

HARYANA GOVERNMENT
URBAN LOCAL BODIES DEPARTMENT

Notification

The 20th May, 2025

Haryana Municipal Account Code, 2025
Under Haryana Municipal Act, 1973
and
Haryana Municipal Corporation Act, 1994
PART-I

No. S.O. 45/H.A.24/1973/S.257/2025. -- In exercise of powers conferred under sub-sections (1) and (3) of section 257 of Haryana Municipal Act, 1973 (24 of 1973) and with reference to the Haryana Government, Urban Local Bodies Department notification No. S.O.7/H.A.24/1973/S.257/2025, dated the 3rd February, 2025, the Governor of Haryana hereby makes the Municipal Account Code to regulate the accounting procedures of all Municipal Corporations, Municipal Councils and Municipal Committees in the State of Haryana, namely:-

CHAPTER-1

General

Short title, extent and commencement

- 1.1 This Code may be called the Haryana Municipal Account Code, 2025.
- 1.2 It extends to all the municipalities falling in State of Haryana.
- 1.3 It shall come into force on the date of its publication in the Official Gazette.

1.4 Definitions

In this Code, unless the context otherwise requires, -

- 1.(4.1) “**account**” means a formal record of a particular type of transaction expressed in money or another unit of measurement and kept in a ledger;
- 1.(4.2) “**accountant**” means any senior employee of the Municipality entrusted with the responsibility of accounting of incomes, expenditures and assets and liabilities of the Municipality, irrespective of the cadre to which the employee belongs;
- 1.(4.3) “**accounting entry**” means a record of the financial transaction in the books of account like a journal, ledger or cash book etc;
- 1.(4.4) “**head of accounts branch**” means any officer who is in-charge of the Accounts branch of the Municipality entrusted with the responsibility of accounting the incomes, expenditures, Assets and Liabilities of the Municipality;
- 1.(4.5) “**amount payable**” means an amount owed by a Municipality on account of goods purchased or services received or in respect of contractual obligations; also termed as a trade creditor or sundry creditors;
- 1.(4.6) “**accounting period**” means the period for which an account statement is customarily prepared (Generally from 1st April to 31st March);
- 1.(4.7) “**accounting principles**” means the general principle and procedure under which the accounts of a Municipality are maintained. An accounting principle is an adaptation or special application of a principle necessary to meet the peculiarities of a Municipality or the needs of its management;
- 1.(4.8) “**amount receivable**” means amounts due from a person from whom amounts are due for goods sold, or services rendered or due in respect of statutory levies or in respect of contractual obligations and included debt or, trade debtor and sundry debtor. The words ‘Receivables’ and ‘Debtors’ are used interchangeably;
- 1.(4.9) “**accounting unit**” means a zone, circle, division, project or ward office identified by the Municipality as a unit for maintenance of accounting records;
- 1.(4.10) “**accounting year**” means the Financial Year as prescribed by the State Government.

- 1.(4.11) **“accrual”** means recognition of revenues and costs as they are earned and incurred and includes recognition of transactions relating to assets and liabilities irrespective of the actual receipts and payments;
- 1.(4.12) **“accrual basis of accounting”** means the method of accounting whereby revenues and expenses are identified with specific periods such as a month or year and are recorded as accrued or incurred along-with acquired assets without regard to the date of receipt or payment of cash distinguished from cash basis;
- 1.(4.13) **“accrued or due”** in respect to an asset or a liability it means “a claim which has become enforceable arising out from the sale or purchase of goods/services, contractual/statutory obligation or otherwise and has become receivable or payable, in respect to an income or an expenditure it means the amount earned or incurred in an accounting period for which a claim has become enforceable and it arises from the sale or purchase of goods/services, contractual obligation or from constitution power or function entrusted by Government or Law to local governance or otherwise and has become receivable or payable”;
- 1.(4.14) **“accrued but not due”** in respect to an asset or a liability it means a claim which has not yet become enforceable which accumulates with the passage of time or arises from the sale purchase of goods or rendering of services which, on the date of period-end, have been partly performed and are not yet receivable or payable and with respect to an income or an expense, it means the amount earned or incurred in an accounting period, but for which no enforceable claim has become due in that period. It accumulates with time or arises from the sale or purchase of goods/ services which on the date of accounting, have been partly performed and are not yet receivable or payable;
- 1.(4.15) **“accumulated depreciation”** means the total up to date periodic depreciation charges on depreciable assets from the date of purchase/put to use;
- 1.(4.16) **“act”** means the Haryana Municipal Act, 1973 (24 of 1973), or Haryana Municipal Corporation Act 1994 (16 of 1994), as the case may be;
- 1.(4.17) **“adequate funds”** means minimum municipal fund balance to be maintained by Municipalities to ensure its financial stability and regular payment of salary and allowance for three months to its employees;
- 1.(4.18) **“administrative department”** means the Department of Government in Urban Local Bodies;
- 1.(4.19) **“administrative approval”** means the formal acceptance by the department of the proposal for an original work (other than a petty work) to be undertaken for the department either by the Engineering Branch or any other Branch to which the work has been assigned;
- 1.(4.20) **“advance”** means a payment made on account of, but before completion of a contract or before the acquisition of goods or receipt of services;
- 1.(4.21) **“amortization”** means the gradual and systematic writing off of an asset or an account over an appropriate period. The amount on which amortization is provided is referred to as amortizable amount. Depreciation accounting is a form of amortization applied to depreciable assets. Depletion accounting is another form of amortization applied to waste assets. Amortization also refers to gradual extinction or provision for the extinction of debt by gradual redemption or sinking fund payments or the gradual writing off to revenue of miscellaneous expenditure carried forward;
- 1.(4.22) **“annual report”** means a statement of the financial condition and operating results of a Municipality, prepared yearly for submission to interested parties; summarizing its operations for the preceding year and including a balance sheet, income and expenditure statement, cash flow statement and often a receipts and payments statement and the auditor's report, together with comments by the Chief Municipal Officer/Chairperson on the year's operations;
- 1.(4.23) **“assets”** means tangible assets, objects or intangible rights owned by the municipality and carrying probable future benefits;
- 1.(4.24) **“assigned revenue”** means the revenues in the nature of a share in the revenues of the State Government, to compensate for certain losses in revenue and arrangement of resources of the municipalities to meet their administrative and development cost and is determined on the basis of the revenues collected by Municipalities and the recommendations of the State Finance Commissions and devolution of funds to municipalities;
- 1.(4.25) **“asset replacement fund”** means a fund created for replacement of an asset. The fund shall normally be equal to the amount of depreciation provided on the fixed assets and shall be utilized only for replacement of those fixed assets or for any other purpose as resolved by the Municipalities;

- 1.(4.26) **“auditor”** means Auditor in the establishment of the Examiner, Local Fund Auditor Haryana (Now Director, Local Audit) or **State Government in Finance Department** to audit the accounts of Municipality;
- 1.(4.27) **“bad debts”** means debts owed to the municipalities, which are considered to be irrecoverable, e.g., arrears of taxes, fees, and other revenue left uncollected and considered to be irrecoverable;
- 1.(4.28) **“balancing”** means a balance of an account, debit, and credit which are totalled up separately and the difference is ascertained. This difference is put on the side that is lower to balance the two sides of an account;
- 1.(4.29) **“balance sheet”** means a statement of the financial position of a Municipality as at a given date, which exhibits its assets, liabilities, capital, reserves and other account balances at their respective book values;
- 1.(4.30) **“bank book”** means a book of original entry for recording transactions about Bank Accounts of the Municipality;
- 1.(4.31) **“bank reconciliation statement”** means a statement which reflects the nature and amount of transaction, not responded either by the Municipality or by the Bank as on a particular date. Such a statement may also reflect errors/omissions in the recording of the transaction between the Municipality and the Bank;
- 1.(4.32) **“books of original entry”** means a record book recognized by law or custom, in which transactions are successively recorded, and which is the source of postings to ledgers; Books of original entry include General and special journals, such as Cash and Bank books;
- 1.(4.33) **“budget”** means a quantitative plan of activities and programs expressed concerning money in respect of assets, liabilities, revenues, and expenses and shall express the municipality goals regarding specific financial and operating objectives. The budget shall be prepared in formats as prescribed;
- 1.(4.34) **“budget grant”** means the total sum entered on the expenditure side of a budget estimate under a major head and adopted by the municipality, and includes any sum by which such budget grant is increased or reduced by transfer from or to other heads in accordance with the provisions of the Haryana Municipal Act 1973 (24 of 1973) and Haryana Municipal Corporation Act, 1994 (16 of 1994), and the rules and the regulations made thereunder;
- 1.(4.35) **“CAG”** means the Comptroller and Auditor General of India appointed under article 148 of the Constitution of India;
- 1.(4.36) **“capitalization”** means an expenditure for a fixed asset or addition to it that has the effect of enlarging physical dimensions, increasing productivity, lengthening future life or lowering future costs;
- 1.(4.37) **“capital expenditure”** means expenditure incurred for fixed assets creation and additions to it including expenditure that adds fixed asset units or that has the effect of improving the capacity, efficiency, life span or economy of operations of an existing asset;
- 1.(4.38) **“capital work in progress”** means expenditure on capital assets which are in the process of construction or completion;
- 1.(4.39) **“cash book”** means a book of original entry for cash receipts, disbursements/ payments or both;
- 1.(4.40) **“cash flow statement”** means a financial statement prepared for an accounting period to depict the inflows and outflows of cash and cash equivalents of an enterprise. It reports cash flows classified by operating, investing and financing activities;
- 1.(4.41) **“casting”** means totalling of amounts in the books of accounts;
- 1.(4.42) **“casual vacancy”** means a vacancy occurring otherwise than by efflux of time in the office of a member or in any other elective office;
- 1.(4.43) **“chairperson”** means Mayor in case of Municipal Corporation or President in case of Municipal Council or Municipal Committee
- 1.(4.44) **“chartered accountant”** means chartered accountant within the meaning of the Chartered Accountant Act, 1949 (Central Act 38 of 1949);
- 1.(4.45) **“chief administrator”** means the Chief Administrator of the board as defined in section 5A of Haryana Municipal Act, 1973 (24 of 1973) or Chief Administrator of the Haryana Slum Clearance Board and Haryana Urban Infrastructural Development Board ;
- 1.(4.46) **“chief engineer”** means an engineer appointed as such by the State Government;
- 1.(4.47) **“chief municipal officer”** means Commissioner in case of Municipal Corporations, Chief Executive Officer (CEO) in case of District Headquarter Municipal Councils, Executive Officer (EO) in case of all other Municipal Councils and Secretary in case of Municipal Committees;

- 1.(4.48) **“chart of account”** means a unique numeric or alphanumeric identification given to each account to facilitate classification and ease of recording;
- 1.(4.49) **“commissioner”** means Commissioner of the Corporation appointed by the State Government;
- 1.(4.50) **“contingent liability”** means an obligation relating to an existing condition or situation which may arise in future depending on the occurrence or non-occurrence of one or more uncertain future event(s);
- 1.(4.51) **“contra entry”** means an item on one side of an account which offsets fully or in part one or more items on the opposite side of the same account;
- 1.(4.52) **“control account”** means an account in the general ledger that consists of related sub-accounts. The total of the related sub-accounts shall match with the balance in the related control account;
- 1.(4.53) **“corrupt practice”** means any of the practices specified under rule 73 of the Haryana Municipal Elections Rules, 1978 framed under the Haryana Municipal Act, 1973 (24 of 1973) or specified under section 22 of the Haryana Municipal Corporation Act, 1994 (16 of 1994);
- 1.(4.54) **“cost”** means the amount of expenditure incurred on or attributable to a specified article, product and activity
- 1.(4.55) **“cost of acquisition”** means the cost of an asset comprising its purchase price and includes import duties and other non-refundable taxes, and any directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price;
- 1.(4.56) **“cost of investment”** means the amount of expenditure incurred on or attributable to the purchase/acquisition of an investment and it includes acquisition charges such as brokerage, fees, and duties;
- 1.(4.57) **“credit”** means a book keeping entry recording the reduction or elimination of an asset or an expense, or the creation of or addition to liability or item of net worth or revenue; an entry on the right side of an account; the amount so recorded;
- 1.(4.58) **“current assets”** means cash and other assets that are expected to be converted into cash or consumed in the rendering of services in the normal course of operations of the Municipalities normally within twelve months;
- 1.(4.59) **“current liability”** means liability including loans, deposits and bank overdrafts which fall due for payment in a relatively short period, normally not more than twelve months;
- 1.(4.60) **“debenture”** means a formal document constituting acknowledgment of a debt by a Municipality, usually given under its common seal and normally containing provisions regarding payment of interest, repayment of principle and security, if any and it is transferable in the appropriate manner;
- 1.(4.61) **“debit”** means the goods or benefit received from a transaction; a book-keeping entry recording the creation of or addition to an asset or an expense, or the reduction or elimination of a liability, or item of net worth or revenue, an entry on the left side of an account, the amount so recorded;
- 1.(4.62) **“deferred revenue expenditure”** means an expenditure for which payment has been made or a liability incurred but which is carried forward on the presumption that it shall be of benefit over a subsequent period or periods. This is also referred to as Deferred Expenditure;
- 1.(4.63) **“deficit”** means the excess of expenditure over income of the Municipality for the accounting period under consideration;
- 1.(4.64) **“depreciable amount”** means the historical cost or other amount substituted for the historical cost of a depreciable asset in the financial statements less the estimated residual value;
- 1.(4.65) **“depreciable asset”** means an asset which is expected to be used during more than one accounting year, has a limited useful life, and is held by the Municipalities for use in the supply of goods and services, for rental to others, or for administrative purposes and not for the purpose of sale in the ordinary course of operations of the Municipality;
- 1.(4.66) **“depreciation”** means a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, effluxion of time or obsolescence through technology and market changes. It is allocated to charge a fair proportion in each accounting period during the useful life of the asset. It includes amortization of assets whose useful life is predetermined and depletion of wasting assets;
- 1.(4.67) **“depreciation method”** means the arithmetic procedure followed in determining a provision for depreciation (an expense) and maintaining the accumulated balance;
- 1.(4.68) **“district municipal commissioner”** means the District Municipal Commissioner as defined under Haryana Municipal Act, 1973 (24 of 1973);

