for General Transactions

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|----------|
| 210100101 | Salaries-CMO | Dr | 40,000 |
| 210100102 | Salaries- Permanent officer and staff | Dr | 30,000 |
| 210100105 | Salaries - Contractual officers and staff | Dr | 20,000 |
| 210100106 | Salaries- Contingent staff | Dr | 15,000 |
| 210100200 | Wages | Dr | 10,000 |
| | | | 1,15,000 |
| 350110100 | Employees liability- gross salary payable | Cr | |

Recording of statutory and other deductions from salaries:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|----------|
| 350110100 | Employees liability- gross salary payable | Dr | 1,15,000 |
| 350200101 | Recoveries payable- subscription to provident | Cr | 8,000 |
| 350200107 | Recoveries payable- insurance premium | Cr | 3,000 |
| 350200108 | Recoveries payable –court attachments | Cr | 2,000 |
| 350200109 | Recoveries payable-loan recovery | Cr | 15,000 |
| 350200110 | Housing loan to employee | Cr | 22,000 |
| 350200111 | Vehicle/Cycle loan to employee | Cr | 4,000 |
| 350200113 | Festival advances to employee | Cr | 1,000 |
| 350200114 | Interest due from employee loans | Cr | 2,000 |
| 350200115 | Recoveries payable- TDS, professional tax, etc. | Cr | 2,500 |
| 350110200 | Net salaries payable | Cr | 55,500 |

Recording of payment of salaries & statutory deductions:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------------------------|-------|--------|
| 350110200 | Net salaries payable | Dr | 55,500 |
| 450210000 | Bank account (if paid by Cheque) | Cr | 55,500 |

Recording of payment of recoveries & statutory deductions:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 350200116 | Recoveries payable- TDS-salaries | Dr | - |
| 350200117 | Recoveries payable- professional tax-salaries | Dr | - |
| 350200199 | Recoveries payable-other recoveries | Dr | - |
| 450210000 | Bank account (if paid by Cheque) | Cr | |

Model Accounting entry for General Transactions

Unpaid Salaries:

If the salary remains unpaid to the employees, it shall be recorded in the unpaid salary. Salary unpaid for specified period shall be re-deposited in the bank account as per the financial rules and the details will be accordingly recorded in the unpaid salary register.

Recording of unpaid salary, on cancellation of cheques:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------|-------|--------|
| 450210000 | Bank account | Dr | - |
| 350110300 | Unpaid salary | Cr | |

Recording of unpaid salary, when cash withdrawn but not collected by the employee:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------------------------|-------|--------|
| 350110200 | Net salaries payable | Dr | - |
| 350110300 | Employee liabilities- unpaid salaries | Cr | |

Recording of payment of unpaid salary:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------|-------|--------|
| 350110300 | Unpaid salary | Dr | - |
| 450210000 | Bank account | Cr | |

Loan & advances to employees:

Municipality may grant loans and advances to the employees. On payment of loans and advances by the Municipality, the register of employee loans / advances (Form ES-2) shall be updated by the accounts department. These registers shall be maintained department-wise. For recording the payment of loans and advances to employees, the accounts department shall pass the following entries:

Advance given to employees:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------------------------|-------|--------|
| 460100000 | Loan and advances- employees | Dr | - |
| 450210000 | Bank account (if paid by Cheque) | Cr | |

Recording of accrual of interest on loan given to employees

As per the terms of agreement, interest is levied on the outstanding balances of loans. The amount of interest accrued shall be communicated by the concerned department to the accounts department and on the basis of intimation received; the accounts department shall pass the following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 431400600 | Interest due from loan to employee | Dr | - |
| 171200000 | Interest on loan and advances to employee | Cr | |

Recording of write-off of employees loans and advances

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--------------------------------------|-------|--------|
| 270400200 | Assets written off- loans & advances | Dr | - |
| 460100000 | Loan and advances to employees | Cr | |

Model Accounting entry for General Transactions

Provident fund:

A deduction shall be made for employees' Provident Fund subscription from the salaries of the employees in the Pay Bill.

Provident fund subscription of regular employees shall be paid to central provident fund every month and provident fund subscription of employees on deputation shall be deposited with the relevant authority every month. On payment, the accounts department shall pass the following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 350200101 | Recoveries payable- subscription to provident fund | Dr | - |
| 450210000 | Bank accounts | Cr | |

Recording of loan given to employees against provident fund

The loans to employee against provident fund are granted at the government level and the money for disbursement is transferred to municipality bank account.

1. At the time of receipt of money from the government

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-------------------------|-------|--------|
| 450210000 | Designated bank account | Dr | - |
| 350110400 | Provident fund payable | Cr | |

2. At the time of payment of the loan to employee

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-------------------------|-------|--------|
| 350110400 | Provident fund payable | Dr | - |
| 450210000 | Designated bank account | Cr | |

Recovery of provident fund loan:

A deduction shall be made for recovery of loan given from the Provident Fund, from the salaries of the employees.

Withdrawal from provident fund:

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

Retirement benefits:

Retirement benefits for employees of Municipality usually consist of :

- Pension
- Gratuity
- Leave encashment

Pension and gratuity in respect of Municipal employees, other than contingent staff shall be met out of the central pension fund. In case of contingent staff, the Municipality shall constitute a pension fund for the pension liability. The leave encashment for all employees shall be borne by the Municipality.

Pension:

The pension would be payable at the time of their retirement either on superannuation or otherwise.

Recording of pension of regular employees

1. Recording of municipal contribution to pension fund

Model Accounting entry for General Transactions

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 210300100 | Contribution to municipal pension fund- permanent employees or employees on deputation | Dr | - |
| 350110500 | Contribution to municipal pension fund payable | Cr | - |
| 350110600 | Contribution to other pension fund payable | Cr | - |

2. Recording of payment of pension contribution

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 350110500 | Contribution to municipal pension fund payable | Dr | - |
| 350110600 | Contribution to other pension fund payable | Dr | - |
| 450210000 | Bank account | Cr | |

Recording of payment of pension to employees:

On the basis of order received for making of pension payment, the pension shall be paid by the municipality and entry shall be made in the register of pension payment order. The money for making the pension payment shall be received from central pension fund. To record the receipt of money and payment of pension, the accounts department shall pass the following entry

1. Recording receipt of pension from central provident fund

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------------------|-------|--------|
| 4502100000 | Designated bank account | Dr | - |
| 350110700 | Pension & gratuity payable | Cr | |

2. On payment of pension to employees

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------------------|-------|--------|
| 350110700 | Pension & gratuity payable | Dr | - |
| 450210000 | Designated bank account | Cr | |

Creation of pension fund for contingent staff

The pension for contingent staff would be payable at the time of their retirement in accordance with the prescribed rules. The municipality shall, monthly, contribute a sum as determined by the existing rules towards the pension fund. The contribution shall be recorded as an expense and charged to the statement of income and expenditure and shall also be recognized as a liability. For recognizing the liability in respect of pension fund contribution, the accounts department shall pass the following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 210300300 | Contribution to pension fund- contingent staff | Dr | - |
| 311700000 | Trust or agency fund- pension fund for contingent staff | Cr | |

Model Accounting entry for General Transactions

Note: An amount equal to the contribution to pension fund shall be transferred from main bank account to pension fund bank account.

Recording of payment of pension to contingent staff

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 311700000 | Trust or agency fund- pension fund for contingent staff | Dr | - |
| 450410000 | Designated bank account | Cr | |

Pension fund deficit:

An amount equivalent to the deficit in the pension fund for contingent staff shall be transferred from the main bank account to the pension fund bank account.

Gratuity:

Based on the amount given by the central pension fund, the gratuity shall be paid by the municipality and the accounts department shall pass the following entry:

On creation of liability for the payment of gratuity:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------------------|-------|--------|
| 450210000 | Designated bank account | Dr | - |
| 350110700 | Pension & gratuity payable | Cr | |

On payment of gratuity

| Accounting Code | Ledger Account | Dr/Cr | Debit |
|-----------------|----------------------------|-------|-------|
| 350110700 | Pension & gratuity payable | Dr | - |
| 450210000 | Designated bank account | Cr | |

Leave Encashment:

On creation of liability for leave encashment:

| Accounting Code | Ledger Account | Dr/Cr | Debit |
|-----------------|----------------------|-------|-------|
| 210400100 | Leave encashment | Dr | - |
| 350110900 | Leave salary payable | Cr | |

On payment of liability for leave encashment:

| Accounting Code | Ledger Account | Dr/Cr | Debit |
|-----------------|----------------------|-------|-------|
| 350110900 | Leave salary payable | Dr | - |
| 450210000 | Bank account | Cr | |

8.2.4 Accounting entries in respect of other revenue expenditure

Bills have been received but may payment not made by the Municipality. These shall be provided at end period to fully reflect the revenue expenditures incurred in that period.

| Accounting Code | Ledger Account | Dr/Cr | Debit |
|-----------------|-------------------------|-------|-------|
| 220000000 | Administrative expenses | Dr | - |
| 350100000 | Creditors | Cr | |

Model Accounting entry for General Transactions

Recording of payment of accrued expenses:

| Accounting Code | Ledger Account | Dr/Cr | Debit |
|-----------------|----------------|-------|-------|
| 350110000 | Creditors | Dr | - |
| 450210000 | Bank | Cr | |

Recording of expenditure involving an element of pre-payment:

For example: Rent of Rs. 20,000 for January 2014 to December 2014 is paid in January 2014. The portion for the period January 2014 to March 2014 will pertain to the financial years 2013-14 i.e. Rs. 5,000 ($20,000 \times 3/12$) and April 2014 to Dec 2014 i.e. Rs. 15,000 ($20,000 \times 9/12$) pertains to financial year 2014-15. Entry for the same will be made as follows:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------------------|-------|--------|
| 220100000 | Rent, rates and taxes | Dr | 5,000 |
| 440200000 | Prepaid administrative expenses | Dr | 15,000 |
| 450210000 | Bank account | Cr | 20,000 |

Recording of payment given for permanent advance:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-------------------|-------|--------|
| 460100300 | Permanent advance | Dr | - |
| 450210000 | Bank account | Cr | - |

Recording of expenditures incurred against permanent advance:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------------|-------|--------|
| 220000000 | Administrative expenditures | Dr | - |
| 460100300 | Permanent advance | Cr | - |

Recording of recovery of permanent

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-------------------|-------|--------|
| 450210000 | Bank | Dr | - |
| 460100300 | Permanent advance | Cr | - |

Payment against miscellaneous advance:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 460100300 | Loan & advances to employees-Miscellaneous | Dr | - |
| 450210000 | Bank | Cr | - |

8.3 Accounting entries in respect of liability:

8.3.1 Accounting entries in respect of borrowings

For example, On 01/07/2014 municipality has issued bond & debentures of Rs. 2, 00,000 and raised a loan of Rs.1,00,000. Interest rate on loan is 10% per annum which is payable in the month of June and December.

Recording of liability on raising/borrowings of funds:

Model Accounting entry for General Transactions

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|------------------------------|-------|----------|
| 450000000 | Designated loan bank account | Dr | 3,00,000 |
| 330700000 | Bonds & debentures | Cr | 2,00,000 |
| 330000000 | Loans | Cr | 1,00,000 |

Recording of interest payable on loans on 31st December 2014

In above example, Interest due for the period July to December 2014 due i.e. Rs. 5000(1,00,000*10% *6/12).

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------------------|-------|--------|
| 240000000 | Interest and finance charges | Dr | 5,000 |
| 350120100 | Interest accrued and due- loans | Cr | 5,000 |

Recording of payment of interest

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------------------|-------|--------|
| 350120100 | Interest accrued and due- loans | Dr | 10,000 |
| 450210000 | Bank account | Cr | 10,000 |

Recording of interest accrued but not due on 31st March, 2015

In the above example at the end of year interest for the period January to march 2014 has been accrued but it will be due in the month of June 2015. To record this transaction accounts department shall pass following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 240000000 | Interest and finance charges | Dr | 2,500 |
| 360200100 | Provision for interest accrued and but not due | Cr | 2,500 |

Recording of creation of sinking fund for payment of loans/bonds/debentures:

Where the terms of loan / debenture provides for establishment of a sinking fund, an amount stipulated in the terms shall be transferred to the sinking fund from the municipal fund at the end of the year. To record the above, the accounts department shall pass the following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------------|-------|--------|
| 290000000 | Transfer to reserve funds | Dr | - |
| 311500000 | Sinking fund | Cr | - |

Note 1: The amount equal to transfer from reserve fund to sinking fund shall be transferred in separate bank account from main bank account.

Note 2: Investments made from sinking fund shall be entered in sinking fund investment register.

Note 3: Interest earned on investments, profit or loss on disposal of investments if any shall be entered in the register of sinking fund.

Recording of repayment of loan or redemption of debentures from sinking fund:

In the above example, It is assume that loan is repaid and debentures are redeemed

Model Accounting entry for General Transactions

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-------------------------|-------|----------|
| 330000000 | Loans | Dr | 1,00,000 |
| 330700000 | Bonds & Debentures | Dr | 2,00,000 |
| 450410000 | Designated bank account | Cr | 3,00,000 |

Recording of creation of escrow account:

Where the terms of loan / debentures provides for the establishment of an escrow account than an amount equivalent to sanction shall be transferred to the escrow account based on collection of earmarked income.

For example: If Loan has been taken for building water supply infrastructure, then out of the water supply income, an amount equal to certain percentage of water charges shall be deposited in the escrow account. Entry will be passed as follows:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-------------------------------------|-------|--------|
| 450410000 | Designated bank account | Dr | - |
| 450210000 | Bank account | Dr | - |
| 431300101 | Receivables water charges (Current) | Cr | - |
| 431300102 | Receivables water charges (Arrear) | Cr | - |
| 140500102 | Water connection charges | Cr | - |

Recording of payment of loans and redemption of debentures from the escrow account:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-------------------------|-------|--------|
| 330000000 | Loans | Dr | - |
| 330700000 | Bonds & Debentures | Dr | - |
| 450410000 | Designated bank account | Cr | - |

Recording of loan issue expenditure:

Municipality may incur expenditures such as credit rating fees, security creation fees, stamp duty, guarantee commission etc., at the time of raising loan or debentures. These expenditures shall be deferred and be classified as loan issue expenditures and the accounts department shall pass the following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------|-------|--------|
| 480100000 | Loan issue expenses | Dr | - |
| 450210000 | Bank account | Cr | - |

Recording of amortization of loan issue expenditure:

The Loan Issue Expenditures shall be amortized in equal installments over a period of 5 years or the tenure of the loan whichever is lower.

For example, issue expenditures of Rs. 50,000 incurred for raising loan shall be amortized over a period of 5 years in equal installments of Rs. 10,000/- every year. At the end of each financial year, the accounts department shall pass the following entry:

Model Accounting entry for General Transactions

| Accounting Code | Ledger Account | Dr/Cr | Debit |
|-----------------|----------------------------|-------|--------|
| 27050000 | Misc. expenses written off | Dr | 10,000 |
| 480100000 | Loan issue expenses | Cr | 10,000 |

Recording of write-off of loan issue expenditure:

In case loans are pre-paid / debentures of are redeemed prematurely or pre-mature payment of loan / debenture, the balance outstanding in the Loan Issue Expenditures shall be written-off in said year.

