

Chapter 7

Format of Accounts of Autonomous Bodies

Format of Accounts

7.01: Autonomous Bodies under Government of India are required to compile their accounts from the accounting year 2001-02 in a Uniform Format of accounts as prescribed by Government of India, Ministry of Finance as given in Vol. II of this Manual. In case of autonomous bodies governed by separate Acts, where CAG is the sole auditor, this format has been made applicable which were exempted earlier. The uniform format of accounts is also available on web: http://cga.nic.in/pdf/uniform_format_of_Accounts.pdf and http://audit.delhigovt.nic.in/audit_8.pdf

7.02: Non- compilation of annual accounts in the Uniform Format may be commented upon in the SAR after ascertaining the status of switch over from the autonomous body concerned.

7.03: The Ministry of Shipping (Ports Wing) has prescribed standard norms of accounting for the Major Port Trusts in consultation with the CAG. The new Accounting framework for financial reporting has been made applicable from the financial year 2003-04. The details of the norms etc. in the matter are available in Vol. II of this manual under Common Framework for Financial Reporting. This is also available on web: http://www.cag.gov.in/html/port_trust.pdf

7.04: The autonomous bodies under State Governments may follow the format of accounts as prescribed in the respective Acts governing the bodies.

Components of Financial Statements

7.05: The Annual Financial Statements of the Central autonomous bodies consist of the following statements, prepared and presented in the formats and in the manner as provided in the Uniform Format of accounts :

- i) Balance Sheet;
- ii) Income and Expenditure Account;

- iii) Schedules to the above Financial Statements;
- iv) Disclosure of 'Significant Accounting Policies';
- v) Disclosure of other information through 'Notes to Accounts';
- vi) Statement of Receipts and Payments.

7.06: Each component of the Financial Statements is required to contain financial information for the current year with corresponding figures of the previous year. The amounts are to be rounded off as per instructions given in Uniform Format of accounts.

Fundamental Accounting Assumptions

7.07: Certain fundamental accounting assumptions underlie the preparation and presentation of financial statements. These assumptions though, are not usually stated in the financial statements, a disclosure is necessary if they are not followed. The following are the accepted fundamental accounting assumptions:

- **Going concern:** The entity is normally viewed as a going concern, that is, as continuing in operation for the foreseeable future. It is assumed that the entity has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operation.
- **Consistency:** It is assumed that accounting policies are followed consistently from one accounting period to another. A change in accounting policy is made only in exceptional circumstances.
- **Accrual basis:** It is the method of recording transactions by which revenues, costs, assets and liabilities are recognised in the accounts in the period in which they accrue, i.e. when they occur rather than when cash or cash equivalent is received or paid. This results in matching the accomplishments (i.e. revenues) with the efforts (i.e. costs) in the Profit and Loss Account / Income and Expenditure Account.

Salient features of the Uniform Format of accounts

7.08: The following are the salient features of the Uniform Format of accounts of the Central Autonomous Bodies:-

- **One standard format of accounts:** All the Central Autonomous Bodies / Authorities are required to prepare their Financial Statements in a standard format.
- **Additional Information:** Additional information wherever necessary may be given within Uniform Format of accounts. To avoid rigidity in approach for preparation of financial statements flexibility has been given in the preparation of accounts. Keeping in view any special features applicable in certain cases and specialised entities, the statements may be prepared in the formats, as near to the common format, as possible. This format therefore intend to give an overall structure in which the autonomous organisations are expected to generate necessary information for the management, the Government and other users of financial information.
- **Schedules forming part of financial statements :** The schedules have been so designed that they will provide adequate disclosure of all significant accounting information of the entity.
- **The concepts of Accrual System of Accounting and Going Concern:** The concepts of 'Accrual System of Accounting' and 'Going Concern' are the underlying assumptions while preparing the common format of accounts.
- **Depreciation on Fixed Assets:** As the format is based on 'Accrual Basis of Accounting', depreciation is required to be recognized and provided for in the period in which the depreciable assets are used and over the useful life of the assets.

Accounting Principles and Instructions

7.09: The following principles of accounting should be kept in view while preparing the accounts by the autonomous bodies: -

- **Consistency in following the accounting principles and policies:** All significant accounting policies adopted in preparation of financial statements should be disclosed. Accounting policies as followed by the autonomous body concerned shall be applied consistently from one financial year to the next. Otherwise the

financial implication of any change in accounting policy in the year shall be quantified as far as possible and disclosed in the financial statements. Where such amount is not ascertainable, wholly or in part, the fact shall be disclosed.

- **Substance over form:** The accounting treatment and presentation in the Balance Sheet and the Income and Expenditure Account, of transactions and events shall be governed by their substance and economic reality, not merely by the legal form.
- **Concept of Materiality:** The relevance of information is affected by its materiality. In determining the accounting treatment and manner of disclosure of an item in the Balance Sheet and/or the Income and Expenditure Account, due consideration shall be given to the concept of materiality.
- **Provisions:** Provision shall be made for all known liabilities and losses even though the amount cannot be determined with substantial accuracy.
- **Provision for Contingent Loss:** Provision shall also be made for any contingent loss, if any, probable future event will confirm the incidence of loss or incurring a liability at the Balance Sheet date. Otherwise the existence of the contingent loss shall be disclosed by way of a note to the accounts. The excess of the provision over the amount of reasonably anticipated loss / liability shall be treated as a reserve and not as a provision.
- **Revenue recognition :**

Revenue shall not be recognised unless:

- (a) the related performance has been achieved; and property in the goods along with all significant risks and rewards of ownership have been transferred for a price.
- (b) no significant uncertainty exists regarding the amount of the receivable consideration; and
- (c) it is not unreasonable to expect realisation and ultimate collection of the amount of revenue.

- Separate disclosure for prior period items and extra-ordinary items shall be made in the Income and Expenditure Account in a manner that their impact on the current year's working results can be perceived.
- Any item under the head "Miscellaneous Income/expenditure" which exceeds one per cent of the total turnover/gross income of entity or Rs.50,000/- whichever is higher shall be classified and accounted for as a separate and distinct item under an appropriate head of account.

Accounting Standards

7.10: The common format of accounts as referred to in Para 7.01 and 7.03 of the Manual, has been prepared keeping in view the Accounting Standards issued by Institute of Chartered Accountants of India (ICAI), relating to various requirements of recognition, measurement, presentation and disclosure of accounting transactions and events. The purpose of accounting standards is to ensure that financial statements are prepared in accordance with generally accepted accounting principles and practices and to ensure, to the extent possible, comparability of information contained in the financial statements of various entities. It is, therefore, necessary for the auditors of autonomous bodies to have the knowledge of these Accounting Standards. For this purpose the auditors concerned may refer to the Compendium of Accounting Standards published by the Institute of Chartered Accountants of India. A list of Accounting Standards issued so far by ICAI is given in Annexure 3.

Treatment of accounts not submitted in prescribed format

7.11 In case the state of accounts submitted to Audit is not satisfactory and / or the body is not submitting the accounts in complete form in spite of the deficiencies being pointed out to it, this matter may be brought to the notice of the Government and a suitable comment included in the Audit Report. Where the accounts submitted are not in the prescribed form or the forms to be prescribed are under consideration, it would be preferable to finalise the certification of accounts and issue of audit report without insisting on the accounts being recast in the forms prescribed or to be prescribed provided there are no practical or other difficulties in doing so, but appropriate qualifications would have to be made in the Audit Report.

It may be ensured that there is no delay in certification of accounts and issue of audit reports only on the ground that the accounts have not been compiled in the prescribed forms.