- 1.(4.69) “**depreciation rate**” means a percentage which when applied to the depreciable amount shall yield depreciation expense for a year;
- 1.(4.70) “**dividend income**” means an income received from investments by a Municipality in shares/units;
- 1.(4.71) “**divisional commissioner**” means the Commissioner of the Division in which the Corporation is situated and includes any other officer appointed by the Government to perform all or any of the functions of the Divisional Commissioner under this Act;
- 1.(4.72) “**director of urban local bodies**” means office of Director General/Director, Urban Local Bodies Haryana;
- 1.(4.73) “**drawing and disbursing officer**” means the head of the office or any person designated by Government or any competent authority to exercise the power of drawing and disbursing officers;
- 1.(4.74) “**earmarked funds**” means the funds representing special funds to be utilized for specific purposes;
- 1.(4.75) “**employee**” means an Officer or officials appointed by Government of Haryana/ Director Urban Local Bodies/ District Municipal Commissioner/ Deputy Commissioner/ Chief Municipal Officer of Municipality and include any Government servants in foreign service under the Municipalities but does not include the elected/ nominated persons;
- 1.(4.76) “**entertainment**” shall have the same meaning as defined under the Haryana Municipal Entertainment Duty Act, 2019 (30 of 2019);
- 1.(4.77) “**executive engineer**” means an engineer appointed as such by the State Government;
- 1.(4.78) “**expenses**” means a cost relating to the operations of an accounting period or to the revenue earned during the period or the benefits of which do not extend beyond that period;
- 1.(4.79) “**finance commission**” means the Finance Commission constituted by the State Government under articles 243 I and 243 Y of the Constitution of India;
- 1.(4.80) “**financial statement**” means the annual accounting reports prepared under the fund based double-entry accrual accounting system that contains a balance sheet, income, and expenditure statement, cash flow statement, often a receipts and payments statement or any other supporting statement or other presentation of financial data derived from accounting records;
- 1.(4.81) “**finished goods**” means the goods held for sale in the ordinary course of business.;
- 1.(4.82) “**fixed assets**” means an asset held to provide services and which is not held for resale in the normal course of operations of the Municipality;
- 1.(4.83) “**fixed deposit**” means a deposit for a specified period and at a specified rate of interest;
- 1.(4.84) “**folio reference**” means a page number or voucher or another number in a book or document of original or final entry, which refers to the disposition or source of entry or posting;
- 1.(4.85) “**form**” means form prescribed in this Haryana Municipal Account Code 2025 or any other forms prescribed with the approval of Local Audit Department, Haryana;
- 1.(4.86) “**fund**” means the Municipal Fund of Corporation constituted under the Haryana Municipal Corporation Act, 1994 (16 of 1994) or all the Municipal fund of Councils and Committee constituted under the Haryana Municipal Act 1973 (24 of 1973) or a separate fund created for an activity for which separate Books of Accounts and Financial Statements are required to be prepared, as per orders of the State Government;
- 1.(4.87) “**goods**” means every kind of moveable property and includes stock and shares, growing crops, grass, and things attached to or forming part of the land, which is agreed to be severed before sale or under the contract of sale. Actionable claims and money are not included in the definition of goods;
- 1.(4.88) “**goods and service tax**” shall have the same meaning as defined in article 366 (12A) of the Constitution of India;
- 1.(4.89) “**government**” means the Government of the State of Haryana
- 1.(4.90) “**grant**” means the assistance by the State Government or Central Government or any organization, authority in cash or kind to a Municipality for past or future compliance with certain conditions excluding those forms of government assistance which cannot reasonably have a value placed upon them and transactions with the government which cannot be distinguished from the normal transactions of the Municipality;
- 1.(4.91) “**gross block**” means the total cost of acquisition/purchase of all the fixed assets of the Municipality;
- 1.(4.92) “**head of the department**” means the office of Director General/ Director Urban Local Bodies Haryana;

- 1.(4.93) **“hire purchase agreement”** means a contract in which a person hires goods for a specified period and at a fixed rent, with the added condition that if he shall retain the goods for the full period and pay all the instalments of rent as they become due the contract shall determine and the title vest absolutely in him;
- 1.(4.94) **“ICAI”** means the Institute of Chartered Accountants of India;
- 1.(4.95) **“immovable property”** means land, benefits arising out of land and things attached to the earth, or permanently fastened to anything attached to the earth;
- 1.(4.96) **“income”** means the money or money equivalent earned or accrued during an accounting period, increasing the total of previously existing net assets, and arising from the provision of any type of services, constitution power, statutory levies, and rentals. Income includes not only the amount received or receipts but also the amount receivable under the accrual accounting system;
- 1.(4.97) **“income and expenditure statement”** means a financial statement, prepared by the Municipalities, to present their revenues and expenses for an accounting period and to show the excess of revenues over expenses or vice-versa for that period. It is similar to the profit and loss statement and is also called a revenue and expense statement;
- 1.(4.98) **“interest”** means the service charge for the use of money or capital, paid at agreed intervals by the user, and commonly expressed as an annual percentage of the outstanding principal;
- 1.(4.99) **“investments”** means assets held not for operational purposes or rendering services, i.e., assets other than fixed assets or current assets (e.g., Securities, shares, debentures, immovable properties);
- 1.(4.100) **“inter unit transaction”** means the transactions between one or more accounting units of the Urban Local bodies;
- 1.(4.101) **“infrastructure assets”** means those assets with the characteristics of being, a part of a system or network, specialized in nature and did not have alternative uses, immovable, and subject to constraints on disposal;
- 1.(4.102) **“journal book”** means a book of original entry in which transactions are recorded not provided for in specialized journals;
- 1.(4.103) **“joint venture”** means a contractual arrangement whereby two or more parties undertake an economic activity to share expertise in a single defined project which is subject to joint control;
- 1.(4.104) **“lapsed deposits”** means the deposits unclaimed for more than such period or periods as defined in the act or provisions governing the Municipalities;
- 1.(4.105) **“lease”** means an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments, the right to use an asset for an agreed period. A lease agreement also includes a Hire Purchase agreement. A lease is classified as a finance lease if it transfers substantially the entire risks and rewards incident to ownership and other leases are classified as operating leases;
- 1.(4.106) **“ledger”** means a compilation of all accounts used for accounting purposes;
- 1.(4.107) **“liability”** means an amount owing by the Municipality to another person, payable in money, or goods or services: the consequence of an asset or service received or a loss incurred or accrued; particularly, any debt-
- (a) due or past due (current liability)
OR
- (b) due at a specified time in future (e.g. funded debt, accrued liability)
OR
- (c) due only on failure to perform a future act (contingent liability)
- 1.(4.108) **“long term investment”** means any investment falling outside the ambit of current investments;
- 1.(4.109) **“minimum balance”** means a sum equal to one month salary and wages to be declared by the competent authority, as the case may be, in the beginning of each financial year;
- 1.(4.110) **“mortgage”** means a lien on the land, buildings, machinery, equipment, and other property, fixed or moveable, given by a borrower to the lender as security for his loan;
- 1.(4.111) **“movable property”** means properties other than immovable properties;
- 1.(4.112) **“municipal engineer”** means an engineer appointed as such by the Government of Haryana;
- 1.(4.113) **“municipality”** shall have the same meaning as defined in the Haryana Municipal Act 1973 (24 of 1973) or article 243Q in the Constitution of India, which may be a Municipal Committee or a Municipal Council or a Municipal Corporation;
- 1.(4.114) **“national municipal accounts manual”** means the Manual issued by the Ministry of Housing and Urban Affairs, Government of India;

- 1.(4.115) **“narration”** means 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 and other related aspects of the entry;
- 1.(4.116) **“net assets”** means the excess of the book value of the assets of an accounting unit over its liabilities due to the outsiders;
- 1.(4.117) **“net block”** means a gross block less accumulated depreciation of all the fixed assets of the Municipality;
- 1.(4.118) **“payments”** means amounts actually paid and accounted during the year;
- 1.(4.119) **“period end”** means the last day of any accounting period, e.g., quarter, half-year and year-end;
- 1.(4.120) **“pooling of interest method”** means a method of accounting for amalgamations the object of which is to account for the amalgamation as if the separate operations of the amalgamating entities were intended to be continued by the transferee entity. Accordingly, only minimal changes are made in aggregating the individual financial statements of the amalgamating entities;
- 1.(4.121) **“posting”** means an act of entering separately the debit and credit aspect of transactions from the books of original entry in respective accounts maintained in the ledger;
- 1.(4.122) **“prepaid expense”** means a payment for the expense in an accounting period the benefit for which shall accrue in the subsequent accounting period(s);
- 1.(4.123) **“provision of expense”** means an amount written off or retained by way of providing for depreciation or diminution in value of assets or retained by way of providing for any known liability the amount of which cannot be determined with substantial accuracy;
- 1.(4.124) **“provision for unrealized revenue”** means a provision made for revenue considered doubtful of recovery;
- 1.(4.125) **“public servant”** means every elected member/ nominated person and employee of the Municipality and shall be deemed to a public servant within the meaning of section 2(28) of the Bhartiya Nyaya Sanhita, 2023 (Central Act 45 of 2023);
- 1.(4.126) **“qualifying fixed asset”** means an asset that necessarily takes a substantial period to get ready for its intended use or sale. Ordinarily, a period of twelve months is considered as a substantial period unless facts and circumstances of the case may justify a shorter or longer period. In estimating the period, the time which an asset takes, technologically and commercially, to get it ready for its intended use or sale shall be considered;
- 1.(4.127) **“receipt”** means amounts received and accounted during the period under consideration;
- 1.(4.128) **“receipts and payments statement”** means a financial statement prepared for an accounting period to depict the changes in the financial position and to present the cash received in and paid out in whatever form (cash, cheque, etc.) Under certain headings all non-cash and non-cheque related transactions are ignored while preparing this statement;
- 1.(4.129) **“reconciliation”** means adjusting the difference between the two items (i.e., Amounts, balances, accounts or statements) so that the figure agree;
- 1.(4.130) **“report of the director, local audit”** means the audit report submitted by the Director, Local Audit (Audit Report) on the financial statements, books of accounts and transactions of the Municipality;
- 1.(4.131) **“revenue expenditure”** means outlay benefiting only the current year. It is treated as an expense to be matched against revenue;
- 1.(4.132) **“secretary”** means the Secretary of the Municipality appointed as such by the State Government and/or competent authority;
- 1.(4.133) **“short term investments”** means those investments which are readily realizable, and are intended to be held for not more than twelve months from the date of investment;
- 1.(4.134) **“sinking fund”** means a fund created for the repayment of liability or for the replacement of an asset;
- 1.(4.135) **“Special Fund”** means an amount set aside for a specific purpose represented by specifically earmarked assets;
- 1.(4.136) **“straight line method (SLM)”** means the method under which the periodic charge for depreciation is computed by dividing the depreciable amount of a depreciable asset by the estimated number of years of its useful life;
- 1.(4.137) **“sub account”** means one or more accounts that make up the Control Account. These sub-accounts are related to the control account and provide more detail of the Control Account. The total of the related sub-accounts will equal the related Control Account;