Continuing the above example, in case the loans have been prepaid during the third year, then the balance of R s. 30,000/- lying outstanding in the loan issue expenditures shall be written-off during the third year. At the end of the financial year, the Accounts Department shall pass the following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------------------|-------|--------|
| 270500000 | Misc. expenses written off | Dr | 30,000 |
| 480100000 | Loan issue expenses | Cr | 30,000 |

8.3.2 Accounting entries in respect of special funds

Creation of fund

Special funds are created as 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

Recording on creation of special funds:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 310100000 | Municipal fund | Dr | - |
| 311000000 | Earmarked fund (specify the name of special fund) | Cr | - |

Recording of contribution made to special fund from earmarked collection:

Municipality shall transfer the earmarked collection accounted as revenue to the Special Funds.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 290000000 | Transfer to reserve fund | Dr | - |
| 311000000 | Earmarked fund (specify the name of special fund) | Cr | - |

Recording of transfer of money to designated special fund bank account:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-------------------------|-------|--------|
| 450410000 | Designated bank account | Dr | - |
| 450210000 | Bank account | Cr | - |

Recording of utilization of fund for revenue expenditures:

Special funds shall be utilized for the purpose for which they are created. The expenditure incurred could be either revenue or capital expenditure.

1. Recording of liability on receipt of contractor/supplier bill

Model Accounting entry for General Transactions

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 311000000 | Earmarked special fund (specify the name of fund) | Dr | - |
| 340100200 | Contractors security deposit- special funds | Cr | - |
| 460400200 | Advance to contractors- advances paid | Cr | - |
| 350209900 | Recoveries payable like TDS etc. | Cr | - |
| 460400200 | Advance to contractors- material issued | Cr | - |
| 350100100 | Contractor control account | Cr | - |

2. Recording of payment of contractor/supplier bill and recoveries made:

| Accounting Code1 | Ledger Account | Dr/Cr | Amount |
|------------------|----------------------------------|-------|--------|
| 350209900 | Recoveries payable like TDS etc. | Dr | - |
| 350100100 | Contractor control account | Dr | - |
| 450410000 | Designated bank account | Cr | - |

Recording of utilization of fund for capital expenditure:

Accounting procedure and entries for advance given to contractor, recovery of advance, receipt of EMD/security deposit, deduction of tax and deposit to relevant authorities shall be same as described in "utilization of special fund for revenue expenditures" as above.

Recording of provisions for bills remaining unpaid in respect of special fund expenditure:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 311000000 | Earmarked special fund (specify the name of fund) | Dr | - |
| 350100103 | Contractor control account-special fund | Cr | - |

8.4 Accounting entries in respect of assets:

8.4.1 Accounting entries in respect of fixed assets

Recording of acquisition/purchase of fixed assets:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 410000000 | Fixed assets | Dr | - |
| 350100301 | Supplier control account-municipal fund | Cr | - |
| 340100205 | Supplier security deposit-municipal fund | Cr | - |
| 460400101 | Advance to supplier-advance paid | Cr | - |

Recording of depreciation on fixed assets:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------------|-------|--------|
| 272000000 | Depreciation on..... | Dr | - |
| 411000000 | To accumulated depreciation | Cr | - |

Maintenance of Sinking Fund

Municipalities may maintain Sinking Funds for replacement of assets

Recording of creation of sinking fund from municipal fund

Model Accounting entry for General Transactions

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 310100100 | Municipal fund-general fund account | Dr | - |
| 311520000 | Sinking fund-assets replacement fund account | Cr | - |

Note: Municipality Shall Transfer Funds From Bank Account of Municipal Fund / Designated Bank For Sinking Fund

Recording of purchase of fixed assets from assets replacement fund:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 311520000 | Sinking fund-assets replacement fund account | Dr | - |
| 310100100 | Municipal fund-general fund account | Cr | - |

Recording of sale/disposal of fixed assets:

The Fixed Assets may be transferred by way of sale either through auction or otherwise.

1. Recording of depreciation on disposal of fixed assets:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--------------------------|-------|--------|
| 272000000 | Depreciation on..... | Dr | - |
| 411000000 | Accumulated depreciation | Cr | - |

2. Recording of disposal of fixed assets

In respect of the fixed asset to be sold, the accounts department shall compute the written down value for that fixed asset. Written down value of an asset is calculated as cost of the fixed asset – accumulated depreciation provided till the previous year - provision for depreciation made during the year.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--------------------------|-------|--------|
| 410900000 | Assets under disposal | Dr | - |
| 411000000 | Accumulated Depreciation | Dr | - |
| 410000000 | Fixed Assets | Cr | - |

3. Recording of receipt of money on disposal of fixed assets

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------|-------|--------|
| 450210000 | Bank account | Dr | - |
| 350900000 | Sale proceeds | Cr | - |

4. Recording of profit or loss on disposal of fixed assets

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 350900000 | Sale proceeds | Dr | - |
| 271100000 | Loss on disposal of fixed assets (if any) | Dr | - |
| 410900000 | Assets under disposal | Cr | - |
| 180300000 | Profit in disposal of fixed assets (if any) | Cr | - |

Model Accounting entry for General Transactions

Recording of revaluation of fixed asset

1. Recording of increase in value of fixed assets

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------|-------|--------|
| 410000000 | Fixed assets | Dr | - |
| 312600000 | Revaluation reserve | Cr | - |

2. Recording of decrease in value of fixed assets

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--------------------------|-------|--------|
| 270400100 | Fixed assets written-off | Dr | - |
| 410000000 | Fixed assets | Cr | - |

3. Recording of adjustment of excess depreciation against revaluation reserve

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------|-------|--------|
| 312600000 | Revaluation reserve | Dr | - |
| 272000000 | Depreciation | Cr | - |

Assets under dispute and litigation

All fixed assets 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 legal case as at the reporting date of the financial statements.

Assets in Register not yet physically identified

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 and shall be written off after a specified period after obtaining specific sanction. Accounts department shall pass the following entry for recording of write off:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--------------------------|-------|--------|
| 270400000 | Fixed assets written-off | Dr | - |
| 411000000 | Accumulated depreciation | Dr | - |
| 410000000 | Fixed assets | Cr | - |

Recording of assets written-off or destroyed by natural calamities:

Assets which are destroyed by fire and such other natural calamities shall be disclosed in the financial statements in the form of a note. To recognize the loss in respect of the above, the accounts department shall pass the following entry:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--------------------------|-------|--------|
| 270400000 | Fixed assets written-off | Dr | - |
| 411000000 | Accumulated depreciation | Dr | - |
| 410000000 | Fixed assets | Cr | - |

Model Accounting entry for General Transactions

8.4.2 Accounting entries in respect of investments

Recording of investments made form municipal fund:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 420000000 | Investments – general fund (specify name) | Dr | - |
| 450210000 | Bank account | Cr | - |

Recording of investments made form special fund/grant:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 421000000 | Investments – other funds (specify name) | Dr | - |
| 450410000 | Designated bank account (made from special fund) | Cr | - |
| 4506100000 | Designated bank account (made from specific grant) | Cr | - |

Recording of interest and dividend income on investments:

1. If investments made form municipal fund:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|----------------|-------|--------|
| 450210000 | Bank account | Dr | - |
| 170100000 | Interest | Cr | - |
| 170200000 | Dividend | Cr | - |

2. If investments made form special fund and grants:

Interest/dividend earned on investments made from special funds and grants shall be deposited in the respective special fund or grant bank account. Interest/dividend received on investments represents accretion to the special fund or grant and cannot be utilized for any purpose other than for which the special fund has been created or grant has been received.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 450410000 | Designated bank account (investments made from fund) | Dr | - |
| 450610000 | Designated bank account (investments made from grants) | Dr | - |
| 311100000 | Special fund (specify name of fund) | Cr | - |
| 320000000 | Grants, contribution for specific purpose | Cr | - |

3. Re-investment of interest amount

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---------------------------|-------|--------|
| 420000000 | Investment – General fund | Dr | - |
| 170100000 | Interest | Cr | - |

Model Accounting entry for General Transactions

4. Recording of interest and dividend income accrued but not received :

If investments are made from municipal fund:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 431400201 | Interest accrued and due | Dr | - |
| 431400301 | Interest accrued but not due | Dr | - |
| 170100000 | Interest on municipal fund investments | Cr | - |

If investments are made from special funds and grants

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 431400202 | Interest accrued and due | Dr | - |
| 431400302 | Interest accrued but not due | Dr | - |
| 311100000 | Special funds (if investments made from special funds) | Cr | - |
| 320000000 | Grants, contributions (if investment made from grants) | Cr | - |

5. Reversal of interest accrued:

6.

If investments are made from municipal fund

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 170100000 | Interest on municipal fund investments | Dr | - |
| 431400201 | Interest accrued and due | Cr | - |
| 431400301 | Interest accrued but not due | Cr | - |

If investments are made from special funds and grants

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 311100000 | Special funds (if investments made from special funds) | Dr | - |
| 320000000 | Grants, contributions (if investment made from grants) | Dr | - |
| 431400203 | Interest accrued and due | Cr | - |
| 431400303 | Interest accrued but not due | Cr | - |

Recording of disposal of investments:

Investments may be held to maturity or may be disposed before the maturity date. On disposal of investment, the municipality may either realize a profit or loss.

- 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.
- In case of special funds investments or grants investments, the profit realized or loss incurred shall be adjusted in the special fund or grant.

1. If investments made form municipal fund:

Model Accounting entry for General Transactions

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 450210000 | Bank account | Dr | - |
| 271200000 | Loss on disposal of investments (if any) | Dr | - |
| 420000000 | Investments-general fund | Cr | - |
| 170400000 | Profit on sale of investments (if any) | Cr | - |

2. If investments made form special fund:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 450410000 | Designated bank account (investments made from fund) | Dr | - |
| 311100000 | Special fund (specify name of fund)(Loss on disposal if any) | Dr | - |
| 421000000 | Investments- other funds (specify name) | Cr | - |
| 311100000 | Special fund (specify name of fund) (Profit on disposal if any) | Cr | - |

3. If investments made form grants:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 450610000 | Designated bank account (investments made from grants) | Dr | - |
| 320000000 | Grants, contribution for specific purpose(Loss on disposal) | Dr | - |
| 421000000 | Investments- other funds (specify name) | Cr | - |
| 320000000 | Grants, contribution for specific purpose (Profit on disposal) | Cr | - |

Recording of diminution in value of investments:

Calculated provision 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, such excess in the books will be written back.

1. If investments made form municipal fund:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------|-------|--------|
| 270-20-XX-XX | Provision Investments | Dr | - |
| 420-90-XX-XX | Accumulated provision | Cr | - |

Model Accounting entry for General Transactions

2. If investments made form special fund and grants:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 311100000 | Special fund (specify name of fund) | Dr | - |
| 320000000 | Grants, contribution for specific purpose | Dr | - |
| 421900000 | Accumulated provision | Cr | - |

Recording of appreciation in value of investments:

Any appreciation in the market value of investments (both short term and long term) over the cost of investments shall be ignored. If appreciation in respect of investments for which provision for diminution in was made in earlier years, than the value of said investments shall be appreciated by an amount not greater than the provision of diminution made in earlier years.

1. If investments made form municipal fund:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--------------------------------------|-------|--------|
| 420900000 | Accumulated provision | Dr | - |
| 170800100 | Appreciation in value of investments | Cr | - |

2. If investments made form special fund and grants:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 4219000000 | Accumulated provision | Dr | - |
| 3200000000 | Grants, contribution for specific purpose | Cr | - |
| 3111000000 | Special funds | Cr | - |

8.4.3 Accounting entries in respect of loan and advances

Recording of disbursement of loans:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 460300000 | Loan to others | Dr | - |
| 450210000 | Bank accounts (specify the name of bank and account no.) | Cr | - |

Recording of recovery of loan installments:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 450210000 | Bank accounts (specify the name of bank and account no.) | Dr | - |
| 460300000 | Loan to others | Cr | - |

Recording of interest due on loan to external organizations/undertakings:

Model Accounting entry for General Transactions

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|-----------------------------|-------|--------|
| 431400200 | Interest accrued and due | Dr | - |
| 171300000 | Interest on loans to others | Cr | - |

Recording of provision against doubtful loans to others:

The accounts department shall review recoverability status of loans periodically based on the review and the accounting policies, existing laws appropriate amount of provisioning will be determined and accounted.

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 270200000 | Provision for other assets | Dr | - |
| 461100000 | Accumulated provision for loans to others | Cr | - |

Writing off doubtful and bad loans for which provision was made:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 461100000 | Accumulated provision for loans to others | Dr | - |
| 460300000 | Loans to others | Cr | - |

Writing off doubtful and bad loans for which provision not made:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|--|-------|--------|
| 270400200 | Assets written-off- loans and advances | Dr | - |
| 460300000 | Loans to others | Cr | - |

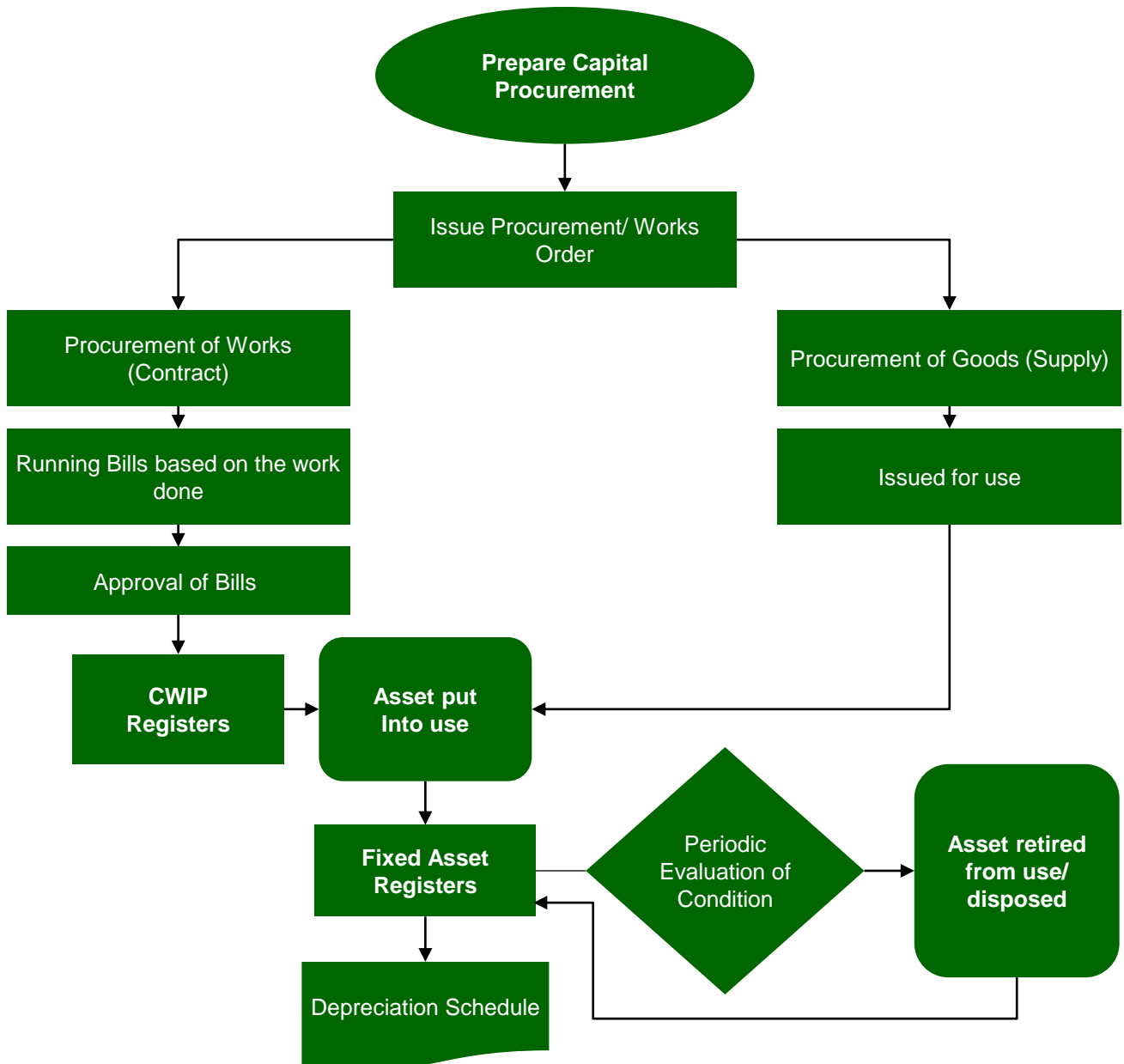
Writing back of provision against doubtful loans to the extent of the amount recovered:

| Accounting Code | Ledger Account | Dr/Cr | Amount |
|-----------------|---|-------|--------|
| 461100000 | Accumulated provision for loans to others | Dr | - |
| 180600500 | Excess provision written back- Loan to others | Cr | - |

9 – Preparation of Fixed Assets Register

9.1 Fixed Assets Register (FAR) is an accounting record for maintaining and updating the information of fixed assets held by an organization. Once the assets have been identified, listed and valued by ULB, their records needs to be maintained and continuously updated. If the FAR is not continuously updated, the efficiency of the entire asset identification, valuation and management will be greatly reduced.

