Unit – V (Introduction to Government Accounting)

Government Accounting : Government accounting refers to the manner of keeping accounts and conduct of audit of government departments, government undertakings and government companies.

Government accounting is the accounting system which is basically concerned with financial administration of government offices, departments and agencies. Government collects revenue from various sources and spends it for administrative, developmental, defense and other activities. Government is involved in mobilization of resources from various sources which are allocated to these activities through plans, programmes and budgets. It is the duty of the proper authorities to keep records of collection of funds, their allocation for utilization (spending) and audit thereof. All these are referred to as Government Accounting.

Features of Government Accounting :

1. The government accounts are based on the annual budgets.
2. The governments accounts are mainly related to consolidated fund of India, contingency fund and public account.
3. The accounts are mainly based on cash basis. Only actual receipts and payments made during the year are recorded.
4. The accounts of Government Commercial Undertakings are maintained on accrual basis to comply with the provisions of the companies act.
5. Single entry is followed to keep the records of the transactions relating to non commercial nature.
6. The constitution requires revenue and capital expenditures to be shown separately in the budget.

Objective of Government Accounting :

1. **To provide information on achievement of budget targets :** The important objectives of Government Accounting is to provide information on achievement of budget targets. This is done by providing information on (i) head wise budgeted amount of resources to be collected and to be spent, (ii) head wise revised budgeted

amount of resources to be collected and to be spent and (iii) head wise actual amount of resource collected and spent.

2. **To provide information about revenue :** The important objectives of Government Accounting is to provide adequate, timely and classified information about revenues generated from various sources. The Government revenues are classified into (i)tax revenues and (ii) non tax revenues.
3. **To provide information about expenditure :** Another objectives of government accounting is to provide information about expenditure made by various government offices, departments and agencies.
4. **To provide information on loans and advances :** The government also provides loans to different individuals and institutions from time to time. This accounting information will enable the people to have an idea about the government debt position and the interest burden as being faced by the country.
5. **To provide information about availability of cash :** Governments transacts on collection and spending of funds, i.e. cash are performed through a wide range of network. Hence there may be a gap between cash receipts and availability of cash for meeting expenses. Timely and proper information on cash availability must flow from one end to another to take proper decision.
6. **To provide information about foreign exchange :** In addition to the above mentioned objectives of government accounting also provides information about government borrowings in the form of foreign currency and assistance received from foreign country.

General principles of Government Accounting :

1. **Principle of verifiability :** The accounting system should be devised in such a way that each item of record can be verified with proper documentary evidence so that effective system of internal audit and control can be operated smoothly.
2. **Principle of transparency :** The government accounting system should be transparent enough that should provide full disclosure of financial results, including measurement of revenue and the cost of activities, programmes and organizations.
3. **Principle of budget conformity :** Accounts should be related to budget accounts, which embody requests for expenditure. As tool of fiscal control, budgeting and accounting must be components of an integral system.

4. **Principle of reliability :** Government accounting shall be maintained in such a manner that relevant information for planning and direction is available to the management at all levels on time. It should also provide information necessary for economic analysis and planning of Government activities.
5. **Principle of custodianship :** Accounts must be set forth in such a way as to permit a determination of the adequacy of custodianship of moneys and assets under the responsibility of administrative officials. It should also enable an independent audit extending to all records, funds, securities and property.
6. **Principle of compliance :** The accounting system should be comply with the legal provisions. It should also comply with the Accounting Standards issued by the Government Accounting Standards Advisory Board (GASAB).

Difference between government accounting and commercial accounting :

1. Meaning : The accounting system maintained by the government offices is known as government accounting. But, the accounting system maintained by business organizations is known as commercial accounting.

2. Objective : Government accounting is maintained by the government offices to know the position of public fund. But, Commercial accounting is maintained by business organizations to know the profit or loss and the financial position of the business.

3. Budget : Government accounting strictly follows the government budgeting system. But, commercial accounting does not follow the government budgeting system.

4. Basis : Government accounting is prepared on cash basis. But, Commercial accounting is prepared on cash as well as accrual basis.

5. Level of Accounting : Government accounting has the system of central level and operating level accounting. But, Commercial accounting has no provision of central level and operating level accounting.

6. Rules and Provisions : Government accounting is strictly maintained by following the financial rules and provisions of government. But, Commercial accounting is maintained by following the rules and principles of 'Generally Accepted Accounting Principles'.

7. Information : Government accounting provides information to the government about the receipts, transfer and deposition of public funds. But, Commercial accounting provides information to the concerned parties about the operating result and financial position of the business.

8. Auditing : An Auditor General Office audits the book of accounts kept under government accounting. But, A professional auditor can audit the books of accounts kept under commercial accounting.

Government Accounting Standards Advisory Board (GASAB) :

Government of India has accepted the proposal forwarded by the Comptroller and Auditor General of India for establishment of Government Accounting Standards Advisory Board (GASAB) for the union and the states in order to establish and improve standards of Government Accounting and Financial Reporting and enhance accountability mechanisms. Accordingly, the Comptroller and Auditor General of India is authorized to constitute a Government Accounting Standards Advisory Board (GASAB). The following are the responsibilities of Government Accounting Standards Advisory Board (GASAB) :

1. To formulate and propose standards that improve the usefulness of financial reports based on the need of financial report users.
2. To keep the standards current and reflect changes in the governmental environment.
3. To provide guidance on implementation of standards.
4. To consider significant areas of accounting and financial reporting that can be improved through the standard setting process.
5. To improve the common understanding of the nature and purpose of information contained in financial reports.
6. To establish and improve Standards of Government accounting and financial reporting in order to enhance accountability mechanisms.

Composition of GASAB :

The following is the composition of the GASAB:

i. Deputy Comptroller and Auditor General as Chairperson
ii. Controller General of Accounts, Ministry of Finance, Government of India

iii. iii. Financial Commissioner, Railways, Ministry of Railways, Government of India.
iv. Controller General of Defence Accounts, Ministry of Defence, Government of India.
v. Secretary (Posts), Department of Posts
vi. Member (Finance), Department of Telecommunications
vii. Additional Secretary (Budget), Ministry of Finance, Government of India
viii. Deputy Governor, Reserve Bank of India or his/ her nominee.
ix. Director General, National Council of Applied Economic Research (NCAER), New Delhi.
x. President, The Institute of Chartered Accountants of India (ICAI), or his/her nominee
xi. President, The Institute of Cost and Works Accountants of India (ICWAI)

Objectives of GASAB :

1. The objective of the GASAB is to formulate Standards relating to accounting and financial reporting by the Union, the States and Union Territories with Legislature.
2. The Standards so formulated by GASAB are recommended to the Government of India for notification in accordance with the provisions of the Constitution. 6. The GASAB shall have, inter alia,