- 1.(4.138) “**surplus**” means the excess of income over expenditure of the Municipality for an accounting period under consideration;
- 1.(4.139) “**superintending engineer**” means an engineer appointed as such by the State Government;
- 1.(4.140) “**treasury**” means a Government treasury or sub treasury or a nationalized bank or any bank approved by the Government of Haryana in the behalf;
- 1.(4.141) “**treasury officer**” means the officer in charge of a treasury and includes a banker or person acting as a banker with whom the municipal fund is deposited under the provisions of section 59 of the Haryana Municipal Act 1973 (24 of 1973) and the provisions of section 73 of the Haryana Municipal Corporation Act 1994 (16 of 1994);
- 1.(4.142) “**trial balance**” means a list or abstract of the balances or total debits and total credits of the accounts in a ledger, the purpose being to determine the equality of posted debits and credits and to establish a basic summary needed to prepare financial statements;
- 1.(4.143) “**useful life**” means the period over which a depreciable asset is expected to be used by the Municipality or the number of production or similar units expected to be obtained from the use of the asset by the Municipality;
- 1.(4.144) “**voucher**” means a document which serves as an authorization for any financial transaction and forms the basis for recording the accounting entry for the transaction in the books of original entry, e.g., cash receipt/payment voucher, bank receipt/payment voucher, and voucher;
- 1.(4.145) “**work in progress**” means the process of production of goods for their sales or usage;
- 1.(4.146) “**Written Down Value (WDV)**” means the cost of acquisition or substituted value less accumulated depreciation in respect of a fixed asset;
- 1.(4.147) “**written down value method**” means a method under which the periodic charge for depreciation of an asset is computed by applying a fixed percentage to its historical cost or substituted amount less accumulated depreciation (net book value). This is also referred to as “Diminishing Balance Method”;
- 1.(4.148) “**zonal taxation officer**” means a person appointed as such by State Government responsible for the assessment of all type of taxes levied/to be paid by a corporation such as goods and service tax, house tax, Water Charge, and property tax, rent and advertisement, etc;
- 1.5 **Undefined Words:** Words or expressions used but not defined in this Code shall have the meaning as assigned to them in the Act;
- 1.6 **Working Day:** Wherever in this Accounts Code, any act or proceeding is directed or allowed to be done or taken on a certain day, then, if the office is closed on that day, the act or proceeding shall be considered as done or taken in due time, if it is done or taken on the next day on which the office is open.
- 1.7 **Powers:** The powers conferred by this Code may be exercised by the Chief Municipal Officer or District Municipal Commissioner or their representative duly authorised by them as the case may be.
- 1.8 **Remedy for unspecified details:** In the matter of details connected with accounts not provided for in this Code, the Municipality shall comply with the instructions of the Urban Local Bodies Department and the Director, Local Audit, Haryana:
 Provided that all receipt books, tehbazari and slaughter house tickets, license forms, tax receipt forms, cattle pound, and cattle fair receipt books shall be kept in the personal custody of the Secretary/ Superintendent/ Accountant / Head Clerk. The printed number(s) shall be noted in the stock book of forms. The number of books or forms issued at one time shall not exceed what is required for immediate use, and no fresh issue shall be made until completed books have been returned or otherwise accounted for. Municipality shall maintain all such receipt and records on e-receipt or electronics format as well.
- (a) figure in the accounts shall be in English characters and the case of receipt given for money, in vernacular characters also, and in all accounts and registers in the case of Municipalities of the first class so far possible be kept in English throughout.
 - (b) books of accounts, forms, and registers shall be substantially bound and paged before being brought into use.
 - (c) no eraser shall be made in any accounts books register form, voucher or cheque and if any correction has to be made, it shall be made neatly in red ink and attested by the dated initials of the head of the department or officer concerned, or, in the case of a cheque by the signature of the officer, signing the cheque and in the case of voucher, by the payee also.
 - (d) receipt/records and registers maintained on computerized system shall fulfill all compliances related to maintenance and preservance of record.
 - (e) The maintenance and upkeep of accounts/ records is the responsibility of the concerned/ authorized official of the Municipality. Head of respective branch/ department has to ensure

that it is complying with the provisions of the Act regarding maintenance and safeguarding of account/voucher/record.

- 1.9** No forms other than those prescribed in this Code shall be used by the Municipality except with the approval of the Director, Local Audit, Haryana. However, the summon register shall be maintained by the Municipality in the form given in the Part-II of this Code. The books of account and other relevant books, records, forms, and papers required under this Code may be maintained in electronic mode unless otherwise required or specified by any other applicable provisions of any Act.
- 1.10** The records shall not be weeded or destroyed otherwise than under the provisions of the Haryana Municipal (Destruction of Records) Rules, 1976 or instructions issued by the state Government from time to time.

CHAPTER-2**SIGNIFICANT ACCOUNTING PRINCIPLES****2.1 Introduction to Accounting Policies and Principles**

- (a) Accounting Policies are defined as “the specific accounting principles and the methods of applying those principles adopted by the organization in the preparation and presentation of financial statements”.
- (b) This chapter contains a compilation of the significant accounting policies to be followed in the preparation of the accounts of Municipalities in Haryana. These accounting policies have been prepared considering Government Accounting Standards Board (GASB), pronouncements, the various relevant Accounting Standard of the Institute of Chartered Accountants of India (ICAI), accounting standards for Local Bodies of the Institute of Chartered Accountants of India (ICAI), the technical guide on Accounting and Financial Reporting by Urban Local Bodies issued by the ICAI and Comptroller and Auditor General’s report on Urban Local Bodies.
- (c) The Financial Statements of the Municipality shall contain a Statement of significant accounting policies as notes to accounts in respect of important Accounting Policies adopted in preparing and presenting such information. The significant accounting policies as mentioned in this chapter shall be followed each year consistently.
- (d) Where any of the Accounting Policies adopted by the Municipality while preparing its Financial Statements is not in conformity with the policies prescribed in this chapter and the effect of deviation from the Accounting Policies is material, the particulars of the deviation shall be disclosed, together with the reasons and the financial effect thereof, except where such effect is not ascertainable. In case the financial effect thereof is not ascertainable, either wholly or in part, the fact that it is not so ascertainable shall be indicated. Using of any Accounting policies not provided in the code must be used only after the approval as per Para 1.9 of this Code.
- (e) Likewise, any change in the Accounting Policies which has no material effect on the Financial Statements for the current period, but which is reasonably expected to have a material effect in later periods, the fact of such change shall be appropriately disclosed in the Financial Statements of the period in which the change is adopted.
- (f) The Accounting Policies shall be uniformly followed across all ‘Funds’. In case the Accounting Policies for municipalities in Haryana are silent on certain aspects, the Accounting Policies recommended in the National Municipal Accounts Manual shall apply.
- (g) The following Accounting Policies shall govern the recording, accounting, and treatment of transactions relating to various activities as given below. While the Accounting Policies, in principle, apply to all municipalities in Haryana, their applicability shall depend on the specific nature and materiality of activities performed by the individual Municipality.
- (h) The following accounting principles shall govern the recording, accounting and treatment of transactions relating to various activities.

2.2 Accounting Principles for Property and Other Taxes

- (a) Revenue in respect of property and other taxes shall be recognized in the period in which they become due, and demands are ascertainable.
- (b) In case of new or changes in assessments, it shall be accrued in the month in which the demand is served;
- (c) Collections to be made on behalf of Government and included in the Property tax demand shall be reckoned together with Property tax demand and credited to a control account called “State Government Levies in Taxes - Control Account”;
- (d) The liability towards dues to the Government for collections on its behalf shall be recognized as and when they are collected;
- (e) Interest element and penalties, if any, in demand shall be reckoned only on receipt;
- (f) Revenue in respect of Notice Fee, Warrant Fee and Other Fees charged shall be recognized when the bills for the same are raised.
- (g) Revenue in respect of property transfer charges shall be recognized on actual receipt;
- (h) Revenue in respect of rebate from State Government for collection made on their behalf shall be recognized at the rates prescribed by the State Government at the time of creating the liability payable to the State Government;
- (i) In respect of the demand outstanding beyond two (2) years, provision shall be made to the extent of income of the Municipality in demand based on the following provisioning norms. These provisions will be created

exclusively for the accounting purposes. Provisions made against tax and non-tax revenue will not affect the opening/closing balances of the Demand and Collection register. The municipality shall not decrease its efforts in collection of arrears. It shall apply to all type of provision, creation, wherever mentioned in this Code:-

- Outstanding for more than 2 years but not exceeding 3 years: 25%
- Outstanding for more than 3 years but not exceeding 4 years: 50% (additional 25%)
- Outstanding for more than 4 years but not exceeding 5 years: 75% (additional 25%)
- Outstanding for more than 5 years : 100% (additional 25%)

- (j) While making provision for receivables as stated above, the relevant proportion of State Govt. Cesses/ levies in Property Taxes - Control account' shall also be provided by debiting the same to a separate account;
- (k) Any additional provision for demand outstanding (net on overall basis) required to be made during the year shall be recognized as expenditure and any excess provision written back during the year shall be recognized as income of the municipality;
- (l) Refunds made and remissions of taxes for the current year shall be adjusted against the income and if pertains to previous years, then it shall be treated as prior period item;
- (m) Write-offs of taxes shall be adjusted against the provisions made and to that extent, if deemed fit by the Government; recoverable (s) gets reduced. Any subsequent collection or recovery of Receivables for Property and Other Taxes," which was already written off shall be recognized as a 'Prior Period Income';
- (n) Demands raised with retrospective effect shall be treated as prior period income to the extent it pertains to earlier years;
- (o) Part-payments received in respect of Property and Other Tax levies shall be adjusted as per applicable Act of the State;
- (p) Wherever self-assessment of taxes is prevalent, income shall be accrued based on records available with the local body when it becomes due as per the provisions of the Haryana Municipal Acts. Further, changes arising out of self-assessment shall be treated as 'Change in Demand' and shall be accounted for accordingly.

2.3 Accounting Principles for Permission Fee

- (a) Income from **Permission Fee shall be determined based on the provisions of the Haryana Municipal Advertisement Bye-Laws, 2022 as amended from time to time.**
- (b) Advertisement income and devices has been categorized in following category:-
 - Large-Format advertisement, mainly fixed on billboards/unipoles and bridges and flyover panel.
 - Advertisement mounted in public amenities like public toilets, garbage collection point etc.
 - Fleet and transport related infrastructure
 - Advertisement devices for self-advertising in commercial areas;
- (c) Permission fee shall be collected in advance on annual basis and shall be recognized in the period in which they become due and demands are ascertainable;
- (d) Permission Fee, in case auctioned to external agencies, shall be recognized as per the terms of agreement;
- (e) Expenses regarding removal of any unauthorized advertisement or hoardings shall be recovered from the concerned parties and are recognized on actual receipt;

2.4 Accounting principles for Cess

- (a) Revenue in respect of collection of cess income with returns (on filing of returns by the dealers) shall be recognized on actual receipt;
- (b) Revenue in respect of cess income on assessment shall be recognized in the period in which they become due, i.e. when the demand is raised;
- (c) Revenue in respect of collection charges on cess, registration fee, interest and penalties levied on assessment shall be recognized on actual receipt;
- (d) In respect of the demand outstanding beyond two (2) years, provision shall be made to the extent of income of the Municipality in the demand, based on the following provisioning norms:
 - Outstanding for more than 2 years but not exceeding 3 years 50%
 - Outstanding for more than 3 years 100% (Additional 50%)
- (e) Any additional provision for demand outstanding (net on overall basis) required to be made during the year shall be recognized as expenditure and any excess provision written back during the year shall be recognized as income of the Municipality;
- (f) Refunds made and remissions of Cess for the current year shall be adjusted against the income and if it pertains to previous years, then it shall be treated as prior period item;
- (g) Write-offs of Cess shall be adjusted against the provisions made and to that extent, recoverable(s) gets reduced;
- (h) Any subsequent collection or recovery of 'Receivables of Collection charges on Cess Income' which were

already written off shall be recognized as a 'Prior Period Income';

- (i) Demands raised with retrospective effect shall be treated as prior period income to the extent it pertains to earlier years;

2.5 Accounting Principles for Water Supply

- (a) Revenue in respect of Water Charge, Water Benefit Tax, Water Supply Charges, Water Meter Rent, Sewerage charge and Disposal charges shall be recognized in the period in which they become due, i.e., when the bills are raised. It is to be noted that the Water Charges and other related taxes may also be included in the bill raised for the property tax.