The Process for preparing and updating the FAR is given below by a flow chart.



9.2 Procedure for preparation of FAR:

- Identification of Fixed Assets:
 - a. Conduct physical verification of the assets
 - b. The information collected during the physical verification should be cross verified with existing records if any.
- Listing of Assets: Listing of fixed assets is the most important part for ULB, which, due to non availability of adequate/proper old records became extremely challenging.

Preparation of Fixed Assets Register

- a. The assets which are owned / controlled by the municipality shall be considered for listing and controlled.
- b. Detail of assets, whether freehold / leasehold should be specified separately for each assets.

- **Valuation of Fixed Assets:** For valuation of all asset, following points shall be considered:

| | |
|--------------------------------------|--|
| 1. Cost of acquisition/ Construction | <ul style="list-style-type: none"> • Includes cost of incidental to acquisition/construction for example stamp duty, registration charges etc. • If cost is not ascertainable then reasonable estimate should be made • In case of Assets funded through grants, Net proceeds shall be cost of assets • Assets acquired free of cost shall be recorded at nominal value of Re.1/- only |
| 2. Date of acquisition: | Date on which, assets legally vested to ULB and it should be verified with reference documents. |
| 3. Cost of Improvement | Any cost which incurred for increasing the life or utility of assets should be considered as improvement cost and shall be part of the fixed assets. |
| 4. Mode of Acquisition | Specify whether fixed assets have been purchased, constructed, transferred or gifted to the ULB. |

- **Preparation of FAR:** After identifying, listing and valuation of assets it should be recorded in the fixed assets register. ULBs shall prepare fixed asset register in given formats and note
 - a. Separate register for each class of assets shall be maintained .
 - b. For each entry, record the name, designation and signature of the person making entry in the register and person checking the entry.
 - c. In remarks column, it shall be indicated whether the ULB has the ownership right to property or have only utilization rights.
 - d. Maintaining & Updating the FAR: After Preparation of FAR, a system has to be developed through which these registers are continually updated with any addition, modification, depreciation or disposal of these assets.
- **Categories of Fixed Assets Register:**

| | |
|---|--------------------------------------|
| 1. Register of Land | 2. Register of Buildings |
| 3. Register of Statues and Heritage Assets Register | 4. Register of Roads |
| 5. Register of Plant & Machinery | 6. Register of Vehicles |
| 7. Register of Office Equipments | 8. Register of Furniture and fixture |
| 9. Register of Other Fixed Assets | |

Preparation of Fixed Assets Register

Formats Of Registers

Register of Land (Form Gen No. 33 a)

Asset identification No.:

From whom Acquired:

Description of Land:

Specify whether any building, trees etc are acquired

Location of Land:

Security Deposit retained:

Survey No. of Land:

Accounting Unit:

Area (Sq meter):

Fund Code:

Title document available:

Mode of acquisition:

| Date of Acquisition/ improvement | Cost of Acquisition/ improvement | Details of improvement | For what purpose used | Whether revenue yielding (Y/N) | Date of deletion | Mode of deletion | Receipt voucher no. | Disposal value, if any (Rs.) | Initials of Authorized Officer |
|-------------------------------------|-------------------------------------|------------------------|-----------------------|--------------------------------|------------------|------------------|---------------------|------------------------------|--------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | | | | | | | | | |

Register of Building (Form Gen No. 38)

Name of the Municipality_____

Address of the Municipality_____

| S. no. | Description of Building | Location | Survey no. of the land where building is located | Dimension of Building | | | Number of Floor | Total sq. feet (Carpet area) | Area of land on which building is located | In case of property acquired, specify the estimated date of completion of construction along with date of acquisition on by the ULB | From whom acquired | Mode of acquisition | In case of property constructed by the ULB, specify the date of construction |
|--------|-------------------------|----------|--|-----------------------|---------|--------|-----------------|------------------------------|---|---|--------------------|---------------------|--|
| | | | | Length | Breadth | Height | | | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| | | | | | | | | | | | | | |

| Specify how building is being currently used | Give reference of the available title documents | Current Market Value | Date of Acquisition | | | Whether Building subject to any improvement such as renovation, extension or otherwise after acquisition | If yes, specify details of improvement | | | Total Cost (Rs.) |
|--|---|----------------------|---------------------|--------------------|---------------------|--|--|--------------------|---------------------|------------------|
| | | | Date of Acquisition | Payment Advice no. | Cost of acquisition | | Date of Improvement | Payment Advice no. | Cost of Improvement | |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| | | | | | | | | | | |

Preparation of Fixed Assets Register

| Financial Year | Depreciation provided (rate of depreciation = %) | | | | Details of sale/disposal | | |
|----------------|--|--|------------------------------------|--|--------------------------|-------------|--------|
| | Accumulated provided during the year | Depreciation provided during the year | Adjustment to Depreciation Account | Accumulated depreciation as on 31 st March 20XX | Date of disposal | Receipt no. | Amount |
| 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 |
| | | | | | | | |
| | | | | | | | |

Register of Statues and Heritage Assets Register (Form no. 39)

Name of the Municipality _____

Address of the Municipality _____

| S. no. | Description of the Statues & Heritage Assets | Location | Survey no. of the land where the statue/ heritage is located | Give reference of the available title documents | Dimension of structure | | | Area of land on which structure is located (acre / sq. m.) | In case of the structure constructed by the ULB, specify the date of construction | Details of Acquisition | | |
|--------|--|----------|--|---|------------------------|---------|--------|--|---|------------------------|--------------------|---------------------------|
| | | | | | Length | Breadth | Height | | | Date of Acquisition | Payment Advise No. | Cost of Acquisition (Rs.) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |

| Was the structure subject to any improvement such as renovation, extension or otherwise after acquisition? (Yes / No) | If yes, specify details of improvement | | | Total Cost (Rs) | Financial Year | Depreciation provided (rate of depreciation =.....%) | | | | Details of sale / disposal | | |
|---|--|--------------------|---------------------|-----------------|----------------|--|---|------------------------------------|---|----------------------------|-------------|--------------|
| | Date of Improvement | Payment Advise no. | Cost of Improvement | | | Accumulated depreciation as on 1 April of financial year | Depreciation provided during the financial year | Adjustment to Depreciation Account | Accumulated Depreciation as on 31 st march of FY | Date of disposal | Receipt No. | Amount (Rs.) |
| 14 | 15 | 16 | 17 | | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |

Preparation of Fixed Assets Register

Register of Road and Street (Form Gen No. 40)

Name of the Municipality_____

Address of the Municipality_____

| S. no. | No. of the road, street and lane | Specify whether the road, street or land is earthen, tar or concrete | Survey no. of the land where the roads, streets or lanes have been constructed | Dimension of Road, street or lane | | Area (Sq. mtr.) | Date of acquisition / Construction | From whom acquired | Mode of acquisition | Give reference of available title documents | Present status of land | Details of Acquisition | | |
|--------|----------------------------------|--|--|-----------------------------------|---------|-----------------|------------------------------------|--------------------|---------------------|---|------------------------|------------------------|--------------------|---------------------------|
| | | | | Length | Breadth | | | | | | | Date of Acquisition | Payment Advise No. | Cost of Acquisition (Rs.) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| | | | | | | | | | | | | | | |

| Where the roads, streets or lanes subject to any improvement yes/no | If yes, specify details of improvement | | | Total Cost (Rs) | Financial Year | Depreciation provided (rate of depreciation =.....%) | | | | Details of sale / disposal | | |
|---|--|--------------------|---------------------|-----------------|----------------|--|---|------------------------------------|---|----------------------------|-------------|--------------|
| | Date of Improvement | Payment Advise no. | Cost of Improvement | | | Accumulated depreciation as on 1 April of financial year | Depreciation provided during the financial year | Adjustment to Depreciation Account | Accumulated Depreciation as on 31 st march of FY | Date of disposal | Receipt No. | Amount (Rs.) |
| 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| | | | | | | | | | | | | |

Register of Plant And Machinery (Form Gen No. 44)

Name of the Municipality_____

Address of the Municipality_____

| S. no. | Description of the plant and machinery specifying the 'make' | Capacity | Location | Number of shifts in use | Year of acquisition / development | Acquired from whom | Give reference of available title documents | Mode of acquisition | Details of Acquisition / Development | | |
|--------|--|----------|----------|-------------------------|-----------------------------------|--------------------|---|---------------------|--------------------------------------|--------------------|---------------------------|
| | | | | | | | | | Date of Acquisition | Payment Advise No. | Cost of Acquisition (Rs.) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | | | | | | | | | | | |

Preparation of Fixed Assets Register

| Was the structure subject to any improvement such as renovation, extension or otherwise after acquisition? (Yes / No) | If yes, specify details of improvement | | | Total Cost (Rs) | Financial Year | Depreciation provided (rate of depreciation =.....%) | | | | Details of sale / disposal | | |
|---|--|--------------------|---------------------|-----------------|----------------|--|---|------------------------------------|---|----------------------------|-------------|--------------|
| | Date of Improvement | Payment Advice no. | Cost of Improvement | | | Accumulated depreciation as on 1 April of financial year | Depreciation provided during the financial year | Adjustment to Depreciation Account | Accumulated Depreciation as on 31 st march of FY | Date of disposal | Receipt No. | Amount (Rs.) |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| | | | | | | | | | | | | |

Register of Vehicle (Form Gen No. 45)

Name of the Municipality_____

Address of the Municipality_____

| S. no. | Description of the vehicle specifying whether it is LCV | Year of Manufacture | Registration Details | Engine No. | Chassis No. | Capacity | Location | Give reference of the available title document | Year of acquisition | Acquired from whom | Mode of acquisition | Details of Acquisition / Development | | |
|--------|---|---------------------|----------------------|------------|-------------|----------|----------|--|---------------------|--------------------|---------------------|--------------------------------------|--------------------|---------------------------|
| | | | | | | | | | | | | Date of Acquisition | Payment Advice No. | Cost of Acquisition (Rs.) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| | | | | | | | | | | | | | | |

| Was the vehicle subject to any improvement such as body extension or otherwise ? (Yes / No) | If yes, specify details of improvement | | | Total Cost (Rs) | Financial Year | Depreciation provided (rate of depreciation =.....%) | | | | Details of sale / disposal | | |
|---|--|--------------------|---------------------|-----------------|----------------|--|---|------------------------------------|---|----------------------------|-------------|--------------|
| | Date of Improvement | Payment Advice no. | Cost of Improvement | | | Accumulated depreciation as on 1 April of financial year | Depreciation provided during the financial year | Adjustment to Depreciation Account | Accumulated Depreciation as on 31 st march of FY | Date of disposal | Receipt No. | Amount (Rs.) |
| 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| | | | | | | | | | | | | |

Preparation of Fixed Assets Register

Register of Office Equipment (Form Gen No. 46)

Name of the Municipality_____

Address of the Municipality_____

| S. no. | Description of the asset specifying office equipment | Location | Model reference number | Give Reference of the available title documents. | Year of acquisition. | Acquired from whom | Mode of acquisition | Details of Acquisition / Development | | | Was the equipment subject to any improvement |
|--------|--|----------|------------------------|--|----------------------|--------------------|---------------------|--------------------------------------|--------------------|---------------------------|--|
| | | | | | | | | Date of Acquisition | Payment Advise No. | Cost of Acquisition (Rs.) | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | | | | | | | | | | | |

| If yes, specify details of improvement | | | Total Cost (Rs) | Financial Year | Depreciation provided (rate of depreciation =.....%) | | | | Details of sale / disposal | | |
|--|--------------------|---------------------|-----------------|----------------|--|---|------------------------------------|---|----------------------------|-------------|--------------|
| Date of Improvement | Payment Advice no. | Cost of Improvement | | | Accumulated depreciation as on 1 April of financial year | Depreciation provided during the financial year | Adjustment to Depreciation Account | Accumulated Depreciation as on 31 st march of FY | Date of disposal | Receipt No. | Amount (Rs.) |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| | | | | | | | | | | | |

Register of Furniture & Fixture(Form Gen No. 47)

Name of the Municipality_____

Address of the Municipality_____

| S. no. | Description of the asset specifying whether it is chair, partition, cabinets etc. | Location | Model reference number | Give Reference of the available title documents. | Year of acquisition. | Acquired from whom | Mode of acquisition | Details of Acquisition / Development | | | Was the equipment subject to any improvement |
|--------|---|----------|------------------------|--|----------------------|--------------------|---------------------|--------------------------------------|--------------------|---------------------------|--|
| | | | | | | | | Date of Acquisition | Payment Advise No. | Cost of Acquisition (Rs.) | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | | | | | | | | | | | |

Preparation of Fixed Assets Register

| If yes, specify details of improvement | | | Total Cost (Rs) | Financial Year | Depreciation provided (rate of depreciation =.....%) | | | | Details of sale / disposal | | |
|--|--------------------|---------------------|-----------------|----------------|--|---|------------------------------------|---|----------------------------|-------------|--------------|
| Date of Improvement | Payment Advice no. | Cost of Improvement | | | Accumulated depreciation as on 1 April of financial year | Depreciation provided during the financial year | Adjustment to Depreciation Account | Accumulated Depreciation as on 31 st march of FY | Date of disposal | Receipt No. | Amount (Rs.) |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| | | | | | | | | | | | |

Register of Other Fixed Assets

Name of the Municipality_____

Address of the Municipality_____

| S. no. | Description of other fixed assets | Manufact ure/ License no./ date | Location | Give Reference of the available title documents. | Year of acquisition. | Acquired from whom | Mode of acquisition | Details of Acquisition / Development | | | Was the equipment subject to any improvement |
|--------|-----------------------------------|---------------------------------|----------|--|----------------------|--------------------|---------------------|--------------------------------------|--------------------|---------------------------|--|
| | | | | | | | | Date of Acquisition | Payment Advice No. | Cost of Acquisition (Rs.) | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | | | | | | | | | | | |

| If yes, specify details of improvement | | | Total Cost (Rs) | Financial Year | Amortization (rate of amortization =.....%) | | | | Details of sale / disposal | | |
|--|--------------------|---------------------|-----------------|----------------|--|---|------------------------------------|---|----------------------------|-------------|--------------|
| Date of Improvement | Payment Advice no. | Cost of Improvement | | | Accumulated depreciation as on 1 April of financial year | Depreciation provided during the financial year | Adjustment to Depreciation Account | Accumulated Depreciation as on 31 st march of FY | Date of disposal | Receipt No. | Amount (Rs.) |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| | | | | | | | | | | | |

Note: For format of other Fixed assets register, please refer Bihar Municipal Accounting Manual.

10 – Depreciation

Depreciation measures loss of value of asset arising from use, passage of time or obsolescence through technology and market changes. It is allocated so as to charge a fair proportion of the depreciable amount in each accounting period during the expected useful life of the asset. In simple words, the monetary value of an asset decreases over time due to use, wear and tear or obsolescence. This decrease is measured as depreciation.

In other words, Depreciation is method of allocating the cost of a tangible asset over its useful life.

1. Meaning of terms related to depreciation

- Depreciation Method:** The arithmetic procedure followed in determining provision for depreciation expenditure and maintaining the accumulated balance.
- Depreciation Rate:** A percentage when applied to the depreciable amount will yield depreciation expenditure for a period.
- Depreciable Assets:** Means the assets which,
 - are expected to be used during more than one accounting period;
 - have a limited useful life; and
 - are held by an enterprise for use in the business operation
- Useful Life:** The period over which a depreciable asset is expected to be used.

2. General Principle related to Depreciation

- Depreciation shall be charged on all fixed assets except for land, under SLM as per rate specified in BMAM.
- In case an asset is capitalized on or after October 1 of a financial year, depreciation shall be applicable at half the rates provided.
- In case an asset is sold or disposed of during the year, full depreciation shall be provided if it is sold on or after October 1 of financial year, otherwise half rate of depreciation is charged.
- The depreciation of each asset shall be updated in the fixed asset register every year.
- An Asset Replacement Register in BMAR Form 40 shall be maintained for this replacement of fixed assets.
- Separate depreciation entry shall be passed for each class of fixed assets, such as Buildings, Vehicles, etc.

3. Rates of Depreciation

| S. No. | Description of Assets | Details of Assets to be included | Estimated Life (years) | Annual rate under SLM (%) |
|--------|------------------------------------|---|------------------------|---------------------------|
| 1 | Building Class I Civil Structures | Office buildings, school buildings, public conveniences, hospitals etc. | 50 | 2 |
| 2 | Building Class II Civil Structures | Compound walls and civil structures constructed adopting second grade materials | 25 | 4 |
| 3 | Roads & pavements | Concrete | 10 | 10 |
| | | BT Roads | | |
| | | (I) Wearing surface | 5 | 20 |
| | | (ii) Sub grade | 3 | 33.33 |
| 4 | Bridges, Flyovers | Bridges, flyover, subways | 40 | 2.5 |
| 5 | Cause ways & Subways | Cause ways, Vehicular Subways, Pedestrian Over bridges | 15 | 6.67 |

Depreciation

| S. No. | Description of Assets | Details of Assets to be included | Estimated Life (years) | Annual rate under SLM (%) |
|--------|--|---|------------------------|---------------------------|
| 6a | Storm water drains, open drains & culverts | Storm Water drains, open drains & culverts | 30 | 3.33 |
| 6b | Road side Drains | Road side Drains | 15 | 6.67% |
| 7 | Heavy vehicles | Lorry, tractor, bulldozer, mechanical sweeper, tipper etc. | 10 | 10 |
| 8 | Light vehicles | Jeeps, cars, power tillers, motorcycles, mini lorry, auto rickshaw, etc | 8 | 12.5 |
| 9 | Other vehicles | Single person driven R C, double person driven RC, Bicycles, carts, etc. | 5 | 20 |
| 10 | Plant/Machinery & Equipment (excluding office equipment) | Plant/ Road rollers, mixing mortars, of her civil engineering equipments, medical equipments in hospitals, dispensaries & maternity centers, etc. | 10 | 10 |
| 11 | Furniture, Fixture, office equipments | chairs, steel tables, wooden chairs, wooden tables, steel racks etc. | 10 | 10 |
| 12 | Electrical installation cables | HT & LT | 20 | 5 |
| 13 | Electrical installation cables-lamp posts | All length (sizes) | 20 | 5 |
| 14a | Electrical installation cable lamps | Mercury Vapour lamps, sodium Vapour lamps | 10 | 10 |
| 14b | Electrical installation cable lamps | Tube light fittings | 3 | 33.33 |
| 15 | Computers | Computer machinery, peripherals, printers, mouse etc. | 5 | 20 |
| 16 | Water Supply source & transmission systems | Reservoirs | 30 | 3.33 |
| | | OTH/GLR | 30 | 3.33 |
| | | Ground Water well/deep bore wells | 20 | 5 |
| | | Channels | 40 | 2.5 |
| | | Conduits (Main lines) | 50 | 2 |
| | | Pumps | 10 | 10 |
| 17 | Water Distribution System | PIPE LINES | | |
| | | a. PVC pipes of all diameters | 20 | 5 |
| | | b. Metal pipes of all diameters | 50 | 2 |
| 18 | Water Distribution System (mini water supply scheme) | a. MS Steel tanks | 5 | 20 |
| | | b. India mark II pumps/Hands Pumps | 5 | 20 |
| 19 | Sewerage Collection & transmission system | Sewerage Lines | 30 | 3.33 |
| 20 | Plant& Machinery | a. Water Supply | 10 | 10 |
| | | b. sewerage | 10 | 10 |
| 21 | Laboratory Equipments | All equipments in the laboratories maintained for the water supply and sewerage system | 10 | 10 |

Depreciation

Computation of Depreciation at year end on an asset class

| S.NO. | Particulars | Amount (Rs.) |
|-------|--|--------------|
| a. | Original Cost of Fixed Asset at the beginning of the year | 10000 |
| b. | Add- Assets Purchased during the year | 3000 |
| c. | Less: Asset sold during the year | 2000 |
| d. | Original Cost of the Fixed Asset held at year end | 11000 |
| e. | Annual Depreciation provision for financial year @ 20% on 8000 | 1600 |
| | Depreciation on fixed assets purchased during the year* | |
| f. | Depreciation on the fixed asset purchased before October 1 of an accounting year (at full rate of 20% on Rs. 2000/-) | 400 |
| g. | Depreciation on the fixed asset purchased after October 1 of an accounting year (at Half rate of 20% on Rs. 1000/-) | 100 |
| h. | Total Depreciation charge for the year (e+f+g) | 2100 |

•It is assumed that fixed assets worth Rs. 2000/- purchased before October 1 and fixed assets worth Rs. 1000/- purchased after October 1 of accounting year.

For providing the depreciation, accounts department shall pass following entry:

| Accounting Code | Ledger Account | Dr/Cr | Debit | Credit |
|-----------------|--------------------------|-------|-------|--------|
| 272-00-00-00 | Depreciation | Dr | 2100 | |
| 411-00-00-00 | Accumulated Depreciation | Cr | | 2100 |

11 – Preparation of Opening Balance Sheet

| Points | Particulars |
|---|--|
| 1. Introduction | During migration to ABDEAS, the municipality shall determine the opening balance of various assets and liability heads as on cut off date and prepares a statement called OBS. |
| 2. General Points for OBS | <ul style="list-style-type: none"> • The opening balance sheet shall be prepared separately for each fund. • Details should be collected department wise and to be consolidated for overall picture. • For determination of opening balances, the municipality shall prepare an inventory of all assets and liabilities. • Assets should be valued on their original cost less depreciation (if any) to arrive book value. • If municipality is unable to determine the actual cost of assets than it shall use the current standard cost rates prescribed by the government or available guidelines . • When value of all assets and liabilities arrived than difference shall be municipal fund. |
| 3. Guidelines for immovable/ movable assets | <ul style="list-style-type: none"> • Conduct physical verification and should be cross verified with existing records. • Assets owned / controlled by ULBs should be considered. • Detail of assets whether freehold or leasehold should be specified separately. • Cost of acquisition/ construction: <ul style="list-style-type: none"> – Cost of acquisition/construction includes cost incidental to acquisition/construction. – If cost is not ascertainable then reasonable estimate should be made. – In case of Assets funded through grants, Net proceeds shall be cost of assets. – Assets acquired free of cost shall be recorded at nominal value. • Date of acquisition: When assets legally vested to ULB than it should be verified with reference documents. • Cost of Improvement: Any cost which incurred for increasing the life of assets shall be the part of cost of asset. • Mode of Acquisition: Specify whether fixed assets have been purchased, constructed, transferred or gifted to the ULB. • Specify the person/institution from whom the assets has been acquired. • It shall be ensured that all documents like title deed, contract invoices are available with ULB. |

Preparation of Opening Balance Sheet

| Points | Particulars | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|------------------------|------------|-----|-----|-----------|-----------------------|-----|-----|-----------|-----------------------|--|-----|------------------------|-----------------------------|-----|-----|-----------|----------|-----|--|-----------|--|--|-----|
| 4. Guidelines for current assets / liabilities | <ul style="list-style-type: none">• In respect of current assets and current liability ULB should compile required information from the registers maintained by them.• As far as possible, details should be collected department wise and then consolidated.• ULB shall provide for income receivable and expenses payable as per accounting principles. These provisions shall appear in balance sheet as follow:<ul style="list-style-type: none">– All income receivable shall be carried forward as a current assets.– All expenses payable shall be carried forward as current liability. | | | | | | | | | | | | | | | | | | | | | | | | |
| 6. Procedure for preparation of Opening Balance sheet | <p>The following steps need to be followed for preparation of Opening Balance Sheet:</p> <ul style="list-style-type: none">a) identification and verification of assetsb) identification of assets that require valuationc) valuation of assetsd) passing the opening entriese) maintenance and updating the fixed assets records | | | | | | | | | | | | | | | | | | | | | | | | |
| 7. Municipal Fund | <p>After valuation of assets and liabilities, if there is any difference between them the difference amount shall be Municipal Fund.</p> <p>Entry For recording assets and liabilities.</p> <table><tr><td>4100000</td><td>Assets A/c</td><td>Dr.</td><td></td></tr><tr><td>3100000</td><td>To Municipal Fund(BF)</td><td></td><td>Cr.</td></tr><tr><td>3100000</td><td>To Liabilities</td><td></td><td>Cr.</td></tr><tr><td>3100000</td><td>To Accumulated Depreciation</td><td></td><td>Cr.</td></tr></table> | 4100000 | Assets A/c | Dr. | | 3100000 | To Municipal Fund(BF) | | Cr. | 3100000 | To Liabilities | | Cr. | 3100000 | To Accumulated Depreciation | | Cr. | | | | | | | | |
| 4100000 | Assets A/c | Dr. | | | | | | | | | | | | | | | | | | | | | | | |
| 3100000 | To Municipal Fund(BF) | | Cr. | | | | | | | | | | | | | | | | | | | | | | |
| 3100000 | To Liabilities | | Cr. | | | | | | | | | | | | | | | | | | | | | | |
| 3100000 | To Accumulated Depreciation | | Cr. | | | | | | | | | | | | | | | | | | | | | | |
| 8. Revision of Opening Balance Sheet | <ul style="list-style-type: none">• If certain assets and liabilities are identified after preparation of opening balance sheet:<ul style="list-style-type: none">– Such asset or liability can be directly incorporated in opening balance sheet.<table><tr><th colspan="2">Incorporation of Land:</th><th>Dr.</th><th>Cr.</th></tr><tr><td>410100000</td><td>Land a/c</td><td>Dr.</td><td></td></tr><tr><td>310100000</td><td>To Municipal Fund a/c</td><td></td><td>Cr.</td></tr></table>– Through the account “Adjustments to opening balance sheet”.<table><tr><th colspan="2">Incorporation of Land:</th><th>Dr.</th><th>Cr.</th></tr><tr><td>410100000</td><td>Land a/c</td><td>Dr.</td><td></td></tr><tr><td>310100000</td><td>To Adjustment to opening balance sheet</td><td></td><td>Cr.</td></tr></table>– At year end “Adjustment to opening balance sheet” shall be transferred to municipal fund account. | Incorporation of Land: | | Dr. | Cr. | 410100000 | Land a/c | Dr. | | 310100000 | To Municipal Fund a/c | | Cr. | Incorporation of Land: | | Dr. | Cr. | 410100000 | Land a/c | Dr. | | 310100000 | To Adjustment to opening balance sheet | | Cr. |
| Incorporation of Land: | | Dr. | Cr. | | | | | | | | | | | | | | | | | | | | | | |
| 410100000 | Land a/c | Dr. | | | | | | | | | | | | | | | | | | | | | | | |
| 310100000 | To Municipal Fund a/c | | Cr. | | | | | | | | | | | | | | | | | | | | | | |
| Incorporation of Land: | | Dr. | Cr. | | | | | | | | | | | | | | | | | | | | | | |
| 410100000 | Land a/c | Dr. | | | | | | | | | | | | | | | | | | | | | | | |
| 310100000 | To Adjustment to opening balance sheet | | Cr. | | | | | | | | | | | | | | | | | | | | | | |
| 9. Adoption | <p>When the municipality prepares the opening balance sheet, it shall be laid before for approval.</p> | | | | | | | | | | | | | | | | | | | | | | | | |

12 – Period End Procedure

To update accounts, it is mandatory that ULB will follow some procedures at period end strictly. As per the BMAM, some daily and monthly reconciliations and accounting procedures to be carried out in addition to half yearly and annual procedures. Period end requirement as suggested in the BMAM is given as below:

12.1. Daily Procedures

| S.N. | Procedures | Details |
|------|---|--|
| 1 | Balancing of cash book and bank book | The cash book and bank book shall be totaled and balanced daily basis. |
| 2 | Physical verification of cash balance | Cash available with the accounts department shall be physically verified by the cashier and shall be noted in cash book. |
| 3 | Checking ledger accounts with the books of original entries | Posting of entries in ledger accounts from the cash book, journal book, bank book shall be checked and certified by the accounts officer/designated officer. Rectification entries shall be passed immediately in respect of differences or errors in posting. |
| 4 | Verification of number of receipts issued as reported by the collection office with the collection register | On receipt of chalan for remittance of money from the collection office, the HOD shall verify the duplicate copies of the receipts issued with the entries made in collection register and in the chalan. The number of receipts cancelled shall be reported in the challan for remittance of money. |
| 5 | Updating of Subsidiary Ledgers | Accounts department shall update function wise income subsidiary ledger in respect of all major heads of income and function wise expenditure subsidiary ledger in respect of all major heads of expenditures during the day. |