- (b) Revenue in respect of Notice fee, Warrant fee, other fees shall be recognized when the bills for the same are raised;

- (c) Revenue in respect of Connection Charges for Water Supply shall be recognized on actual receipt;

- (d) Revenue in respect of Water Tanker Charges and Road Damage Recovery Charges and penalties shall be recognized on actual receipt;

- (e) In respect of the demand outstanding beyond two (2) years, provision shall be made to the extent of income of the Municipality in the demand. If Water Charges is collected as a component in Property Tax, provisioning shall be made in the same way as un-realized Property Tax, which is as follows:-

➤ Outstanding for more than 2 years but not exceeding 3 years	25%
➤ Outstanding for more than 3 years but not exceeding 4 years	50%
	(Additional 25%)
➤ Outstanding for more than 4 years but not exceeding 5 years	75%
	(Additional 25%)
➤ Outstanding for more than 5 years	100%
	(Additional 25%)

If Water Charges demand is raised separately, the taxes and charges shall be provided for as follows:

➤ Outstanding for more than 2 years but not exceeding 3 years	50%
➤ Outstanding for more than 3 years	100%
	(Additional 50%)

Any additional provision for demand outstanding (net on overall basis) required to be made during the year shall be recognized as expenditure and any excess provision written back during the year shall be recognized as income of the municipality;

- (f) Refunds made and remissions of taxes for the current year shall be adjusted against the income and if it pertains to previous years, then it shall be treated as prior period item;

- (g) Write-offs of taxes shall be adjusted against the provisions made and to that extent; recoverable(s) gets reduced;

- (h) Any subsequent collection or recovery of Receivables of Water Supply Income' which are already written off, shall be recognized as a 'Prior Period Income';

2.6 Accounting principles for assigned revenues

- (a) Assigned revenues like Entertainment Tax and Duty/ Surcharge on transfer of Immovable properties shall be accounted during the year only upon actual collection. However, at year-end alone, these shall be treated as accrued if sanction order (or proceedings) is passed and the amount is ascertained.

- (b) Based on the review of recoverable position of the 'Receivables of Assigned Revenues', the amount of outstanding assigned revenues to be provided or written off shall be ascertained and accounted accordingly on obtaining the relevant approval.

2.7 Accounting principles for Rentals, Fees and Other Sources of income

- (a) Revenue in respect of Advertisement rights shall be accrued either based on demand or based on the contract.

- (b) Revenue in respect of Trade License Fees shall be treated as accrued in the year to which it pertains and where the demand is raised based on applicable Acts of the State.

- (c) Revenues in respect of Profession Tax on Organizations /entities shall be treated as accrued in the year to which it pertains and where the demand is raised based on applicable Acts of the State.

- (d) Revenues in respect of rents from properties shall be treated as accrued based on terms of the agreement.

- (e) Other income, in respect of which demand is ascertainable and may be raised in regular course of operations of the Municipality, shall be recognized in the period in which they become due, i.e., when the bills are raised.

- (f) The other incomes, which are of an uncertain nature or for which the amount is not ascertainable or where demand is not raised in regular course of operations of the Municipality, shall be recognized on actual receipt.

- (g) Revenue in respect of notice fee, warrant fee, other fees etc. shall be recognized when the bills for the same are raised.
- (h) Interest element and penalties, if any, in demand shall be reckoned only on receipt.
- (i) 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:-
- | | |
|---|------------------|
| ➤ Outstanding for more than 2 years but not exceeding 3 years | 50% |
| ➤ Outstanding for more than 3 years | 100% |
| | (Additional 50%) |
- (j) Any additional provision for demand outstanding required to be made during the year shall be recognized as expenditure and any excess provision written back during the year shall be recognized as income of the Municipality.
- (k) Refunds made and remissions of other incomes for the current year shall be adjusted against the income and if it pertains to previous years, then it shall be treated as prior period item.
- (l) Write-offs of other incomes shall be adjusted against the provisions made and to that extent, recoverable (s) get reduced.
- (m) Any subsequent collection or recovery of receivables of rental, fees and other incomes' which were already written off in earlier year shall be recognized as a 'prior period income'.

2.8 Accounting principles for Public Works/ Municipal Works

- (a) The cost of fixed assets shall include cost incurred / money spent in acquiring or installing or constructing fixed asset, interest on borrowings attributable to acquisition or construction of qualifying fixed assets upto the date of commissioning of the assets and other incidental expenses incurred up to that date;
- (b) Any addition to or improvement to the fixed asset that results in increasing the utility or capacity or useful life of the asset shall be capitalized and included in the cost of asset. Revenue expenditure in the nature of repairs and maintenance incurred to maintain the asset and sustain its functioning or the benefit of which is for less than a year, shall be charged off;
- (c) Assets under erection/installation on existing projects and capital expenditures on new projects (including advances for capital works and project stores) shall be shown as "Capital Work-In-Progress". The earnest money deposit and security deposit received, if forfeited, shall be recognized as income when the right for claiming refund of deposit has expired;
- (d) Deposit received under deposit works shall be treated as a liability till such time the projects for which money is received is completed. Upon completion of the projects, the cost incurred against it shall be reduced from the liability;
- (e) Revenues (percentage charges) in respect of deposit works shall be treated as accrued along-with expenditure of deposit works;

2.9 Accounting principles for stores

- (a) Expenditure in respect of material, equipment, etc., procured shall be recognized on accrual basis, i.e., on admission of bill by the Municipality in relation to materials, equipment, etc., delivered;
- (b) Accounting of 'goods received and accepted but no bills received' as at the cutoff date shall be accounted for based on purchase orders;
- (c) The stock lying at the period-end shall be valued at cost in accordance with the first in-first out (FIFO) method;
- (d) Revenue in respect of disposal of material shall be recognized on actual receipt;
- (e) Finished goods and work-in progress related to production produced for sale shall be valued at cost. Cost of finished and work-in-progress includes all direct costs and applicable production over heads to bring the goods to the present location and condition;

2.10 Accounting Principles for Employee Related Transactions

- (a) Expenses on Salaries and other allowances shall be recognized as and when they are due for payment (i.e. on first working day of next month);
- (b) Statutory deductions from salaries including those for income tax, profession tax, provident fund contribution, etc., shall be recognized as liability in the same period in which the corresponding salary is recognized as an expense;
- (c) Provident Funds money shall be invested as per the guidelines applicable to any Employee Provident Fund;
- (d) Separate Funds may also be formed for meeting the pension and other retirement benefits including Gratuity and Leave encashment. State Government shall decide on this and define the modus-operandi also. State may form trusts either at the State level or at the Municipal level;
- (e) Contribution due towards pension and other retirement benefit funds shall be recognized as an expense and also as a liability;

- (f) Interest receivable on loans given to employees shall be recognized as revenue at the end of the period in which these have accrued;
- (g) In respect of loans to employees, penal interest leviable on default in repayment of principal or payment towards interest shall be recognized on accrual basis;
- (h) Bonus, ex-gratia, over time allowance, other allowances and reimbursements to the employees shall be recognized as an expense as and when they are due for payment;

2.11 Accounting principles for health and sanitation

- (a) Revenue in respect of the following shall be recognized on actual receipt: -
 - Hospital fees, maternity homes fees, diagnostic center fees and dispensaries fees.
 - Hospital training fees.
 - Rent and/or hire charges in respect of ambulance suction unit, meat van and road roller etc.
 - Sale of fertilizers and waste, sale of animals and sale of scrap.
- (b) Revenue in respect of Trade License Fees shall be treated as accrued in the year to which it pertains and where the demand is raised based on applicable Acts of the State.
- (c) Revenue in respect of rent of equipment provided to the contractors, deducted from their bills, shall be recognized as and when the deductions are made.
- (d) All revenue expenditures incurred shall be recognized on admission of the bills for payment by the Municipality.
- (e) Provision shall be made at the year-end for all bills received.

2.12 Accounting principles for other revenue expenditures

- (a) Other revenue expenditures shall be treated as expenditures in the period in which they are incurred;
- (b) Provisions shall be made at the year-end for all bills received up-to a cut off date;
- (c) Any expenditure for which the payment has been made in the current period but the benefit and/or service is likely to arise in a future period shall be treated as an expenditure for the period in which its benefit arises and/or services are received;
- (d) The expenditure for the current period shall include the proportionate value of the benefits and/ or services arising in the current period even if the payment here of has been made in the previous period.

2.13 Accounting principles for grants

- (a) General grants, which are of a revenue nature, shall be recognized as incomes on actual receipt.
- (b) Grants towards revenue expenditure, received prior to the incurrence of the expenditure, shall be treated as a liability till such time that the expenditure is incurred;
- (c) Grants received or receivable in respect of specific revenue expenditure shall be recognized as income in the accounting period in which the corresponding revenue expenditure is charged to the income and expenditure account;
- (d) Grants received towards capital expenditure shall be treated as a liability till such time that the fixed asset is constructed or acquired. On construction/acquisition of a fixed asset out of the grants so received, the extent of liability corresponding to the value of the asset so constructed/acquired shall stand reduced and the amount shall be treated as a capital receipt and shall be transferred from the respective specific grant account to the Capital Reserve;
- (e) Capital Grants received as a nodal agency or as implementing agency for an intended purpose, which does not, result in creation of assets with ownership rights for the Municipality shall be treated as a liability till such time it is used for the intended purpose. Upon utilization for the intended purpose, the extent of liability shall stand reduced with the value of such utilization and no further treatment, as a capital receipt shall be required;
- (f) Grants in the form of non-monetary assets (such as fixed assets given at a concessional rate) shall be accounted for on the basis of the acquisition cost. In case a non-monetary asset is received free of cost, it shall be recorded at a nominal value (e.g. Rupee One);
- (g) Income on investments made from 'Specific Grants received in advance' shall be recognized and credited to the Specific Grant, whenever accrued. Profit/loss, if any, arising on disposal of investments made from the 'Specific Grant received in advance' shall also be recognized and credited/debited to the Specific Grant.

2.14 Accounting principles for borrowings or loans received

- (a) Interest expenditure on loan shall be recognized on accrual basis.
- (b) Interest on borrowings directly attributable to acquisition or construction of qualifying fixed assets up to the date of commissioning of the assets shall be capitalized;
- (c) A provision shall be made for the interest accrued between the date of last payment of interest and the date of financial statements and shall be charged to the current period's Income and Expenditure Statement;
- (d) The expenses incurred while issuing debentures or Bonds (Issue Expenses) shall be deferred and amortized

in equal instalments over a period of 5 years or the tenure of the loan whichever is earlier. In case, the debentures and bonds are prematurely redeemed, the amount of issue expenses outstanding during the year shall be written-off and charged to the Income and Expenditure Statement as expense of the year when this happens. However, all other expenses in respect of raising loans other than those considered, as issue expenses shall be expensed off in the year in which they are incurred;

2.15 Accounting principles for special funds

- (a) Special funds shall be treated as a liability on their creation;
- (b) Income on investments made from special fund shall be recognized and credited to special fund, whenever accrued. Profit/loss, if any, arising on disposal of investments made from the special fund shall be recognized and credited/debited to special fund account;
- (c) Any expenditure of a revenue nature, which is incurred specifically on scheme/project for which a special fund has been created, shall be charged to that special fund;
- (d) On completion of the construction of a fixed asset and/or on acquisition of a fixed asset out of a special fund, the amount equivalent to the cost of such fixed asset shall be transferred from the respective special fund to the special fund (utilized).

2.16 Accounting principles for investments

- (a) Investment shall be recognized at cost of investment. The cost of investment shall include cost incurred in acquiring investment and other incidental expenses incurred for its acquisition;
- (b) All long-term investments shall be carried /stated in the books of accounts at their cost. However, in the event of any permanent diminution in their value as on the date of balance sheet, these shall be provided for;
- (c) Short-term investments shall be carried/stated at their cost or market value (If quoted) whichever is lower;
- (d) Interest on investments shall be recognized as and when due. At period-ends, interest shall be treated as accrued proportionately;
- (e) Dividend on investments shall be recognized on actual receipt;
- (f) Profit/loss, if any, arising on disposal of investment (net of selling expense such as commission, brokerage, etc.) from the Municipal Fund shall be recognized in the year when such disposal takes place;
- (g) Income on investments made from special fund and grants under specific scheme shall be recognized and credited to special fund and grants under specific scheme respectively, whenever accrued. Profit/loss, if any, arising on disposal of investments (net of selling expense such as commission, brokerage, etc.) made from the special fund and grants under specific scheme shall be recognized and credited/debited to special fund account and grant under specific scheme account respectively. However, interest or gains from an investment made from grants received as reimbursements, shall be credited to Municipal/General fund of the Municipality instead of the grant account.