12.2. Monthly Procedures

| S.N. | Procedures | Details |
|------|---|---|
| 1 | Recording of expenditure incurred against permanent advance | HOD, to whom the permanent advance has been disbursed, shall prepare and submit a payment order for expenditures incurred against the permanent advance. |
| 2 | Payment of provident fund and pension fund in respect of employees of Municipality | Accounts officer shall ensure that the provident fund deducted from salary of employees own contribution paid on time to the government. |
| 3 | Payment of central provident fund and central pension fund in respect of CMO of Municipality | Accounts officer shall ensure that the provident fund deducted from salary of CMO and its own contribution payable for pension benefit and provident fund have been paid on time to the government. |
| 4 | Payment of pension contribution and leave salary contribution in respect of employees on deputation | Accounts officer shall ensure that the provident fund deducted from salary of employees on deputation and its own contribution payable for pension benefit and provident fund have been paid on time to the government. |
| 5 | Compilation of details of stock used during the month | Stock in charge shall prepare a statement of closing stock in form ST-3 for the stocks held in the store and statement of material issued in form ST-4 from the stores ledger. |
| 6 | Payment of Govt. dues | Accounts department shall ensure that all government dues have been paid at the end of month. |
| 7 | Reconciliation of accounting records with records of other sections | Accounts officer shall insure that it reconciles its accounting records with the records of other sections and reason for any differences shall be ascertained and necessary rectifications made. |

Period End Procedure

12.3 Quarterly Procedures

| S.N. | Procedures | Details |
|------|---|--|
| 1 | Reconciliation of deposits, advances, receivables and income | Deposits received from contractor/supplier or any other; advances provided to contractor/supplier or to the departments or employees of the Municipality; receivables and money received from various sources of income shall be reconciled at the end of each half year. |
| 2 | Provision for period-end expenditures | All the departments of the Municipality shall prepare a statement of outstanding liability for expenditures in form GEN-29 and provision shall be made for the same. |
| 3 | Transfer of specific revenue grant in to income and capital grant to capital contribution | Specific revenue grant, to the extent utilized during the period shall be transferred to the respective grant income account and specific grant used for capital expenditure shall be transferred to capital contribution account. |
| 4 | 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. |
| 5 | Accrual of interest on investments and loans advanced to employees | Interest accrued but not due on investments made and interest accrued in respect of loans provided to employees shall be recorded on the basis of procedure given in concerned chapters. |
| 6 | 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 half year with the summary statement of status on capital work-in-progress received from the department. |
| 7 | Passing of adjustment entries | Accounts Department shall verify whether proper distinction has been maintained between revenue and capital transactions and between the transactions having effect in two accounting periods. If any mistake or error has been found than rectification entries should be Passed. |

12.4 Annual Procedures

| S.N. | Procedures | Details |
|------|---------------------------------------|---|
| 1 | Physical verification of stores | Verification of store shall be carried out by the stores-in-charge in presence of the auditors or in his absence in the presence of the accounts officer, who shall certify the stock sheet. Physically verified stores shall be reconciled with the balances as per the stores records and value of physically verified closing stock would be incorporated in the financial statements. |
| 2 | Physical verification of fixed assets | A Committee formed by Council would ensure a proper system of physical verification and verification will be done as per system at-least once in a year. Any discrepancies with the FAR should be reconciled and brought to attention of the council. |

Period End Procedure

| S.N. | Procedures | Details |
|------|--|---|
| 3 | Transfer of funds from special funds to special funds (Utilized) | Any expenditure on construction of any assets shall be transferred into special fund (utilized) after transferring the same into fixed assets. |
| 4 | Confirmation of all categories of advances | At the year end the accounts department shall obtain a confirmation from all the persons to whom the advances have been provided. |
| 5 | Provision for unrealized revenue | Provision shall be made for the demands raised during the accounting period but remaining outstanding as per the provisioning principles suggested for various types of income. |
| 6 | Accounting of prepaid expenses | At the year end, all the expenditure shall be scrutinized to identify that expenditure whose benefit is likely to accrue in the next year and prepaid entry shall be passed for the same. |
| 7 | Confirmation from Government/Quasi-government, Government owned agencies and for all categories of advance | At year end, balance confirmation letter should be sent to every authority and confirmation should be taken into accounts. |
| 8 | Closing of ledger accounts | Ledger accounts shall be balance and totaled at the end of each accounting year. |
| 9. | Providing depreciation on various types of assets | Accounts department shall provide depreciation of fixed assets at the prescribed rates and per the accounting policies in this regard. |
| 10 | Provision for amounts receivable | Accounts department shall create provision for amount receivable by the municipality as per the provisioning norms. |
| 11 | Carry forward closing balance of ledger | Closing balance of ledger shall be carried forward as opening balance of next accounting year. |
| 12 | Closing of inoperative accounts | The account officer shall analyze the bank accounts and if felt appropriate, intimate the CMO who may decide to close the inoperative accounts under the intimation of the council. |

15 – Preparation of Financial Statements

Section 88 of the Bihar Municipality Act, 2007 stipulate for preparation of Financial Statements of municipality. Following are the few important point, require to consider at the time of preparation of financial statement.

| Points | Procedures |
|-------------------|---|
| 1. Responsibility | CMO is responsible for preparation of financial statements within three months after end of each financial year. (Rule 122 of BMAR) |
| 2. Annual Report | <p>•Annual Report of municipality shall include the following:</p> <ul style="list-style-type: none"> • Budget variance analysis • Audit Certificate • CMO's Report on Financial Statements • Key Ratios |
| 3. Trial Balance | <p>trial balance is list of closing balances of ledger accounts and generally prepared to determine the equality of posted debits and credits.</p> <p>For preparing the trial Balance, following steps should be followed:</p> <ul style="list-style-type: none"> • All ledgers should be closed and balance should be calculated at period end. • Debit balance shall be posted in debit column and credit balance in credit column of trial Balance. • Posting in trial Balance shall be in the same order as shown in the Charts of Accounts. • Cash book and bank books shall also be closed and the balances shall be posted in the trial Balances. • Both the Debit column and Credit column of trial Balance shall be totaled. <p>Consolidation of Individual Accounting Unit's trial Balance</p> <p>Every Unit shall prepare its own trial balance and shall forward to head office. Consolidation of trial Balance shall be shall be done line by line by head office.</p> <p>All inter unit transaction shall be nullified on consolidation of trial balances. Financial statements shall then be prepared based on consolidated trial Balance.</p> |

Preparation of Financial Statements

| Points | Procedures |
|-------------------------------------|---|
| 4. Income and Expenditure Statement | <p>It is the statement which shows the financial performance at year end with surplus/deficit.</p> <p>This statement shall include the expenditure whether actually paid or not and income earned during the year whether actually received or not.</p> <p>How to Prepare:</p> <ul style="list-style-type: none"> • It is drawn from the trial Balance. • The balance in income accounts generally have a credit balance in trial Balance shall be posted in the credit side of Income and Expenditure Accounts. • The balance in expense accounts generally have a debit balance in trial Balance shall be posted in the debit side of Income and Expenditure Accounts. • After posting, if income side is more than the expenditure side then balance will show surplus or if vice versa, then it show deficit . |
| 5. Balance Sheet | <p>It is statement which shows the financial position as on date. It presents the assets, liabilities and reserves of Municipalities.</p> <p>How to Prepare:</p> <ul style="list-style-type: none"> • It is also drawn from the trial Balance. • The balance in liabilities accounts, which generally have a credit balance, shall be posted on Liabilities side. • The balance in assets accounts, which generally have a debit balance, shall be posted on Asset side. • The excess of income earned by municipality over expenditure shall be added to Municipal Fund Likewise, excess of expenditures incurred over income earned shall be reduced from the Municipal Fund in Balance Sheet. • Total of assets and liabilities side shall be same. |
| 6. Notes To Accounts | <p>The notes to Accounts shall comprise of Statement of Significant Accounting Principle, Statement on Contingent Liabilities, Subsidy Report and Other Disclosures.</p> |
| 7. Approval | <p>For preparation of financial statements, Monthly trial balance shall be prepared which shall be certified by CMO and shall be sent to Director of Local Bodies for each quarter at the end of month following each quarter (Rule 121).</p> <p>CMO Shall prepare fund wise statement of Receipts and payment before 20th of the subsequent month (Rule 120).</p> <p>Annual financial statements shall be approved by council and same shall be signed by CMO and the chairperson, after which it shall be submitted to auditor within 2 months from end of financial year. (Sec 88)</p> |

Preparation of Financial Statements

| Points | Procedures |
|----------------------|--|
| | <p>CMO shall prepare a report on the qualifications and comments made by the auditor and this report shall be the integral part of annual report.</p> <p>Annual financial statement, approved by CMO shall be place along with auditor report before ESC within 4 months from end of financial year.</p> <p>If CMO fails to do so then he is liable for penalty of Rs. 5000.</p> |
| 8.Audit Arrangements | <p>Statutory Audit: Financial statements shall be audited by auditor. before six months from end of the financial year and he shall provide audit report not later than 30th day of September each year to CMO.</p> <p>Supplementary/Test Audit: Comptroller & Auditor has been empowered to conduct test Audit of Accounts of ULB on sample basis and report shall be place before ESC.</p> <p>Internal Audit: Internal audit is conducted in each ULB by the CA firm from the panel prepared by the Director of Local Bodies latest by end of March for the following financial year. It is a process for identifying weakness of internal control of organization.</p> <p>Special Audit: If State Govt. / ULB may appoint an Auditor to conduct Special Audit pertaining to the specified item or series of items requiring thorough examination.</p> |
| 9. Adoption | <p>ESC shall approve the Financial statements and audit report and place them before council. Audited financial statements shall be placed before the municipality for adoption before 30th September from end of the financial year.</p> |
| 10. Other Points | <ul style="list-style-type: none"> • If Income/expenditure of particular head exceeds Rs. 1,00,000 then should be shown separately in schedule attached to Income and expenditure account. • Comparative amounts shall be entered in the financial statements for the preceding financial year. • Amount shall be disclosed in Thousands of Rupees. • Key ratios shall be calculated as prescribed in BMAM. • trial balance and Financial Statements as explained above shall be prepared for each fund separately and then consolidated to present consolidated position. |

14 – Budget & MIS

| Budget | | | | | | | | | | | | | | | | | | | |
|---|---|----------------------|---------------------------|--|---------|--|---------|---|---------|---|---------|--|---------|------------------------------|---------|--|---------|---|---------|
| 1. Meaning | Budget provides the information of estimated receipts and expenditure. It is a proposal how much money is to be spent on what and how much of it will be contributed by whom and how it could be raised during the year to allocate expenses on given head and identify revenue from prospective head. | | | | | | | | | | | | | | | | | | |
| 2. Budgeting Process | <ul style="list-style-type: none"> • Formation of Budget Task Force / Budget preparation team • Developing Budget Guidelines • Identification of an agreement on operation units • Citizens' Survey- Design and oversee the citizens' survey to assess the existing and desired service levels. • Preparation of Revenue Estimates: Preparation of revenue estimates is one of the most important steps in the budget process. Revenue estimates consist of two factors: <ul style="list-style-type: none"> – The estimated fund balance to be carried forward into the next fiscal year – The forecast for revenue collections for the next fiscal year. • Preparation of Budgeted Revenue Expenditure • Identification of Capital receipts, liabilities and Capital expenditures • Report on services provided at subsidized rate • Outlays, Outputs and Outcomes • Calculation of Fund Balances: Fund balance is the excess in a fund at the end of the financial year that is not designated for a specific purpose and is carried forward into the next financial year. | | | | | | | | | | | | | | | | | | |
| 3. Budgeting Calendar | <p>The various stages of budget preparation and approval should be within the time limits as follows</p> <table border="1"> <thead> <tr> <th>Activity Description</th><th>Target Date of Completion</th></tr> </thead> <tbody> <tr> <td>Budget guidelines from UDHD to be received by Municipalities</td><td>Oct, 31</td></tr> <tr> <td>Decisions about budget cost centre's and responsibility centre's</td><td>Nov, 30</td></tr> <tr> <td>Survey to be completed each year for ascertaining service levels, need assessment and priorities of public including urban poor</td><td>Dec, 31</td></tr> <tr> <td>Actual costs up to December 31st to be provided to each cost centre's by accounts</td><td>Jan end</td></tr> <tr> <td>UDHD to inform estimated amount of grant for budget year</td><td>Jan end</td></tr> <tr> <td>Budget to be provided to ESC</td><td>Feb end</td></tr> <tr> <td>Budget to be approved By Municipal Council</td><td>Mar, 15</td></tr> <tr> <td>Submission of Budget Estimates to UDHD or DMA or RDMA</td><td>Mar, 15</td></tr> </tbody> </table> | Activity Description | Target Date of Completion | Budget guidelines from UDHD to be received by Municipalities | Oct, 31 | Decisions about budget cost centre's and responsibility centre's | Nov, 30 | Survey to be completed each year for ascertaining service levels, need assessment and priorities of public including urban poor | Dec, 31 | Actual costs up to December 31st to be provided to each cost centre's by accounts | Jan end | UDHD to inform estimated amount of grant for budget year | Jan end | Budget to be provided to ESC | Feb end | Budget to be approved By Municipal Council | Mar, 15 | Submission of Budget Estimates to UDHD or DMA or RDMA | Mar, 15 |
| Activity Description | Target Date of Completion | | | | | | | | | | | | | | | | | | |
| Budget guidelines from UDHD to be received by Municipalities | Oct, 31 | | | | | | | | | | | | | | | | | | |
| Decisions about budget cost centre's and responsibility centre's | Nov, 30 | | | | | | | | | | | | | | | | | | |
| Survey to be completed each year for ascertaining service levels, need assessment and priorities of public including urban poor | Dec, 31 | | | | | | | | | | | | | | | | | | |
| Actual costs up to December 31st to be provided to each cost centre's by accounts | Jan end | | | | | | | | | | | | | | | | | | |
| UDHD to inform estimated amount of grant for budget year | Jan end | | | | | | | | | | | | | | | | | | |
| Budget to be provided to ESC | Feb end | | | | | | | | | | | | | | | | | | |
| Budget to be approved By Municipal Council | Mar, 15 | | | | | | | | | | | | | | | | | | |
| Submission of Budget Estimates to UDHD or DMA or RDMA | Mar, 15 | | | | | | | | | | | | | | | | | | |
| 4. Sanction of Budget | <p>Municipality shall consider the budget estimate and shall submit it to following by the fifteenth day of March in each year</p> <ul style="list-style-type: none"> • The State Government, in the case of a Municipal Corporation, • The Director of Local Bodies, in the case of a Class 'A' Municipal Council, and • The Regional Deputy Director of Local Bodies, in the case of a Class 'B' Municipal Council, a Class 'C' Municipal Council or a Nagar Panchayat. <p>Above mentioned authorities shall return the budget with or without modification to Municipality before 30th day of March.</p> | | | | | | | | | | | | | | | | | | |

Budget & MIS

| Budget | | | | | | | | | | | | | | | | | |
|--------------------------------------|--|------------------|---------------------|------------------|---------------------|-------------------------|---------|--------------------------------------|---------|-------------------|---------|-------------------------|---------|---------------------------------|---------|------------------------------|---------|
| 5. Guidelines to budgeting | <ul style="list-style-type: none"> • Should be based on realistic assessment of existing level of services. • Benchmark the standards/quality of outcomes and services. • The budget estimate is to be prepared on cash basis showing no deficit. • Earmark a minimum of 25% of their financial resources towards providing Basic services to the Urban Poor (BSUP) in their budgets. • Budgets to be Gender Sensitive. • Budgets to be sensitive to physically challenged citizens. • Providing Funds for Contingencies. • Realistic Budget with goal of variance with actual not more than plus minus 5%. • Incorporates best practices like participatory and provision of contingencies etc. | | | | | | | | | | | | | | | | |
| 6. Budget Formats | <p>Budget Heads are broadly divided into four categories of accounts:</p> <table border="1"> <tr> <td>Revenue Receipts</td><td>Revenue Expenditure</td></tr> <tr> <td>Capital Receipts</td><td>Capital Expenditure</td></tr> </table> <p>Following are the forms required to maintained in budget procedure:</p> <table border="1"> <tr> <td>Budget Estimation Sheet</td><td>BMAR 75</td></tr> <tr> <td>Budget Estimate Consolidation Format</td><td>BMAR 76</td></tr> <tr> <td>Summary of Budget</td><td>BMAR 77</td></tr> <tr> <td>Major account Head wise</td><td>BMAR 78</td></tr> <tr> <td>Summary of Function wise budget</td><td>BMAR 79</td></tr> <tr> <td>Summary of Field wise budget</td><td>BMAR 80</td></tr> </table> | Revenue Receipts | Revenue Expenditure | Capital Receipts | Capital Expenditure | Budget Estimation Sheet | BMAR 75 | Budget Estimate Consolidation Format | BMAR 76 | Summary of Budget | BMAR 77 | Major account Head wise | BMAR 78 | Summary of Function wise budget | BMAR 79 | Summary of Field wise budget | BMAR 80 |
| Revenue Receipts | Revenue Expenditure | | | | | | | | | | | | | | | | |
| Capital Receipts | Capital Expenditure | | | | | | | | | | | | | | | | |
| Budget Estimation Sheet | BMAR 75 | | | | | | | | | | | | | | | | |
| Budget Estimate Consolidation Format | BMAR 76 | | | | | | | | | | | | | | | | |
| Summary of Budget | BMAR 77 | | | | | | | | | | | | | | | | |
| Major account Head wise | BMAR 78 | | | | | | | | | | | | | | | | |
| Summary of Function wise budget | BMAR 79 | | | | | | | | | | | | | | | | |
| Summary of Field wise budget | BMAR 80 | | | | | | | | | | | | | | | | |
| 7. Budgetary Controls | <ul style="list-style-type: none"> • No expenditure shall be incurred unless backed by budget. • Budget head shall be identified before incurring any expenditure. • Expenditure shall be incurred in accordance with appropriate sections with procedure laid down in BMAR. | | | | | | | | | | | | | | | | |
| 8. Budget Variance Analysis | <p>Budget variance report (BVR) shall be prepared on a quarterly basis as per BMAR. BVR shall be prepared at the following levels.</p> <ul style="list-style-type: none"> • At an overall municipalities level • At each of the budgeting centre's | | | | | | | | | | | | | | | | |
| 9. Other Points | <ul style="list-style-type: none"> • CMO shall prepare the budget of income & expenditure. • Budget shall be prepared each year separately for each fund. • Budget is to be prepared on cash basis showing no deficit. • The figures mentioned in the budget shall be based on detailed working sheets showing the basis of arriving at various figures in the budget estimates. • If there are any abnormal receipts or payments that are likely to be very different from average trends, these must be explained fully in notes. • Budget with financial outlays, outputs and outcome should be published in local newspaper as well as posted on the website of the municipality and/or UDHD. • The Municipal accounts Committee shall hold a midyear review to check that budget is on track or not. | | | | | | | | | | | | | | | | |

Management Information System (MIS)

Each municipality shall have an adequate Management Information System based on its accounting system. Financial statement information is covered by MIS Report. Other report which are prepared and submitted to various Governing Committees for review, analysis and decision making purposes are

| | |
|------------------------------------|------------------|
| Statement of Receivables | BMAR Form no. 86 |
| Statements of Payables | BMAR Form no. 87 |
| Ward wise liability summary report | BMAR Form no. 88 |
| Revenue trend Analysis summary | BMAR Form no. 89 |

17 – Interpretation

The Accounts manual is prepared to establish model guidelines for municipality employees during implementation of double entry accounting system and continuance maintenance of the same. Harmony with National Municipal Accounts Manual and State Accounts Manual have been ensured to the best efforts, however if any contradiction prevails, supremacy of national municipal accounts manual and state accounts manual will prevail, if there is any contradiction on concept. If contradiction exists on practical issues, then a comparison can be made by competent committee, as designated by the Municipal Commissioner and adequate decision can be taken.

Every Accounts Manual needs to be revised after a certain period due to passage of time and changes in approaches being adopted by the organization. Hence if any changes are seek to be make, same can be done after proper approval of constituted committee headed by Municipal Commissioner.

Annexure – 1

Chart of Accounts

1. Expense Codes

| S No. | Accounting Head/Ledger | Code Number |
|-------|---|--------------|
| 1 | Salaries & Allowances | 210-10-01-00 |
| 2 | Salaries & Allowances - Chief municipal officer | 210-10-01-01 |
| 3 | Salaries & Allowances- Permanent Officers | 210-10-01-02 |
| 4 | Salaries & Allowances- Permanent staff | 210-10-01-03 |
| 5 | Salaries & Allowance- Officers & Staff on deputation | 210-10-01-04 |
| 6 | Salaries & Allowance- Contractual Officers & Staff | 210-10-01-05 |
| 7 | Salary & Allowance of Contingent Staff | 210-10-01-06 |
| 8 | Wages | 210-10-02-00 |
| 9 | Leave Travel Concessions | 210-20-01-00 |
| 10 | Medical Reimbursements | 210-20-02-00 |
| 11 | Contribution to Pension Fund - Permanent Employee of Municipality | 210-30-01-00 |
| 12 | Contribution to Pension Fund- Employee on Deputation | 210-30-02-00 |
| 13 | Contribution to Pension Fund - contingent staff | 210-30-03-00 |
| 14 | Contribution to Family Pension | 210-30-04-00 |
| 15 | P.F. Administrative Charge | 210-30-05-00 |
| 16 | E.S.I. Contribution | 210-30-07-00 |
| 17 | Group Insurance Contribution | 210-30-08-00 |
| 18 | Medical Insurance for Employee | 210-30-09-00 |
| 19 | Leave Encashment | 210-40-01-00 |
| 20 | Leave Salary contribution | 210-40-04-00 |
| 21 | Income Tax | 220-10-03-01 |
| 22 | VAT | 220-10-03-02 |
| 23 | Other Taxes/ Duties | 220-10-03-99 |
| 24 | Electricity expenses | 220-11-01-00 |
| 25 | Water expenses | 220-11-02-00 |
| 26 | Other Office Maintenance Expenses | 220-11-99-00 |
| 27 | Telephone Expenses | 220-12-01-00 |
| 28 | Mobile Expenses | 220-12-02-00 |
| 29 | Postage Expenses | 220-12-04-00 |
| 30 | Internet Expenses | 220-12-05-00 |
| 31 | Other Communication Expenses | 220-12-99-00 |
| 32 | Stationery | 220-21-01-00 |
| 33 | Form Purchase/Printing from other agencies | 220-21-03-00 |
| 34 | Xerox Expenses | 220-21-04-00 |
| 35 | Computer consumables | 220-21-05-00 |
| 36 | Traveling Expense | 220-30-01-00 |
| 37 | Elected members Traveling Expenses | 220-30-02-00 |
| 38 | Petrol & Diesel | 220-30-03-00 |
| 39 | Audit Fees | 220-50-00-00 |
| 40 | Court Fees Expenses | 220-51-01-00 |
| 41 | Lok Adalat Expense | 220-51-02-00 |
| 42 | Suit compromises / Payments against court order | 220-51-03-00 |
| 43 | Cost of recoveries of tax revenue | 220-51-04-00 |
| 44 | License Fee | 220-51-05-00 |
| 45 | Filing Fee | 220-51-06-00 |
| 46 | Miscellaneous Legal Expenses | 220-51-09-00 |
| 47 | Advocate Fee Expense | 210-10-01-00 |
| 48 | Engineer Fees | 210-10-01-01 |
| 49 | Architect | 220-52-03-00 |

Annexure - 1

| S No. | Accounting Head/Ledger | Code Number |
|-------|---|--------------|
| 50 | Consultancy Charges | 220-52-04-00 |
| 51 | Advertisement in News Paper | 220-60-01-00 |
| 52 | Hospitality | 220-60-05-00 |
| 53 | Other Advertisement and Publicity Expenses | 220-60-99-00 |
| 54 | Tax Collection Expenses | 220-80-05-00 |
| 55 | Outsourcing of Solid Waste | 220-80-06-00 |
| 56 | Population counting expenses | 220-80-07-00 |
| 57 | Family Planning center administrative expense | 220-80-08-00 |
| 58 | Various day Celebration Expenses | 220-80-10-00 |
| 59 | Miscellaneous Administration Expenses | 220-80-99-00 |
| 60 | Electricity charges for street Light | 230-10-02-00 |
| 61 | Generator Bill | 230-10-03-00 |
| 62 | Petrol, Diesel & Gas | 230-10-04-00 |
| 63 | Electricity purchase for Distribution | 230-20-01-00 |
| 64 | Water purchase for Distribution | 230-20-02-00 |
| 65 | Consumption of Solid Waste Plastic Bags | 230-30-01-00 |
| 66 | Street Light materials | 230-30-02-00 |
| 67 | House Pipes/Suction pipes for fire brigade | 230-30-03-00 |
| 68 | Fire hydrants/Other stores for fire brigade | 230-30-04-00 |
| 69 | Pesticides | 230-30-05-00 |
| 70 | Chlorine, chemicals for water department | 230-30-06-00 |
| 71 | Water testing expenses | 230-30-07-00 |
| 72 | Books, related items purchase for school | 230-30-08-00 |
| 73 | Fodder for Impounding Animals | 230-30-09-00 |
| 74 | Medicine & Cloth | 230-30-10-00 |
| 75 | G.I. Pipes & Section Pipes | 230-30-11-00 |
| 76 | Consumption of Stores - Other Stores | 230-30-99-00 |
| 77 | Machinery Hire Charges | 230-40-01-00 |
| 78 | Vehicle Hire Charges | 230-40-02-00 |
| 79 | Other Hire Charges | 230-40-99-00 |
| 80 | Repairs & maintenance - Water Supply | 230-50-01-00 |
| 81 | Repairs & maintenance - Sewerage | 230-50-02-00 |
| 82 | Repairs & maintenance - Roads & Pavements | 230-50-04-00 |
| 83 | Repairs & maintenance - Bridges & Culverts | 230-50-05-00 |
| 84 | Repairs & maintenance - Street Lights | 230-50-06-00 |
| 85 | Repairs & maintenance - Residential Buildings | 230-52-01-00 |
| 86 | Repairs Vehicles | 230-53-01-00 |
| 87 | Fuel Vehicles | 230-53-02-00 |
| 88 | Repairs & maintenance - Furniture Fixture | 230-59-01-00 |
| 89 | Interest on Loans from Central Govt. | 240-10-00-00 |
| 90 | Interest on Loans from State Govt. | 240-20-00-00 |
| 91 | Interest on Loans from Government Bodies & associations | 240-30-00-00 |
| 92 | Interest on Loan from Bank | 240-50-01-00 |
| 93 | Interest on Revenue Deposits | 240-60-01-00 |
| 94 | Bank Charges | 240-70-00-00 |
| 95 | Preliminary Exp. of New Loans | 240-80-01-00 |
| 96 | Commitment charges | 240-80-03-00 |
| 97 | Govt. Guarantee Exp. for loan from Open Market | 240-80-04-00 |
| 98 | Elections Expenses | 250-10-00-00 |
| 99 | Family Welfare Publicity/expenditure | 250-20-03-00 |

Annexure - 1

| S No. | Accounting Head/Ledger | Code Number |
|-------|--|--------------|
| 100 | Primary Education | 250-20-05-00 |
| 101 | Programme Exp- SPUR Grant | 250-40-01-00 |
| 102 | Slum | 250-40-01-01 |
| 103 | JNNURM Grant | 250-40-02-00 |
| 104 | UIDSMT Grant | 250-40-03-00 |
| 105 | IHSDP Grant | 250-40-04-00 |
| 106 | SJSRY Grant | 250-40-05-00 |
| 107 | Grants | 260-10-00-00 |
| 108 | Contribution to Special Funds | 260-20-01-00 |
| 109 | Contribution to Relief Funds | 260-20-02-00 |
| 110 | Subsidies | 260-30-00-00 |
| 111 | Provisions for Doubtful receivables -Holding Tax | 270-10-01-01 |
| 112 | Provisions for Doubtful receivables - Latrine Tax | 270-10-01-03 |
| 113 | Provisions for Doubtful receivables - Drainage Tax | 270-10-02-01 |
| 114 | Provisions for Doubtful receivables - Advertisement Tax | 270-10-02-02 |
| 115 | Provisions for Doubtful receivables - Lighting Tax | 270-10-02-05 |
| 116 | Provisions for Doubtful receivables - License Fees | 270-10-04-01 |
| 117 | Provisions for Doubtful receivables - Rent from Office Buildings | 270-10-05-02 |
| 118 | Provisions for Doubtful receivables - Rent from Guest Houses | 270-10-05-03 |
| 119 | Provisions for Doubtful receivables -Other Rents | 270-10-05-99 |
| 120 | Provision for Stores | 270-20-01-00 |
| 121 | Provision for Fixed Assets | 270-20-02-00 |
| 122 | Provision for Investment | 270-20-03-00 |
| 123 | Provision for Loans &Advances | 270-20-04-00 |
| 124 | Property Taxes Written Off -Holding Tax | 270-30-01-01 |
| 125 | Property Taxes Written Off - Latrine Tax | 270-30-01-03 |
| 126 | Other Taxes written Off -Drainage Tax | 270-30-02-01 |
| 127 | Other Taxes written Off - Advertisement Tax | 270-30-02-02 |
| 128 | Other Taxes written Off - Profession Tax | 270-30-02-03 |
| 129 | Other Taxes written Off - Lighting Tax | 270-30-02-05 |
| 130 | User Charges Written Off -Other User Charges | 270-30-03-99 |
| 131 | Rents Written Off - Rent from Office Buildings | 270-30-05-02 |
| 132 | Rents Written Off - Rent from Guest House | 270-30-05-03 |
| 133 | Rents Written Off - Other Rents | 270-30-05-99 |
| 134 | Revenue Grant Written Off | 270-30-06-00 |
| 135 | Fixed Assets | 270-40-01-00 |
| 136 | Loans & Advances | 270-40-02-00 |
| 137 | Stores | 270-40-03-00 |
| 138 | Issue Expenses | 270-50-01-00 |
| 139 | Buildings | 272-20-00-00 |
| 140 | Roads & Bridges | 272-30-00-00 |
| 141 | Sewerage and Drainage | 272-31-00-00 |
| 142 | Waterways | 272-32-00-00 |
| 143 | Public Lighting | 272-33-00-00 |
| 144 | Plant & | 272-40-00-00 |
| 145 | Vehicles | 272-50-00-00 |
| 146 | Office & Other Equipment | 272-60-00-00 |
| 147 | Furniture, Fixtures, Fittings and Electrical Appliances | 272-70-00-00 |
| 148 | Other Fixed Assets | 272-80-00-00 |
| 149 | Transfer to Reserve &Special funds | 290-00-00-00 |