2.17 Accounting Principles for Fixed Assets

- (a) All fixed assets shall be carried at cost less accumulated depreciation. The cost of fixed assets shall include cost incurred/money spent in acquiring or installing or constructing fixed asset, interest on borrowings directly attributable to acquisition or construction of qualifying fixed assets upto the date of commissioning of the assets and other incidental and indirect expenses incurred upto that month;
- (b) Any addition to or improvement to the fixed asset that results in increasing the utility or useful life of the asset shall be capitalized and included in the cost of fixed asset;
- (c) Any fixed asset, which has been acquired free of cost or in respect of which no payment has been made, shall be recorded at nominal value of ₹ 1/- or fair value of assets;
- (d) All assets costing less than ₹ 5,000 (Rupees Five thousands) shall be expensed/charged to Income and Expenditure Account in the year of purchase;
- (e) An increase in net book value arising on revaluation shall be credited to a reserve account under the municipal fund as 'Revaluation Reserve Account'. A decrease in net book value arising on revaluation of fixed assets is charged to Income and Expenditure accounts;
- (f) Revaluation of a class of assets shall not result in the net book value of that class being greater than the recoverable amount of the assets of that class;
- (g) Revaluation reserve shall be reduced by transfer of equivalent amount of depreciation charged on the revalued portion of the cost of the fixed assets;
- (h) Depreciation shall be provided at the rates prescribed by the State. Depreciation on all fixed assets is to be provided consistently on either written down value or straight-line method;
- (i) Depreciation shall be provided at full rates for assets, which are purchased/constructed/ obtained/acquired 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 year;
- (j) Depreciation shall be provided at full rates for assets, which are disposed on or after October 1 of an

accounting year. Depreciation shall be provided at half the rates for assets, which are disposed before October 1 of an accounting year;

- (k) Assets recorded in the register but not physically available shall be written off after a specified period as defined by the State/Municipal Act or rules governing the Municipality. The authority levels for the respective State/Municipal Act or Rule shall also define authorizing the write off.

2.18 Accounting principles for lease and hire purchase

- (a) **Finance lease in the books of lessee at the commencement of the lease term:** Finance leases shall be recorded as an asset and a liability. Such recognition shall be at an amount equal to the cost. Finance lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated as to produce a constant periodic rate of interest on the remaining balance of the liability for each of the period. Depreciation on such assets shall be provided at the same rates as in case of owned assets;

(b) **Operating lease in the books of lessor**

Assets given under operating lease shall be accounted as own assets in the same manner similar to any other fixed assets owned and used by the Municipality. Lease income from operating leases shall be recognized as income on a straight-line basis over the lease term. Lease income shall be accrued on the respective due dates. Any amount incurred that results in improvement or increase of the useful life of the assets under operating lease shall be capitalized as like any other asset used by the Municipality for its own operations; Depreciation on such assets shall be provided at the same rates as in case of owned assets;

(c) **Hire purchase in the books of buyer**

The purchase price shall be capitalized as the cost of fixed assets. Hire Purchase (HP) instalments shall be apportioned between the finance charge and the reduction of the principal outstanding. The finance charge shall be allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability; the total amount of interest portion out of the 'HP Payable' shall be accounted by debiting to a control account under current assets. This amount shall be adjusted on accounting of finance charges. The depreciation principle for assets purchased under HP shall be consistent with that for owned assets;

(d) **Hire purchase in the books of seller**

The sale price (including the interest portion) shall be accounted as receivable from HP agreement; HP instalments shall be apportioned between the interest income and the reduction of the principal amount receivable (the finance income to be allocated so as to produce a constant periodic rate of interest on the remaining balance of the receivable). The total amount of interest portion out of the 'HP receivable' shall be accounted by crediting to a control account under current assets. This amount shall be adjusted while accounting for finance charges;

2.19 Accounting principles for loans

- (a) Interest/penal interest on loans shall be recognized as and when due. At period-ends, interest shall be accrued upto the date of the period-end;
- (b) Interest/penal interest earned on loans given out of specific fund/grant shall be directly credited to the specific fund/grant account;
- (c) Provision against bad and doubtful loans shall be made according to the provisioning principle of the Municipality based on norms or guidelines issued by the State Government in this regard.
- (d) Any additional provision for loans outstanding (net on overall basis) required to be made during the year shall be recognized as expenditure and any excess provision written back during the year shall be recognized as income of the municipality;
- (e) Write-offs of bad and doubtful loans shall be adjusted against the provisions made and to that extent, loan outstanding get reduced. In case of inadequate provisions, the write off shall be recognized as expenditure.

2.20 Accounting principles for addition/merger of local bodies for up-gradation

- (a) The financial statements of the merging local bodies shall be consolidated at the cut-off dates under the pooling of interest method. The assets, liabilities, reserves and fund balances of the merging local bodies are recorded at their existing carrying amounts. However, it must be ensured that accounting principles adopted for preparation of financial statements of merging local bodies shall be same.
- (b) The financial statements prepared on consolidation shall disclose-
- Names of the local bodies merged.
 - Authority under which the merger has taken place.
 - Effective date of merger.
 - Principles adopted for consolidation.

2.21 Accounting principles for Inter Unit Transactions

- (a) All inter unit transactions shall be recorded on cost basis and no mark up shall be included in inter unit transactions.
- (b) At the year-end, the inter-unit accounts are knocked off/ adjusted in the consolidated accounts of the Municipality.

2.22 Accounting principles for municipal schools

- (a) Fees and fines received from primary/secondary schools shall be recognized on actual receipt;
- (b) Contribution receivable from other local bodies/ Municipalities/ Government shall be recognized in the period in which they become due.

2.23 Accounting principles for municipal transport

- (a) Revenue in respect of ticket charges and monthly passes shall be recognized on actual receipt;
- (b) Payments to be made by the Transport Undertaking to the Municipal Fund shall be accounted on actual payment.

CHAPTER-3**CHART OF ACCOUNTS****3.1 Meaning**

A Chart of Accounts (CoA) is a listing of all account heads. Each account is denoted by an account name and a reference number. The account name is known as the “account head”, and the reference number is known as the “account code”. The chart of accounts groups accounts of a similar nature into groups and sub-groups at different levels (major heads, minor heads and detailed heads with accompanying codes). The number of levels and the length of the account codes depend on the requirements of the organization. Chart of Accounts (CoA) defines the heads under which the transactions of local bodies are classified and facilitates maintenance of accounts and preparation of financial statements. A well-designed CoA shall not only fulfill accounting requirements but also the Budgeting and MIS requirements and shall be flexible enough to consolidate and collate to facilitate generation of various information reports.

3.2 Benefits of Chart of Accounts

The CoA is of great help to the accountant in identifying the appropriate account heads for passing an entry for a financial transaction. It also provides uniformity of accounting and reporting financial transactions. A common understanding and usage of the account heads facilitates not only a comparison over different time periods, but also comparison across different Municipalities.

3.3 Codification Logic and Structure

The codification structure proposed facilitates capture of all type of financial information within a Municipality, which are essential in a government set-up. Each type of classification is considered as a group. Considering the capacity and size of local bodies to which this Code pertains and the minimum requirements of various stakeholders’ certain mandatory information’s are prescribed. The mandatory groups for all local bodies are:

- Functions
- Account Heads

Functions shall represent the various functions or services carried out by the Municipality. Account Heads shall represent the nature of the income, expenditure, liability or asset. Budgets in Municipalities are centered on its functions. Functions are provided through various responsibility Centres called Branches. Geographical dispersion of these activities may also be monitored, more so in the context of Wards, Wards Committees and other decentralization measures. Municipalities shall identify its income and expenditure budgets at function, functionary and field level.

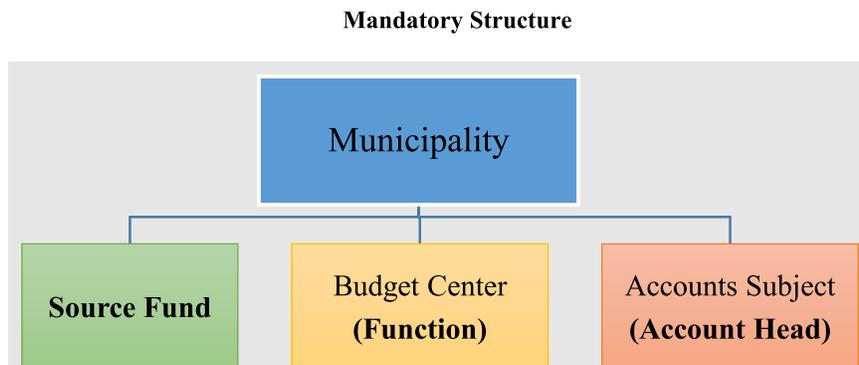
Funds set up for meeting of certain specific objectives shall be identified separate fund. Income and expenditure under these funds are to be identified and disclosed separately. However, the method of disclosure may be different. When they adopt the integral concept, separate books of accounts are not maintained for the funds. Identity is created by providing separate account heads to capture the income and expenditure for each such fund. In some Municipalities, separate books of accounts and financial statements are maintained considering it as a separate accounting entity. In such cases, the identity of the fund (entity) is required as an additional classification.

Thus, in addition, there shall be three other optional groups apart from the mandatory groups of Function and Account Head:-

- Functionality (Responsibility Centre/Branch)
- Field (Geographical Centre)
- Fund

In all, there may be five groups, Function, Account Head Functionary, Field and Fund. Function, Functionary and Field are called Budgeting centers. Each group may have various levels within it to drill down further information. The levels even in the mandatory groups may be either mandatory or optional, based on the requirements. First level in Function and Account Head are mandatory for all Municipalities and other levels will be decided by the States Government. It shall mean that all Municipalities shall have to use the Function Codes and Account Codes as defined in this Code only. Similarly, the Municipalities which have decentralized accounting zones/circles etc. and prepare budgets at these levels, shall have to use the field group as mandatory.

An overview of the suggested structure for mandatory information and overall structure is provided as below:



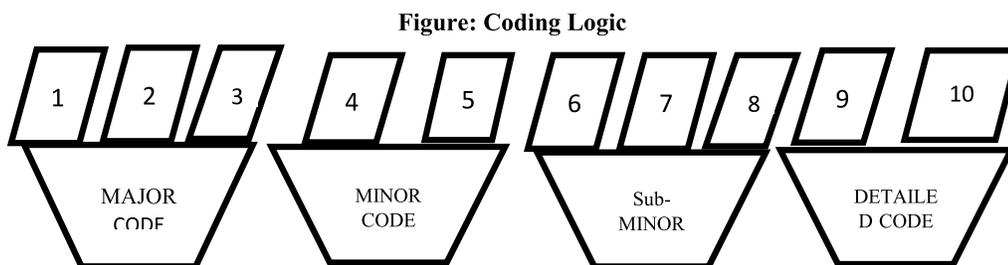
3.4 Components of Charts of Accounts

3.4.1 Functions of the Municipality may have three levels within it. First level under this group shall represent various functions both obligatory and discretionary. Second Level of functions shall represent the particular type of service under a function and third level shall represent a particular cost Centre, which provides the service. The first level of functions /codes is mandatory for all Municipalities. All functions of the Municipalities are broadly classified under ten major groups. Within this, long listing of functions has been made. These functions are fitted with in the group with each group having flexibility to go upto nine sub functions. The detailed codes for each of the functions as referred above is defined and given as Appendix 1 to this Code, which has been annexed to this chapter.

3.4.2 Accounting subjects shall be divided into two levels Primary and Secondary. Primary account code represents the subject of the income and expenditure.

- (a) **Primary Account Codes:** The Code of an Account Head shall be numeric and shall be ten digits. A ten-digit code is suggested to give flexibility to add new codes and to define certain of its unique requirements. The code is structured into:
 - (i) Major head code;
 - (ii) Minor head code;
 - (iii) Sub-Minor head code; and
 - (iv) Detailed head code.

The combination of major, minor and detailed head codes is shown as below. As may be seen from the figure, the composite account code is a 10-digit combination of the major, minor and detailed codes.



i. Major Head Code:

- (a) The **First Digit** of the major head code shall indicate the nature or type of the account. The first digit shall be assigned one of the following numbers depending on the nature of the account:
 - '1' shall denote an account relating to 'Revenue Income'

- '2' shall denote an account relating to 'Revenue Expenditure'
- '3' shall denote an account relating to 'Capital Receipts and Liabilities'.
- '4' shall denote an account relating to 'Capital Expenditure and Assets'.

(b) The next 2 digits of the major head code shall denote the group codes for the various head of accounts. For example :-

- Code 1-10 shall denote 'Tax Revenue' related accounts;
- Code 2-10 shall denote 'Establishment Expenses' related accounts;
- Code 3-10 shall denote 'Other Liabilities' related accounts;
- Code 4-10 shall denote 'Fixed Assets' related accounts.