Annexure - 1

2. Incomes

| S No. | Accounting Head/Ledger | Code Number |
|-------|---|--------------|
| 1 | Holding Tax | 110-01-00-00 |
| 2 | Vehicle Tax | 110-07-00-00 |
| 3 | Animal Tax | 110-08-00-00 |
| 4 | Electricity Tax | 110-09-00-00 |
| 5 | Advertisement Tax | 110-11-00-00 |
| 6 | Entertainment Tax | 110-66-00-00 |
| 7 | Tower Tax | 110-88-00-01 |
| 8 | Octroi | 110-51-01-00 |
| 9 | Toll | 110-51-02-00 |
| 10 | Rickshaw / Thela/Bicycle Tax | 110-80-01-00 |
| 11 | Open Plot/Party Plot | 130-10-01-00 |
| 12 | Play Grounds | 130-10-02-00 |
| 13 | Shops & Establishment. License Fee | 140-11-02-00 |
| 14 | Birth & Death certificates | 140-13-01-00 |
| 15 | Late Fee for Birth & Death | 140-13-02-00 |
| 16 | Marriage Certificate | 140-13-08-00 |
| 17 | Other Certificates | 140-13-99-00 |
| 18 | Penalty | 140-20-97-00 |
| 19 | Penal Interest | 140-20-98-00 |
| 20 | Building Permission Fees | 140-40-01-00 |
| 21 | Advertisement Fees | 140-40-03-00 |
| 22 | Notice Fees | 140-40-05-00 |
| 23 | Warrant Fees | 140-40-06-00 |
| 24 | Misc. income from school | 140-40-07-00 |
| 25 | Parks & Gardens Entry Fees | 140-40-09-00 |
| 26 | Pay & Use Toilets | 140-50-10-00 |
| 27 | Parking Fee | 140-50-19-00 |
| 28 | Building Permission Charges | 140-50-27-00 |
| 29 | Receipt from Hospitals & Dispensaries | 140-50-28-00 |
| 30 | Other User Charges | 140-50-99-00 |
| 31 | Entry Fee Parks | 140-60-01-00 |
| 32 | Entry Fee Playgrounds | 140-60-02-00 |
| 33 | Road Cutting Charges | 140-70-01-00 |
| 34 | Supervision Charges on Deposit Works | 140-70-02-00 |
| 35 | Sale of Sand | 150-10-02-00 |
| 36 | Sale of Solid waste | 150-10-04-00 |
| 37 | Sale of Tree | 150-10-05-00 |
| 38 | Sale of Other Products | 150-10-99-00 |
| 39 | Sale of Tender Form | 150-11-01-00 |
| 40 | Water Connection Form | 150-11-02-00 |
| 41 | Sale of Stores | 150-12-01-00 |
| 42 | Sale of Scrap | 150-12-02-00 |
| 43 | Revenue from Auction of Obsolete Assets | 150-12-03-00 |
| 44 | Old Newspaper | 150-30-01-00 |
| 45 | Road Roller Charges | 150-41-01-00 |
| 46 | Hire Charges of Excavator | 150-41-02-00 |
| 47 | Rent from Other equipments | 150-41-03-00 |
| 48 | Grant For Expenditure | 160-10-01-00 |
| 49 | Salary & D.A.Grant | 160-10-02-00 |

Annexure - 1

| S No. | Accounting Head/Ledger | Code Number |
|-------|--|--------------|
| 50 | Family Welfare Grant | 160-10-04-00 |
| 51 | Family Planning Aid from Central Government | 160-10-05-00 |
| 52 | Per Capita Grant | 160-10-06-00 |
| 53 | Census Grant | 160-10-07-00 |
| 54 | Grant against Penalty Recovered by Courts Under various Acts | 160-10-09-00 |
| 55 | BPL Grant | 160-10-18-00 |
| 56 | SPUR Grant | 160-10-19-00 |
| 57 | JNNURM Grant | 160-10-20-00 |
| 58 | UIDSMT Grant | 160-10-21-00 |
| 59 | IHSDP Grant | 160-10-22-00 |
| 60 | SJSRY Grant | 160-10-23-00 |
| 61 | Special Grants | 160-10-24-00 |
| 62 | Fixed Deposits with Banks | 170-10-01-00 |
| 63 | Post Office Deposit | 170-10-03-00 |
| 64 | Other | 170-10-99-00 |
| 65 | Saving Bank Accounts | 171-10-01-00 |
| 66 | Stale Cheque | 180-50-01-00 |
| 67 | Miscellaneous Receipts | 180-80-99-00 |
| 68 | Contribution from Special Funds | 180-90-01-00 |
| 69 | Contribution from other Funds | 180-90-02-00 |

Annexure - 1

3. Assets

| S No. | Accounting Head/Ledger | Code Number |
|-------|--|--------------|
| 1 | Gardens | 410-10-01-01 |
| 2 | Grounds | 410-10-01-02 |
| 3 | Ghats | 410-10-01-03 |
| 4 | Parks | 410-10-01-04 |
| 5 | Parking Lots | 410-10-01-05 |
| 6 | Open markets | 410-10-01-06 |
| 7 | Other Lands Municipality | 410-10-01-99 |
| 8 | Land-Transferred Institution | 410-10-02-00 |
| 9 | Administrative Buildings | 410-20-01-01 |
| 10 | Community Centre Buildings | 410-20-01-02 |
| 11 | Staff Quarter Buildings | 410-20-01-03 |
| 12 | Market Buildings | 410-20-01-04 |
| 13 | Public Comfort Stations | 410-20-01-05 |
| 14 | Hospital Buildings | 410-20-01-06 |
| 15 | School Buildings | 410-20-01-07 |
| 16 | Guest House Buildings | 410-20-01-08 |
| 17 | Slaughter House Buildings | 410-20-01-09 |
| 18 | Tolls | 410-20-01-10 |
| 19 | Other Buildings Municipality | 410-20-01-99 |
| 20 | Concrete Roads | 410-30-01-00 |
| 21 | Black Topped Roads | 410-30-02-00 |
| 22 | Other Roads | 410-30-03-00 |
| 23 | Bridges | 410-30-04-00 |
| 24 | Culverts | 410-30-05-00 |
| 25 | Sewerage | 410-31-01-00 |
| 26 | Drainage | 410-31-02-00 |
| 27 | Bore wells | 410-32-01-00 |
| 28 | Open wells | 410-32-02-00 |
| 29 | Reservoirs | 410-32-03-00 |
| 30 | Distribution & Regulation System | 410-32-04-00 |
| 31 | Transmission | 410-32-05-00 |
| 32 | Lamp Posts | 410-33-01-00 |
| 33 | Transformers | 410-33-02-00 |
| 34 | Sub-Stations | 410-33-03-00 |
| 35 | Fogging Machine | 410-40-01-01 |
| 36 | Electric Crematorium | 410-40-01-02 |
| 37 | Other Plant & Machinery | 410-40-01-99 |
| 38 | Plants & Machinery - Transferred Institution | 410-40-02-00 |
| 39 | Ambulance | 410-50-01-01 |
| 40 | Buses | 410-50-01-02 |
| 41 | Cars | 410-50-01-03 |
| 42 | Jeeps | 410-50-01-04 |
| 43 | Cranes | 410-50-01-05 |
| 44 | Trucks | 410-50-01-06 |
| 45 | Water Tanker | 410-50-01-07 |
| 46 | Road Roller | 410-50-01-08 |
| 47 | Hand Carts | 410-50-01-09 |
| 48 | Bull Dozers | 410-50-01-10 |
| 49 | Tractors | 410-50-01-11 |

Annexure - 1

| S No. | Accounting Head/Ledger | Code Number |
|-------|--|--------------|
| 50 | Hand Carts | 410-50-01-09 |
| 51 | Bull Dozers | 410-50-01-10 |
| 52 | Tractors | 410-50-01-11 |
| 53 | Other Vehicles | 410-50-01-99 |
| 54 | Vehicles - Transferred Institution | 410-50-02-00 |
| 55 | Air Conditioner | 410-60-01-01 |
| 56 | Air Cooler | 410-60-01-02 |
| 57 | Water Cooler | 410-60-01-03 |
| 58 | Refrigerators | 410-60-01-04 |
| 59 | Vacuum Cleaner | 410-60-01-05 |
| 60 | Computers | 410-60-01-06 |
| 61 | Printers | 410-60-01-07 |
| 62 | Fax | 410-60-01-08 |
| 63 | Xerox Machines | 410-60-01-09 |
| 64 | Typewriter | 410-60-01-10 |
| 65 | Calculator | 410-60-01-11 |
| 66 | Telephone& PBX Board | 410-60-01-12 |
| 67 | Intercom Network | 410-60-01-13 |
| 68 | Wireless Equipment | 410-60-01-14 |
| 69 | Other Office &Other Equipments | 410-60-01-99 |
| 70 | Office & Other Equipments - Transferred Institution | 410-60-02-00 |
| 71 | Cabinets | 410-70-01-01 |
| 72 | Cupboards | 410-70-01-02 |
| 73 | Chairs | 410-70-01-03 |
| 74 | Tables | 410-70-01-04 |
| 75 | Partitions | 410-70-01-05 |
| 76 | Beds / Cots | 410-70-01-06 |
| 77 | Trolleys | 410-70-01-07 |
| 78 | Other Furniture & Fixtures | 410-70-01-50 |
| 79 | Fans | 410-70-01-51 |
| 80 | Electrical Fittings | 410-70-01-52 |
| 81 | Generators | 410-70-01-53 |
| 82 | Other Fittings & Electrical | 410-70-01-99 |
| 83 | Furniture, Fixtures, Fittings and Electrical Appliances- Transferred Institution | 410-70-02-00 |
| 84 | Other Fixed Assets- Municipality | 410-80-01-00 |
| 85 | Other Fixed Assets- Transferred Institution | 410-80-02-00 |
| 86 | Assets Under Disposal | 410-90-00-00 |
| 87 | Accumulated Depreciation | 411-00-00-00 |
| 88 | Buildings | 411-20-00-00 |
| 89 | Roads & Bridges | 411-30-00-00 |
| 90 | Sewerage and Drainage | 411-31-00-00 |
| 91 | Waterways | 411-32-00-00 |
| 92 | Public Lighting | 411-33-00-00 |
| 93 | Plant & Machinery | 411-40-00-00 |
| 94 | Vehicles | 411-50-00-00 |
| 95 | Office & Other Equipments | 411-60-00-00 |
| 96 | Furniture, Fixtures, Fittings and Electrical Appliances | 411-70-00-00 |
| 97 | Other Fixed Assets | 411-80-00-00 |
| 98 | Municipal Fund | 412-01-00-00 |
| 99 | Capital WIP- Development Fund-Housing | 412-10-01-00 |

Annexure - 1

| S No. | Accounting Head/Ledger | Code Number |
|-------|--|--------------|
| 100 | Capital WIP- Development Fund-IT & E- Governance | 412-10-02-00 |
| 101 | Capital WIP- Development Fund- Water Supply | 412-10-03-00 |
| 102 | Capital WIP - Development Fund-Public Works | 412-10-04-00 |
| 103 | Capital WIP - Development Fund-Health & Sanitation | 412-10-05-00 |
| 104 | Capital WIP- JNNURM Grant | 412-10-06-00 |
| 105 | Capital WIP - SPUR Grant | 412-10-07-00 |
| 106 | Capital WIP-Fund for Transferred Institution | 412-10-08-00 |
| 107 | Capital WIP-Other Specific Grant | 412-10-99-00 |
| 108 | Special funds | 412-20-00-00 |
| 109 | Specific Schemes | 412-30-00-00 |
| 110 | Investments in bank Fixed Deposits (FDR) | 420-80-01-00 |
| 111 | Fixed Deposits - Special Funds | 421-80-01-00 |
| 112 | Fixed Deposits -Grant | 421-80-02-00 |
| 113 | Fixed Deposits - Loan | 421-80-03-00 |
| 114 | Accumulated Provisions | 421-90-00-00 |
| 115 | Opening Stock - Stores | 430-10-01-00 |
| 116 | Purchase of Material - Stores | 430-10-02-00 |
| 117 | Closing Stock - Stores | 430-10-03-00 |
| 118 | Property Tax (Current) | 431-10-01-00 |
| 119 | Property Tax (Arrears) | 431-10-02-00 |
| 120 | Receivables for Profession Tax - Individual/Firm/Organization /Others- Current | 431-19-01-01 |
| 121 | Receivables for Profession Tax - Individual/Firm/Organization /Others- Arrears | 431-19-01-02 |
| 122 | Receivables for- Advertisement Tax-Current | 431-19-02-01 |
| 123 | Receivables for- Advertisement Tax-Arrear | 431-19-02-02 |
| 124 | Receivable for Fees & User Charges | 431-30-00-00 |
| 125 | Receivable for User Charges | 431-30-01-00 |
| 126 | Receivable for Fees | 431-30-02-00 |
| 127 | Receivable for License Fees-Current | 431-30-02-01 |
| 128 | Receivable for License Fees-Arrear | 431-30-02-02 |
| 129 | Receivable for Advertisement Fees- Current | 431-30-02-03 |
| 130 | Receivable for Advertisement Fees-Arrear | 431-30-02-04 |
| 131 | Receivable for Other Fees- Current | 431-30-02-98 |
| 132 | Receivable for Other Fees- Arrear | 431-30-02-99 |
| 133 | Rent Receivable - Rent from Civic Amenities- Current | 431-40-01-01 |
| 134 | Rent Receivable - Rent from Civic Amenities- Arrear | 431-40-01-02 |
| 135 | Rent Receivable - Rent from Office Buildings- Current | 431-40-01-03 |
| 136 | Rent Receivable - Rent from Office Buildings Arrear - | 431-40-01-04 |
| 137 | Rent Receivable - Rent from Guest Houses- Current- Arrear | 431-40-01-05 |
| 138 | Rent Receivable - Rent from Guest Houses- Arrear | 431-40-01-06 |
| 139 | Rent Receivable - Rent from Lease on Lands -Current | 431-40-01-07 |
| 140 | Rent Receivable - Rent from Lease on Lands-Arrear | 431-40-01-08 |
| 141 | Rent Receivable - Other Rents-Current | 431-40-01-98 |
| 142 | Rent Receivable - Other Rents - Arrear | 431-40-01-99 |
| 143 | Interest accrue & due- Municipal Fund Investments | 431-40-02-01 |
| 144 | Interest accrue & due- Special Fund Investments | 431-40-02-02 |
| 145 | Interest accrue & due-Grant Fund Investments | 431-40-02-03 |
| 146 | Interest accrue & but not due-Municipal Fund Investments | 431-40-03-01 |
| 147 | Interest accrue & but not due - Special Fund Investments | 431-40-03-02 |
| 148 | Interest accrue & but not due- Grant Fund Investments | 431-40-03-03 |