It is to be noted that the financial statements of a Municipality are drawn at Major Head codes of account and hence this is a mandatory level of information. No major code addition is likely to happen, as this format is the final one. In case the same is required, it has to be approved by the Municipality at national level only.

ii. Minor Head Code:

- (1) 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.
- (2) The minor head code provides further details of transactions in respect of the major head code it is associated with. For example:
 - Under the major head code 110 relating to 'Tax Revenue', the minor head code 01 shall denote 'Property Tax'.
 - Under the major head code 210 relating to 'Establishment Expenses', then in or head code 10 shall denote "Salaries and Allowances".
 - Under the major head code 310 relating to 'Other Liabilities', the minor head code 10 shall denote 'Creditors'.
 - Under the major head code 410 relating to 'Fixed Assets', the minor head code 20 shall denote 'Buildings'.
- (3) The schedules to financial statements of a Municipality are drawn at minor head codes of account and hence this is a mandatory level of information. Minor codes provided in the code are mandatory. Additions to minor codes may be made by the State Government. In accordance with the provisions contained in para 3.9 (e) below **Minor Code**, a three-digit **Sub Minor Code above Detailed Head** has been inserted in Chart of Accounts.

iii. Sub-Minor Head Code

- (1) The sub-minor head code shall be of 3 digits. An item covered by a sub-minor head code is a subset of the minor head code. Thus, it shall be necessary to refer the sub-minor head code in conjunction with the associated minor head code.
- (2) The sub-minor head code provides further details of transactions in respect of the minor head code it is associated with.

iv. Detailed Head Code

- (1) 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.
- (2) The detailed head code provides further details of transactions in respect of the minor head code it is associated with. For example,
 - (i) Under the minor head code of account 110-01 covering Property Tax, the detailed head code 01 shall denote 'Property Tax from Residential Properties'. Thus, under the minor head code of account 110-01 in respect of 'Tax Revenues from Property Tax', the detailed head code 01 shall represent 'Property Tax from Residential Properties'. The account code for this shall be 110-01-01.
 - (ii) Under the minor head code of account 210-10 covering 'Establishment Expenses under Salaries, Wages and Bonus, the detailed head code 01 shall denote 'Salaries and Allowances – Officers'.
 - (iii) Under the minor head code of account 350-10 covering Creditors, the detailed head code 01 shall denote 'Suppliers Control Accounts'.
 - (iv) Under the minor head code of Account 410-20 covering Buildings, the detailed head code 01 shall denote 'Office Buildings'.
- (3) The minor and detailed codes identified by the Department of Urban Local Bodies, Haryana. **Municipalities are allowed to add new minor codes with prior approval from State**

Government and detailed heads may be added with the prior approval of Director, Urban Local Bodies, Haryana. A listing of minor and detailed codes under major code is listed in Appendix 2 to this Code.

(b) Secondary Account Code:

This is optional and shall depend on requirements of a municipality. These shall typically represent the subsidiary ledgers and other analysis ledgers. Hence, no codification structure has been proposed for the same.

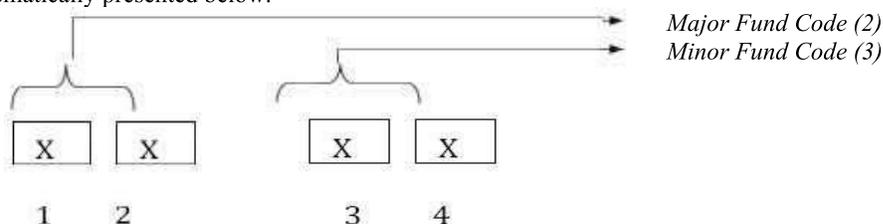
3.5 Funds

3.5.1 Depending on requirements, levels may be introduced. Funds may have sub-level within it. The codification structure for the funds may consist of the following:

- major fund; and
- minor fund.

3.5.2 Major Fund code shall represent the broad categorization of Funds and minor Fund within it represents a particular Fund.

3.5.3 The code of a fund shall be numeric and may be of 4 digits. The structure of the code for fund is schematically presented below:



For example, Employee funds may be a major fund and Pension fund may be minor fund within that.

3.6 Functionary

In the government set-up, demands for expenditure are drawn by the department discharging the functions and become the responsibility center for the assigned functions. Functionary group represents this. Each sub-level within this group typically shall represent the organizational structure within the Municipality. This level is used only for the internal control of the Municipality. It is, therefore, not proposed to prescribe any codification structure for the same.

3.7 Field

Field represents the way the Municipalities are aligned geographically. Sub-levels in this group shall be based on the territorial hierarchy. Number of digits at each level may range from 1-3 depending on the size of the local body. This is different from accounting unit as explained under the overview section of this chapter. Field represents the area to which the expenditure or payment relates. Location or accounting unit represents the unit at which it is accounted. This level is needed only for the internal control of the Municipality. It is, therefore, not proposed to prescribe any codification structure for the same.

3.8 Municipality Code

To facilitate State level aggregation, each Municipality shall be assigned a Code. This code shall represent the State to which it is attached and the unique Code assigned by the State. This shall be in the following format:

STATE – DISTRICT –CATEGORY- CODE

(Category shall represent the way Local Bodies are classified within the State e.g. Municipalities)

3.9 General Guidelines and Instructions for Usage of Chart of Accounts

The following guidelines shall be followed while using the chart of accounts:

- (a) Function codes, major and minor head codes given in the Code shall apply uniformly to all Urban Local Bodies.
- (b) The Codes may be changed after obtaining the necessary approval from the Urban Local Bodies, Haryana for each type of Code.
- (c) No major code addition is likely to happen as this format is more or less the final one. In case the same is required, it has to be approved by the national level committee only.
- (d) Municipalities shall identify the operative detailed heads, with the same description and code number for accounting purposes. These heads shall be commonly used in all the Municipalities within a State. Detailed heads unique to a particular Municipality shall also be added with the approval of the State Government.
- (e) Some Municipalities may have further break up in their activities requiring sub-heads at a level above Detailed Heads. Municipalities shall induct sub-heads under minor head and thereafter, detailed

heads shall be suitably opened, with the approval of State Government.

- (f) The Accounts Branch shall maintain a master index of all the Code of Accounts being utilized by the Municipal Body.
- (g) Ledger Accounts corresponding to the Accounting Codes need to be opened by a Municipality only in respect of those transactions which arise at that Municipality. Thus, all the Account Codes given in this report shall not be used by every Municipality.

3.10 Change Request Form

This Form shall be used by Municipalities for sending their requests to Urban Local Bodies Department or any other authority as may be authorized by Urban Local Bodies Department for any addition/ change in the accounting codes. A format of Change Request Form has been provided in Part-II of this Accounts Code.

3.11 Change Authorized Form

This form shall be used by the Urban Local Bodies Department, or any other authority as may be authorized by Urban Local Bodies Department, to authorize the change requested by Municipalities. Format of the same has been provided in the Part-II of this Accounts Code.

Chart of Accounts

(a) Function Codes				Appendix-1 (See clause 3.4.1)
Function Group		Function Group Code		Function Descriptions
0	0	0	0	<i>General Administration</i>
0	0	0	1	Municipal Body (For ex-Mayor, President, Chief Municipal Officer etc.)
0	0	0	2	Administration (For ex. General Admin, Public Relation etc.)
0	0	0	3	Finance, Accounts, Audit
0	0	0	4	Election
0	0	0	5	Record Room
0	0	0	6	Estate
0	0	0	7	Stores and Purchase
0	0	0	8	Workshop
0	0	0	9	Census
1	0	0	0	<i>Planning and Regulations</i>
1	0	1	1	City and Town Planning
1	0	1	2	Building Regulation
1	0	1	3	Economic Planning
1	0	1	4	Encroachment Removal
1	0	1	5	Trade License/Regulations
2	0	0	0	<i>Public Works</i>
2	0	2	1	Roads and Pavement
2	0	2	2	Bridges and Flyovers
2	0	2	3	Subways and Causeways
2	0	2	4	Street Lighting
2	0	2	5	Storm water Drains
2	0	2	6	Traffic Signals
2	0	2	7	Guest Houses
3	0	0	0	<i>Health</i>
3	0	3	1	Public Health (For ex. Immunization, Polio)
3	0	3	2	Epidemic/Prevention Control (For ex. Malaria Control)
3	0	3	3	Family Planning
3	0	3	4	Primary Health Care
3	0	3	5	Hospital Services
3	0	3	6	Burial and Cremations
3	0	3	7	Vital Statistics
3	0	3	8	Prevention of Food Adulteration
3	0	3	9	Ambulance/Hearse Services
4	0	0	0	<i>Sanitation and Solid Waste Management</i>
4	0	4	1	Solid Waste Management
4	0	4	2	Public Convenience
4	0	4	3	Veterinary Services
4	0	4	4	Cattle Pounding
4	0	4	5	Slaughter Houses
5	0	0	0	<i>Civic Amenities</i>
5	0	5	1	Water Supply
5	0	5	2	Sewerage
5	0	5	3	Fire Services
5	0	5	4	Arts and Culture
5	0	5	5	Community/Marriage Centers
5	0	5	6	Amusement

5	0	5	7	Museums
5	0	5	8	Municipal Markets
6	0	0	0	<i>Urban Forestry</i>
6	0	6	1	Parks, Gardens
6	0	6	2	Play Grounds
6	0	6	3	Lakes and Ponds
6	0	6	4	Urban Forestry
6	0	6	5	Environment Conservation
6	0	6	6	Zoos
7	0	0	0	<i>Urban Poverty Alleviation and Social Welfare</i>
7	0	7	1	Welfare of Woman
7	0	7	2	Welfare of Children
7	0	7	3	Welfare of Aged
7	0	7	4	Welfare of Handicapped
7	0	7	5	Welfare of SC/ST/OBC
7	0	7	6	Slum Improvements
7	0	7	7	Housing
7	0	7	8	Urban Poverty Alleviation
7	0	7	9	Others
8	0	0	0	<i>Other Services</i>
8	0	8	1	Electricity
8	0	8	2	Education
8	0	8	3	Transportation
8	0	8	4	Facility for pilgrims
9	0	0	0	<i>Revenues</i>
9	0	9	1	Property Taxes
9	0	9	2	Octroi/Entry Cess
9	0	9	3	Permission Fee
9	0	9	4	Professional Tax
9	0	9	5	Tax on Animals
9	0	9	6	Tax on Vehicles
9	0	9	7	Toll
9	0	9	8	Other Taxes

(b) Primary Accounting Heads – Revenue Income **Appendix-2_(See clause 3.4.2 (A) (iv) (3))**

Major Code			Minor Code		Sub Minor Code			Detail Code		Description
1	1	0	0	0	0	0	0	0	0	Tax Revenue
1	1	0	0	1	0	0	0	0	0	<i>Property Tax</i>
1	1	0	0	1	0	0	0	0	1	Property tax from Residential buildings
1	1	0	0	1	0	0	0	0	2	Property tax from Commercial buildings
1	1	0	0	1	0	0	0	0	3	Property tax on Vacant Land
1	1	0	0	1	0	0	0	0	4	Property tax on Institutional Building
1	1	0	0	1	0	0	0	0	5	Property tax on Religious Building
1	1	0	0	1	0	0	0	0	6	Property tax on State Government buildings
1	1	0	0	1	0	0	0	0	7	Service charges in Lieu of Property tax on Central government Buildings
1	1	0	0	1	0	0	0	0	8	Property tax on the Closed and Sick industries
1	1	0	0	1	0	0	0	0	9	Property tax on industries under litigation
1	1	0	0	1	0	0	0	1	0	Surcharge on Property tax
1	1	0	0	1	0	0	0	1	1	Interest on Property tax
1	1	0	0	3	0	0	0	0	0	<i>Sewerage tax</i>
1	1	0	0	3	0	0	0	0	1	Sewerage Tax
1	1	0	0	4	0	0	0	0	0	<i>Conservancy tax / Latrine tax</i>
1	1	0	0	4	0	0	0	0	1	Conservancy tax/ Latrine tax
1	1	0	0	5	0	0	0	0	0	<i>Lighting tax</i>
1	1	0	0	5	0	0	0	0	1	Lighting tax
1	1	0	0	6	0	0	0	0	0	<i>Education tax</i>
1	1	0	0	6	0	0	0	0	1	Education tax
1	1	0	0	7	0	0	0	0	0	<i>Vehicle tax</i>
1	1	0	0	7	0	0	0	0	1	Vehicle tax
1	1	0	0	8	0	0	0	0	0	<i>Tax on Animals</i>
1	1	0	0	8	0	0	0	0	1	Tax on Animals
1	1	0	0	9	0	0	0	0	0	<i>Electricity tax</i>
1	1	0	0	9	0	0	0	0	1	Electricity tax
1	1	0	1	0	0	0	0	0	0	<i>Professional tax</i>
1	1	0	1	0	0	0	0	0	1	Professional tax
1	1	0	1	2	0	0	0	0	0	<i>Pilgrimage tax</i>
1	1	0	1	2	0	0	0	0	1	Pilgrimage tax
1	1	0	1	3	0	0	0	0	0	<i>Show tax</i>
1	1	0	1	3	0	0	0	0	1	Show Tax
1	1	0	1	4	0	0	0	0	0	<i>Tax on Boat</i>
1	1	0	1	4	0	0	0	0	1	Tax on Boat
1	1	0	1	5	0	0	0	0	0	<i>Tax on Dogs</i>
1	1	0	1	5	0	0	0	0	1	Tax on Dogs
1	1	0	1	6	0	0	0	0	0	<i>Fire Tax</i>
1	1	0	1	6	0	0	0	0	1	Fire Tax (Presently not a part of the Municipal Receipt)
1	1	0	1	7	0	0	0	0	0	<i>Sanitation Tax</i>

Major Code			Minor Code		Sub Minor Code			Detail Code		Description
1	1	0	1	7	0	0	0	0	1	Sanitation Tax
<i>1</i>	<i>1</i>	<i>0</i>	<i>1</i>	<i>8</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>General Tax</i>
1	1	0	1	8	0	0	0	0	1	General Tax
<i>1</i>	<i>1</i>	<i>0</i>	<i>1</i>	<i>9</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>Development Tax</i>
1	1	0	1	9	0	0	0	0	1	Development Tax
<i>1</i>	<i>1</i>	<i>0</i>	<i>2</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>Duty on transfer of immovable property if not collected on assigned revenue basis</i>
1	1	0	2	0	0	0	0	0	1	Duty on transfer of immovable property if not collected on assigned revenue
<i>1</i>	<i>1</i>	<i>0</i>	<i>2</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>Tax on Driving Licensee</i>
1	1	0	2	1	0	0	0	0	1	Tax on Driving Licensee
<i>1</i>	<i>1</i>	<i>0</i>	<i>5</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>Octroi and toll</i>
1	1	0	5	1	0	0	0	0	1	Octroi and toll
<i>1</i>	<i>1</i>	<i>0</i>	<i>5</i>	<i>2</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>Charges on Collection of Cess</i>
1	1	0	5	2	0	0	0	0	1	Education Cess
1	1	0	5	2	0	0	0	0	2	Employment Cess
1	1	0	5	2	0	0	0	0	3	Health Cess
<i>1</i>	<i>1</i>	<i>0</i>	<i>8</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>Other Taxes</i>
1	1	0	8	0	0	0	0	0	1	Tax on Carriage and Carts
1	1	0	8	0	0	0	0	0	2	Building tax
1	1	0	8	0	0	0	0	0	3	Drainage tax
1	1	0	8	0	0	0	0	0	4	Special sanitary tax
1	1	0	8	0	0	0	0	0	5	Cycle Tax
1	1	0	8	0	0	0	0	0	6	Terminal Tax
<i>1</i>	<i>1</i>	<i>0</i>	<i>9</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>Tax Remissions and Refunds</i>
1	1	0	9	0	0	0	1	0	0	Property Tax
1	1	0	9	0	0	0	1	0	1	Property tax from Residential buildings
1	1	0	9	0	0	0	1	0	2	Property tax from Commercial buildings
1	1	0	9	0	0	0	1	0	3	Property tax on Vacant Land
1	1	0	9	0	0	0	1	0	4	Property tax on Institutional Buildings
1	1	0	9	0	0	0	1	0	5	Property tax on Religious Buildings
1	1	0	9	0	0	0	1	0	6	Property tax on State Government buildings
1	1	0	9	0	0	0	1	0	7	Service charges in Lieu of Property tax on Central government Buildings
1	1	0	9	0	0	0	1	0	8	Property tax on the Closed and Sick industries
1	1	0	9	0	0	0	1	0	9	Property tax on industries under litigation
1	1	0	9	0	0	0	1	1	0	Surcharge on Property tax
1	1	0	9	0	0	0	1	1	1	Interest on Property tax
<i>1</i>	<i>1</i>	<i>0</i>	<i>9</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>2</i>	<i>0</i>	<i>0</i>	<i>Other Revenues Tax Remissions and Refunds</i>
1	1	0	9	0	0	0	2	0	1	Sewerage Tax
1	1	0	9	0	0	0	2	0	2	Conservancy Tax /Latrine Tax
1	1	0	9	0	0	0	2	0	3	Lighting tax
1	1	0	9	0	0	0	2	0	4	Education Tax
1	1	0	9	0	0	0	2	0	5	Vehicle Tax
1	1	0	9	0	0	0	2	0	6	Tax on Animals
1	1	0	9	0	0	0	2	0	7	Electricity Tax

Major Code			Minor Code		Sub Minor Code			Detail Code		Description
1	1	0	9	0	0	0	2	0	8	Professional Tax
1	1	0	9	0	0	0	2	0	9	Pilgrimage Tax
1	1	0	9	0	0	0	2	1	0	Octroi and toll
1	1	0	9	0	0	0	2	1	1	Other Taxes
1	2	0	0	0	0	0	0	0	0	Assigned Revenues and Compensations
<i>1</i>	<i>2</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>Taxes and Duties Collected by others</i>
1	2	0	1	0	0	0	0	0	1	Stamp Duty Share
1	2	0	1	0	0	0	0	0	2	Motor/Vehicle Tax
1	2	0	1	0	0	0	0	0	3	Fee on Transfer of Property
1	2	0	1	0	0	0	0	0	4	Entertainment Tax
1	2	0	1	0	0	0	0	0	5	State Share of GST
1	2	0	1	0	0	0	0	0	6	Collection Charges of Cess on GST
1	2	0	1	0	0	0	0	0	7	Electricity Consumption Charges/User Charges
1	2	0	1	0	0	0	0	0	8	Other Taxes/Charges as recommended by Govt. from time to time
<i>1</i>	<i>2</i>	<i>0</i>	<i>2</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>Compensation in lieu of Taxes/Duties</i>
1	2	0	2	0	0	0	0	0	1	Compensation in lieu of Octroi
1	2	0	2	0	0	0	0	0	2	Compensation in lieu of Electricity
<i>1</i>	<i>2</i>	<i>0</i>	<i>3</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>Compensation in lieu of Concessions</i>
1	2	0	3	0	0	0	0	0	1	Property Tax compensations due to concessions certain taxpayers
1	3	0	0	0	0	0	0	0	0	Rental Income from municipal properties
<i>1</i>	<i>3</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>Rent From Civic Amenities</i>
1	3	0	1	0	0	0	0	0	1	Rent from Markets
1	3	0	1	0	0	0	0	0	2	Rent from Shopping Complexes
1	3	0	1	0	0	0	0	0	3	Rent from Auditoriums
1	3	0	1	0	0	0	0	0	4	Rent from Art Galleries
1	3	0	1	0	0	0	0	0	5	Rental Income from Marriage halls, community centers
1	3	0	1	0	0	0	0	0	6	Rental Income from Playgrounds
1	3	0	1	0	0	0	0	0	7	Rental Income from Nurseries
1	3	0	1	0	0	0	0	0	8	Rental Income from Others
<i>1</i>	<i>3</i>	<i>0</i>	<i>2</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>Rent from office Buildings</i>
1	3	0	2	0	0	0	0	0	1	Rent from employee quarters
1	3	0	2	0	0	0	0	0	2	Rent from Office Building – Others
<i>1</i>	<i>3</i>	<i>0</i>	<i>3</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>Rent from Guest Houses</i>
1	3	0	3	0	0	0	0	0	1	Rent from Guest Houses
<i>1</i>	<i>3</i>	<i>0</i>	<i>4</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>Rent from lease of Lands</i>
1	3	0	4	0	0	0	0	0	1	Rent from lease of Lands – Lump-sum
1	3	0	4	0	0	0	0	0	2	Rent from lease of Lands – Installments
1	3	0	4	0	0	0	0	0	3	From Development Authorities
<i>1</i>	<i>3</i>	<i>0</i>	<i>8</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>Other Rents</i>
1	3	0	8	0	0	0	0	0	1	Lease income from leasing out parking place
<i>1</i>	<i>3</i>	<i>0</i>	<i>9</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>Rent remission and refunds</i>
1	3	0	9	0	0	0	0	0	1	Rent From Civic Amenities
1	3	0	9	0	0	0	0	0	2	Rent From office Buildings

Major Code		Minor Code		Sub Minor Code			Detail Code		Description	
1	3	0	9	0	0	0	0	3	Rent From Guest Houses	
1	3	0	9	0	0	0	0	4	Rent from lease of Lands	
1	3	0	9	0	0	0	0	5	Other Rents	
1	4	0	0	0	0	0	0	0	Fees and User charges	
1	4	0	1	0	0	0	0	0	<i>Empanelment and Registration Charges</i>	
1	4	0	1	0	0	0	0	1	Registration of Carts	
1	4	0	1	0	0	0	0	2	Registration of Contractors	
1	4	0	1	0	0	0	0	3	Registration of patients	
1	4	0	1	0	0	0	0	4	Registration of Professionals/Enlistment Fees	
1	4	0	1	0	0	0	0	5	Registration of Municipal Works contractors	
1	4	0	1	0	0	0	0	6	Cess Registration	
1	4	0	1	0	0	0	0	7	Registration Charges for school	
1	4	0	1	0	0	0	0	8	Registration on Dogs	
1	4	0	1	1	0	0	0	0	<i>Licensing Fees</i>	
1	4	0	1	1	0	0	0	1	Licensing Fees for Slaughtering	
1	4	0	1	1	0	0	0	2	Licensing Fees for Butchers and Traders of meat	
1	4	0	1	1	0	0	0	3	Licensing Fees for Poultry	
1	4	0	1	1	0	0	0	4	Licensing Fees for Cattle Pounding	
1	4	0	1	1	0	0	0	5	Licensing Fees for Bazaars – Cattle Fair	
1	4	0	1	1	0	0	0	6	Licensing Fees for Prevention of food and adulteration act and rules	
1	4	0	1	1	0	0	0	7	Licensing Fees for Hawkers	
1	4	0	1	1	0	0	0	8	Licensing Fees for Shops	
1	4	0	1	1	0	0	0	9	Licensing Fees for Plumbing	
1	4	0	1	1	0	0	0	1	0	Licensing Fees for Fish Monger
1	4	0	1	1	0	0	0	1	1	Licensing Fees for Hotels
1	4	0	1	1	0	0	0	1	2	Licensing Fees for Cinema Halls
1	4	0	1	1	0	0	0	1	3	Licensing Fees for Clinics
1	4	0	1	1	0	0	0	1	4	Licensing Fees for use of premises for non-residential purposes
1	4	0	1	1	0	0	0	1	5	Licensing Fee for Offensive and Dangerous Trades
1	4	0	1	1	0	0	0	1	6	Licensing Fee for Others
1	4	0	1	2	0	0	0	0	0	<i>Fees for Grant of Permit</i>
1	4	0	1	2	0	0	0	0	1	Construction of Building
1	4	0	1	2	0	0	0	0	2	Transits Permit
1	4	0	1	2	0	0	0	0	3	Escort Permit
1	4	0	1	2	0	0	0	0	4	Lay-out permit
1	4	0	1	2	0	0	0	0	5	Sub-division permit fees
1	4	0	1	2	0	0	0	0	6	Plan Sanction fees
1	4	0	1	3	0	0	0	0	0	<i>Fees for Certificate or Extract</i>
1	4	0	1	3	0	0	0	0	1	Fees for Copying
1	4	0	1	3	0	0	0	0	2	Fee for Birth and Death Certificate
1	4	0	1	3	0	0	0	0	3	Fees for Occupancy Certificates
1	4	0	1	3	0	0	0	0	4	Fees for Certificates-Others
1	4	0	1	4	0	0	0	0	0	<i>Development Charges</i>
1	4	0	1	4	0	0	0	0	1	Development fees