Annexure - 1

| S No. | Accounting Head/Ledger | Code Number |
|-------|--|--------------|
| 149 | Interest due from employee loans | 431-40-06-00 |
| 150 | Other Receivable | 431-40-99-00 |
| 151 | Grants Receivable from Government | 431-50-01-00 |
| 152 | Receivables Control Account - Property Taxes | 431-80-01-00 |
| 153 | Profession tax-Individual (Employees) | 431-80-02-01 |
| 154 | Profession tax - Firms/Organization | 431-80-02-02 |
| 155 | Profession Tax- Others | 431-80-02-03 |
| 156 | Receivables Control Accounts -Advertisement Tax | 431-80-03-00 |
| 157 | Receivables Control Accounts - Electricity Charges | 431-80-05-00 |
| 158 | Receivables Control Accounts- Rent | 431-80-06-00 |
| 159 | Receivables Control Accounts - License Fees | 431-80-07-00 |
| 160 | Receivables Control Accounts -Advertisement Fee | 431-80-08-00 |
| 161 | State Govt Cess/ levies in Property Taxes - Control account | 431-91-00-00 |
| 162 | State Govt Cess/ levies in Other Taxes - Control account | 431-99-00-00 |
| 163 | Provision for outstanding Property Taxes | 432-10-00-00 |
| 164 | Provision for outstanding Profession Tax | 432-12-01-00 |
| 165 | Provision for outstanding Advertisement Tax | 432-12-02-00 |
| 166 | Provision for outstanding Cess | 432-20-00-00 |
| 167 | Provision for outstanding Other User Charges | 432-30-01-02 |
| 168 | Provision for outstanding Fees | 432-30-02-00 |
| 169 | Provision for outstanding Rent Receivable- Rent from Lease on Lands- | 432-40-01-04 |
| 170 | Provision for outstanding Rent Receivable- Other Rent | 432-40-01-99 |
| 171 | Provision for outstanding Other Receivable | 432-40-99-00 |
| 172 | State Govt Cess/ levies in Holding Taxes - Provision Account | 432-91-00-00 |
| 173 | Main A/c. Cash Balance | 450-10-01-00 |
| 174 | Special Fund- Cash Balance | 450-10-02-00 |
| 175 | Grant Funds- Cash Balance | 450-10-03-00 |
| 176 | State Bank of India- 1100111111- Main Municipal Fund | 450-21-01-00 |
| 177 | Balance With Banks Main Municipal Fund- Other Scheduled Banks | 450-22-00-00 |
| 178 | Balance with Bank Special Funds- Nationalized Banks | 450-41-00-00 |
| 179 | Balance with Bank Specific Grant Funds- Nationalized Banks | 450-61-00-00 |
| 180 | Salary Advance | 460-10-01-00 |
| 181 | Loans to Employee | 460-10-99-00 |
| 182 | Employee Provident Fund Loans | 460-20-00-00 |
| 183 | Advance to Suppliers - Advance paid - Municipal Fund | 460-40-01-01 |
| 184 | Advance to Suppliers - Hire Purchase Assets -Municipal Fund | 460-40-01-05 |
| 185 | Advance to Contractors - Advance paid - Municipal Fund | 460-40-02-01 |
| 186 | Advance to Contractors -Materials Issued to Contractors - Municipal Fund | 460-40-02-05 |
| 187 | Advance to Implementing Agencies -Municipal Fund | 460-50-01-01 |
| 188 | Advance to Projects - Municipal Fund | 460-50-02-01 |
| 189 | Other Advances - Municipal Fund | 460-50-99-01 |
| 190 | Deposit Works - Expenditure | 470-10-00-00 |
| 191 | Inter Unit Accounts | 470-20-00-00 |
| 192 | Miscellaneous Expenditure W/O | 480-00-00-00 |
| 193 | Loan Issue Expenses | 480-10-00-00 |
| 194 | Discount on Issue of loans | 480-20-00-00 |
| 195 | Others - Miscellaneous Expenditure to be written off | 480-30-00-00 |

Annexure - 1

4. Liability

| S No. | Accounting Head/Ledger | Code Number |
|-------|---|--------------|
| 1 | General Fund | 310-10-01-00 |
| 2 | Basic Service for Urban Poor | 310-10-02-00 |
| 3 | Water Supply Fund | 310-10-03-00 |
| 4 | Drainage & Sewerage Fund | 310-10-04-00 |
| 5 | Solid Waste Management Fund | 310-10-05-00 |
| 6 | Road Development & Maintenance | 310-10-06-00 |
| 7 | Enterprises Fund | 310-10-07-00 |
| 8 | Other Funds | 310-10-08-00 |
| 9 | Excess of income over Expenditure | 310-90-00-00 |
| 10 | Special Fund-Solid Waste Management Fund | 311-11-00-00 |
| 11 | Special Fund-Relief Fund | 311-12-00-00 |
| 12 | Special Funds utilized | 312-30-00-00 |
| 13 | General Reserve | 312-50-00-00 |
| 14 | Central Government | 320-10-00-00 |
| 15 | Capital Grant for Development | 320-20-01-00 |
| 16 | Capital Grant under SPUR | 320-20-02-00 |
| 17 | Capital Grant under JNNURM | 320-20-03-00 |
| 18 | Capital Grant under BRGF | 320-20-04-00 |
| 19 | Capital Grant under Twelfth Finance Commission | 320-20-05-00 |
| 20 | Loans From Central Government | 330-10-00-00 |
| 21 | Loans from State Government | 330-20-00-00 |
| 22 | Loan from HUDCO | 330-50-02-00 |
| 23 | Loans from Central Government | 331-10-00-00 |
| 24 | Loans from State Government | 331-20-00-00 |
| 25 | Contractor's Earnest Money Deposit -Municipal Fund | 340-10-01-01 |
| 26 | Contractor's Earnest Money Deposit -Specific Grants | 340-10-01-02 |
| 27 | Supplier's Earnest Money Deposit - Municipal Fund | 340-10-01-05 |
| 28 | Contractor's Security Money Deposit -Municipal Fund | 340-10-02-01 |
| 29 | Contractor's Security Money Deposit -Specific Grants | 340-10-02-02 |
| 30 | Supplier's Security Deposit- Municipal Fund | 340-10-02-05 |
| 31 | Contractor's Retention Money Deposit - Municipal Fund | 340-10-03-01 |
| 32 | Supplier's Retention Deposit- Municipal Fund | 340-10-03-05 |
| 33 | Deposits against Rental | 340-20-01-00 |
| 34 | From Staff | 340-30-00-00 |
| 35 | Civil works | 341-10-00-00 |
| 36 | Electrical works | 341-20-00-00 |
| 37 | Other Liabilities | 350-00-00-00 |
| 38 | Creditors | 350-10-00-00 |
| 39 | Contractor 's Control Accounts-Municipal Fund | 350-10-01-01 |
| 40 | Contractor's Control Accounts-Specific Grant | 350-10-01-02 |
| 41 | Contractor's Control Accounts-Special Fund | 350-10-01-03 |
| 42 | Contractor's Control Accounts-Scheme Expend. | 350-10-01-04 |
| 43 | Contractor's Advance Control Accounts-Municipal Fund | 350-10-02-01 |
| 44 | Suppliers Control Accounts-Municipal Fund | 350-10-03-01 |
| 45 | Suppliers Control Accounts-Specific Grant | 350-10-03-02 |
| 46 | Suppliers Control Fund | 350-10-03-03 |
| 47 | Suppliers Control Accounts-Scheme Expenditure | 350-10-03-04 |
| 48 | Suppliers Advance Control Accounts-Municipal Fund | 350-10-04-01 |
| 49 | Creditors For Expenses | 350-10-05-00 |

Annexure - 1

| S No. | Accounting Head/Ledger | Code Number |
|-------|---|--------------|
| 50 | Gross Salary Payable | 350-11-01-00 |
| 51 | Net Salary Payable | 350-11-02-00 |
| 52 | P.F. Payable | 350-11-04-00 |
| 53 | Contribution to Municipal Pension Fund Payable | 350-11-05-00 |
| 54 | Loans | 350-12-01-00 |
| 55 | Recoveries Payable –Employees | 350-20-01-01 |
| 56 | Recoveries Payable – Income Tax Deducted at Source – Salaries | 350-20-01-16 |
| 57 | Income Tax Deducted from Contractors/ Suppliers | 350-20-02-01 |
| 58 | VAT Deducted Payable | 350-20-02-0 |
| 59 | Recoveries Payable - Other Statutory Deduction | 350-20-02-04 |
| 60 | Recoveries Payable - Other Recoveries | 350-20-99-00 |
| 61 | Cess Payable | 350-30-01-00 |
| 62 | VAT Payable | 350-30-03-00 |
| 63 | Other Government Dues Payable | 350-30-06-00 |
| 64 | Refunds payable - Holding Tax | 350-40-01-02 |
| 65 | Advance Collection of Revenues -Holding Tax | 350-41-01-01 |

Annexure – 2

Chart of Functions

| S No. | Functions Head | Code Number |
|-------|--|-------------|
| 1 | Municipal Body | 00-01-00 |
| 2 | Administration | 00-02-00 |
| 3 | Accounts | 00-03-01 |
| 4 | Election | 00-04-00 |
| 5 | Record Room | 00-05-00 |
| 6 | Estate | 00-06-00 |
| 7 | Stores & Purchase | 00-07-00 |
| 8 | Workshop | 00-08-00 |
| 9 | Census | 00-09-00 |
| 10 | City & Town Planning | 10-01-01 |
| 11 | Building Regulation | 10-02-00 |
| 12 | Economic Planning | 10-03-00 |
| 13 | Encroachment Removal | 10-04-00 |
| 14 | Trade License/regulation | 10-05-00 |
| 15 | Roads and Pavement | 20-01-00 |
| 16 | Bridges and Fly over | 20-02-00 |
| 17 | Subways and Causeways | 20-03-00 |
| 18 | Street Lighting | 20-04-00 |
| 19 | Storm Water Drains | 20-05-00 |
| 20 | Traffic Signals/Operations | 20-06-00 |
| 21 | Immunization | 30-01-01 |
| 22 | Mosquito Eradication Programme | 30-02-01 |
| 23 | Prevention of Epidemic Diseases | 30-02-02 |
| 24 | Family Planning | 30-03-00 |
| 25 | Maternity and Child Healthcare Centers | 30-04-01 |
| 26 | Dispensaries | 30-04-02 |
| 27 | Allopathic Hospitals | 30-05-01 |
| 28 | Ayurvedic Hospitals | 30-05-02 |
| 29 | Homeopathy Hospitals | 30-05-03 |
| 30 | Unani Hospitals | 30-05-04 |
| 31 | Sidhha Vaidya | 30-05-05 |
| 32 | Blood Bank | 30-05-06 |
| 33 | Burial and Cremations | 30-06-00 |
| 34 | Birth and Death Registration | 30-07-01 |
| 35 | Marriage Registration | 30-07-02 |
| 36 | Prevention of Food Adulteration | 30-08-00 |
| 37 | Ambulance/Hearse services | 30-09-00 |
| 38 | Solid Waste Management | 40-01-00 |
| 39 | Public Convenience | 40-02-00 |
| 40 | Veterinary Services | 40-03-00 |
| 41 | Cattle Pounding | 40-04-00 |
| 42 | Slaughter House | 40-05-00 |
| 43 | Water Supply | 50-01-00 |
| 44 | Sewerage | 50-02-00 |
| 45 | Fire Services | 50-03-00 |
| 46 | Art & Culture | 50-04-00 |
| 47 | Town Hall | 50-05-01 |
| 48 | Stadium | 50-06-01 |
| 49 | Museums | 50-07-00 |
| 50 | Complexes | 50-08-01 |

Annexure – 2

Chart of Functions

| | | |
|-----|--|----------|
| 51 | Bus Stands | 50-09-01 |
| 52 | Lorry, Taxi, Auto, Other Vehicle Stands | 50-09-02 |
| 53 | City Ferries | 50-09-03 |
| 54 | Public Libraries | 50-09-04 |
| 55 | Park, Grounds | 60-01-00 |
| 56 | Play Grounds | 60-02-00 |
| 57 | Lakes & Ponds | 60-03-00 |
| 58 | Urban Forestry | 60-04-00 |
| 59 | Environment Conservation | 60-05-00 |
| 60 | Zoos | 60-06-00 |
| 61 | Welfare of Women (Blocked) | 70-01-00 |
| 62 | Welfare of Children (Blocked) | 70-02-00 |
| 63 | Welfare of Aged | 70-03-00 |
| 64 | Welfare of Handicapped | 70-04-00 |
| 65 | Welfare of SC/ST/OBC (Blocked) | 70-05-00 |
| 66 | Slum Improvement | 70-06-00 |
| 67 | Urban Poverty Alleviation | 70-08-00 |
| 68 | Public Distribution | 70-09-01 |
| 69 | Social Security Pension | 70-09-02 |
| 70 | Municipal Shelter Homes | 70-09-03 |
| 71 | Employment | 70-09-04 |
| 72 | Youth Welfare | 70-09-05 |
| 73 | Old Age Schemes | 70-09-06 |
| 74 | Project for Physically and Mentally Disabled | 70-09-07 |
| 75 | Orphanages | 70-09-08 |
| 76 | Labor and Laborer Welfare | 70-09-09 |
| 77 | Welfare of Women | 71-00-00 |
| 78 | Welfare of Children | 72-00-00 |
| 79 | Welfare of Scheduled Castes | 75-00-00 |
| 80 | Welfare of Scheduled Tribes | 76-00-00 |
| 81 | Generation of Electricity | 80-01-01 |
| 82 | Protection of Energies | 80-01-02 |
| 83 | Traditional Energy | 80-01-03 |
| 84 | Inland Water Transport | 80-02-01 |
| 85 | Facility for Pilgrims | 80-04-00 |
| 86 | Co-operation | 80-09-01 |
| 87 | Soil & Water Conservation | 80-09-02 |
| 88 | Flood Control | 80-09-03 |
| 89 | Tourism | 80-09-04 |
| 90 | Others | 80-09-05 |
| 91 | Agriculture | 81-00-00 |
| 92 | Animal Husbandry | 82-01-00 |
| 93 | Dairy Farming | 82-02-00 |
| 94 | Minor Irrigation | 83-00-00 |
| 95 | Fisheries | 84-00-00 |
| 96 | Sports and Culture affairs | 85-00-00 |
| 97 | Small Scale Industries | 86-00-00 |
| 98 | Property Tax | 90-01-00 |
| 99 | Octroi/Entry Cess | 90-02-00 |
| 100 | Advertisement Tax | 90-03-00 |
| 101 | Professional Tax | 90-04-00 |
| 102 | Tax on Animals | 90-05-00 |
| 103 | Tax on Vehicles | 90-06-00 |
| 104 | Toll | 90-07-00 |
| 105 | Entertainment Tax | 90-08-00 |
| 106 | Other Taxes | 90-09-00 |

S K Patodia & Associates
CHARTERED ACCOUNTANTS