Major Code			Minor Code		Sub Minor Code			Detail Code		Description
1	4	0	1	4	0	0	0	2	Betterment fees	
1	4	0	1	4	0	0	0	3	Demolition Charges	
1	4	0	1	4	0	0	0	4	Open space contribution fees	
1	4	0	1	4	0	0	0	5	Parking fees	
1	4	0	1	4	0	0	0	6	Site Clearance Fees	
1	4	0	1	4	0	0	0	7	Vacant Site Service Charge	
1	4	0	1	5	0	0	0	0	<i>Regularization Fees</i>	
1	4	0	1	5	0	0	0	1	Encroachment fees	
1	4	0	1	5	0	0	0	2	Regularization of constructed building	
1	4	0	1	5	0	0	0	3	Regularization of constructed kachi basti	
1	4	0	1	5	0	0	0	4	Conversion fees Agriculture land	
1	4	0	1	5	0	0	0	5	Regularizations Fees – Others	
1	4	0	1	5	0	0	0	6	Conversion Charges from Leasehold Holding to Freehold land	
1	4	0	1	6	0	0	0	0	<i>Water Charges</i>	
1	4	0	1	6	0	0	0	1	Water Charges on Residential buildings	
1	4	0	1	6	0	0	0	2	Water Charges on Commercial buildings	
1	4	0	1	6	0	0	0	3	Water Charges on State Government buildings	
1	4	0	1	6	0	0	0	4	Water Charges on the Closed and Sick industries	
1	4	0	1	6	0	0	0	5	Water Charges on industries under litigation or dispute	
1	4	0	1	7	0	0	0	0	<i>Permission Fee (Advertisement)</i>	
1	4	0	1	7	0	0	1	0	1	Permission Fee (Municipal Properties)
1	4	0	1	7	0	0	1	0	2	Permission Charges -Land hoarding
1	4	0	1	7	0	0	1	0	3	Permission Charges -Bus Shelter
1	4	0	1	7	0	0	1	0	4	Permission Charges – Public Transport
1	4	0	1	7	0	0	1	0	5	Permission Charges -Neon ,signs and shops
1	4	0	1	7	0	0	1	0	5	Permission Charges on tree guards
1	4	0	1	7	0	0	1	0	6	Permission Charges on toilets
1	4	0	1	7	0	0	1	0	7	Permission Charges on traffic signals, Police booths, Umbrellas
1	4	0	1	7	0	0	1	0	8	Permission Charges on Footpaths, railing Poles, etc
1	4	0	1	7	0	0	1	0	9	Permission Charges-Others (Water ATM, Balloon etc)
1	4	0	1	7	0	0	2	0	0	Permission Fee (Advertisement on Private Land and Buildings)
1	4	0	1	7	0	0	2	0	1	Permission Charges on Pvt. land holdings
1	4	0	2	0	0	0	0	0	0	<i>Penalties and Fines</i>
1	4	0	2	0	0	0	0	0	1	Penalty and Fine under the Haryana Municipal Act 1973/1994
1	4	0	2	0	0	0	0	0	2	Penalties and Fines under Other Acts
1	4	0	2	0	0	0	0	0	3	Penalties and Fines under Samjhota Adhisandhan
1	4	0	2	0	0	0	0	0	4	Octroi
1	4	0	2	0	0	0	0	0	5	Cess
1	4	0	2	0	0	0	0	0	6	Penalties and Fines – Others
1	4	0	4	0	0	0	0	0	0	<i>Other Fees</i>
1	4	0	4	0	0	0	0	0	1	Tuition Fees
1	4	0	4	0	0	0	0	0	2	House Connection for Water
1	4	0	4	0	0	0	0	0	3	Disconnection fees

Major Code		Minor Code		Sub Minor Code			Detail Code		Description	
1	4	0	4	0	0	0	0	4	Notice fees	
1	4	0	4	0	0	0	0	5	Warrant fees	
1	4	0	4	0	0	0	0	6	Mutation Fees	
1	4	0	4	0	0	0	0	7	Property transfer fees	
1	4	0	4	0	0	0	0	8	Sports Fees	
1	4	0	4	0	0	0	0	9	Library Fees	
1	4	0	4	0	0	0	0	1	0	Survey fees
1	4	0	4	0	0	0	0	1	1	Erection of building fees
1	4	0	4	0	0	0	0	1	2	Admission Fees-Education
1	4	0	4	0	0	0	0	1	3	Building/Development Fees
1	4	0	4	0	0	0	0	1	4	House Connection for Sewerage
1	4	0	4	0	0	0	0	1	5	Mooring of Vessels
1	4	0	5	0	0	0	0	0	0	<i>User Charges</i>
1	4	0	5	0	0	0	0	0	1	Lease Rent Annual Premium
1	4	0	5	0	0	0	0	0	2	Sale of medicines, X- Ray etc.
1	4	0	5	0	0	0	0	0	3	Examination Charges
1	4	0	5	0	0	0	0	0	4	Ambulance Charges
1	4	0	5	0	0	0	0	0	5	Funeral Van Services
1	4	0	5	0	0	0	0	0	6	Garbage Collection Fees
1	4	0	5	0	0	0	0	0	7	Septic tank Clearance Charges
1	4	0	5	0	0	0	0	0	8	Sewerage clearance charges
1	4	0	5	0	0	0	0	0	9	Charges for Pay and Use toilets
1	4	0	5	0	0	0	0	1	0	Supply of extra water/Special water supply/water tanker
1	4	0	5	0	0	0	0	1	1	Meter Rent for water Supply
1	4	0	5	0	0	0	0	1	2	Connection-charges, Electricity
1	4	0	5	0	0	0	0	1	3	Parking fees
1	4	0	5	0	0	0	0	1	4	Luggage Charges
1	4	0	5	0	0	0	0	1	5	Tickets Charges
1	4	0	5	0	0	0	0	1	6	Burial Ground Charges
1	4	0	5	0	0	0	0	1	7	Fire Extinguishing charges
1	4	0	5	0	0	0	0	1	8	Littering and Debris Collection Fees
1	4	0	5	0	0	0	0	1	9	Crematorium Charges
1	4	0	5	0	0	0	0	2	0	User Charges- Others
1	4	0	5	0	0	0	0	2	1	Sewerage Blockage and Sewerage inspection fees
1	4	0	6	0	0	0	0	0	0	<i>Entry Fees</i>
1	4	0	6	0	0	0	0	0	1	Park Entrance Fees
1	4	0	6	0	0	0	0	0	2	Entry Fees for Library
1	4	0	6	0	0	0	0	0	3	Entry Fees for Play grounds
1	4	0	6	0	0	0	0	0	4	Entry Fees for Zoo
1	4	0	6	0	0	0	0	0	5	Entry fees for swimming pool
1	4	0	6	0	0	0	0	0	6	Entry fees – Others
1	4	0	6	0	0	0	0	0	7	Entry Fees for Museum
1	4	0	7	0	0	0	0	0	0	<i>Service/Administrative Charges</i>
1	4	0	7	0	0	0	0	0	1	Service Charges
1	4	0	7	0	0	0	0	0	2	Percentage on Deposit Works

Major Code		Minor Code		Sub Minor Code			Detail Code		Description	
1	4	0	7	0	0	0	0	3	Plan Preparation charges	
1	4	0	7	0	0	0	0	4	Road Damage Recovery	
1	4	0	7	0	0	0	0	5	Stacking Fees	
1	4	0	7	0	0	0	0	6	Rebate from state government	
1	4	0	7	0	0	0	0	7	Service/Administrative Charges – Others	
1	4	0	8	0	0	0	0	0	<i>Other Charges</i>	
1	4	0	8	0	0	0	0	1	Other Charges	
1	4	0	9	0	0	0	0	0	<i>Remission and Refund</i>	
1	4	0	9	0	0	0	1	0	Permission Fee (Advertisement)	
1	4	0	9	0	0	0	1	0	Permission Charges -Land hoarding	
1	4	0	9	0	0	0	1	0	Permission Charges -Bus Shelter	
1	4	0	9	0	0	0	1	0	Permission Charges – Public Transport	
1	4	0	9	0	0	0	1	0	Permission Charges -Neon, signs and shops	
1	4	0	9	0	0	0	1	0	Permission Charges on Pvt. land holdings	
1	4	0	9	0	0	0	1	0	Permission Charges on toilets	
1	4	0	9	0	0	0	1	0	Permission Charges on traffic signals, Police booths, Umbrellas	
1	4	0	9	0	0	0	1	0	Permission Charges on Footpaths, railing Poles, etc	
1	4	0	9	0	0	0	1	0	Permission Charges on tree guards	
1	4	0	9	0	0	0	1	1	0	Permission Charges-Others (Water ATM, Balloons etc)
1	4	0	9	0	0	0	2	0	0	Water Charges
1	4	0	9	0	0	0	2	0	1	Water Charges on Residential buildings
1	4	0	9	0	0	0	2	0	2	Water Charges on Commercial buildings
1	4	0	9	0	0	0	2	0	3	Water Charges on State Government buildings
1	4	0	9	0	0	0	2	0	4	Water Charges on the Closed and Sick industries
1	4	0	9	0	0	0	2	0	5	Water Charges on industries under litigation or dispute
1	4	0	9	0	0	0	3	0	0	<i>Other Fee and User Charges</i>
1	4	0	9	0	0	0	3	0	1	Empanelment and Registration Charges
1	4	0	9	0	0	0	3	0	2	Licensing Fees
1	4	0	9	0	0	0	3	0	3	Other Fee and Charges
1	5	0	0	0	0	0	0	0	0	Sale and Hire Charges
1	5	0	1	0	0	0	0	0	0	<i>Sale of Products</i>
1	5	0	1	0	0	0	0	0	1	Sale of Tree Guards
1	5	0	1	0	0	0	0	0	2	Sale of garbage
1	5	0	1	0	0	0	0	0	3	Sale of Manure
1	5	0	1	0	0	0	0	0	4	Sale of rubbish
1	5	0	1	0	0	0	0	0	5	Sale of Compost
1	5	0	1	0	0	0	0	0	6	Sale of Trees
1	5	0	1	0	0	0	0	0	7	Sale of Flowers
1	5	0	1	0	0	0	0	0	8	Sale of Fruits
1	5	0	1	0	0	0	0	0	9	Sale of Nursery Plants
1	5	0	1	0	0	0	0	1	0	Sale Of Grass
1	5	0	1	1	0	0	0	0	0	<i>Sale of Forms and Publications</i>
1	5	0	1	1	0	0	0	0	1	Sale of Tender Forms
1	5	0	1	1	0	0	0	0	2	Sale of Maps

Major Code		Minor Code		Sub Minor Code			Detail Code		Description
1	5	0	1	1	0	0	0	3	Sale of Plans
1	5	0	1	1	0	0	0	4	Food license Form
1	5	0	1	1	0	0	0	5	Non-Residential Form
1	5	0	1	1	0	0	0	6	Sale Permission Form
1	5	0	1	1	0	0	0	7	Tax Review Form
1	5	0	1	1	0	0	0	8	Water connection Application Form
1	5	0	1	1	0	0	0	9	Birth Certificate Form
1	5	0	1	1	0	0	1	0	Death certificate Form
1	5	0	1	1	0	0	1	1	Provisional certificate Form
1	5	0	1	1	0	0	1	2	Clearance of Septic Tank Form
1	5	0	1	1	0	0	1	3	Sale of Forms and Publications- Others
1	5	0	1	2	0	0	0	0	<i>Sale of Stores and Spares</i>
1	5	0	1	2	0	0	0	1	Obsolete Stores
1	5	0	1	2	0	0	0	2	Obsolete assets
1	5	0	3	0	0	0	0	0	<i>Sale of Others</i>
1	5	0	3	0	0	0	0	1	Sale of Old newspapers
1	5	0	3	0	0	0	0	2	Sale of Impounded Animals
1	5	0	3	0	0	0	0	3	Sale of Others
1	5	0	4	0	0	0	0	0	<i>Hire Charges for Vehicles</i>
1	5	0	4	0	0	0	0	1	Hire Charges for Bus
1	5	0	4	0	0	0	0	2	Hire charges of ambulance
1	5	0	4	0	0	0	0	3	Hire charges of Other Vehicle
1	5	0	4	1	0	0	0	0	<i>Hire Charges on Equipments</i>
1	5	0	4	1	0	0	0	1	Hire Charges for rollers
1	5	0	4	1	0	0	0	2	Hire Charges for tools and Equipments
1	5	0	4	1	0	0	0	3	Hire Charges for Medical Equipments
1	6	0	0	0	0	0	0	0	Revenue Grants, Contributions and Subsidies
1	6	0	1	0	0	0	0	0	<i>Revenue Grant</i>
1	6	0	1	0	0	0	0	1	Grant from Education Departments
1	6	0	1	0	0	0	0	2	General Grant
1	6	0	1	0	0	0	0	3	Family Welfare Grants
1	6	0	1	0	0	0	0	4	Road Development Grants
1	6	0	1	0	0	0	0	5	Revenue Grants from State Finance Commission Grants
1	6	0	1	0	0	0	0	6	Revenue Grants from Central Finance Commission Grants
1	6	0	1	0	0	0	0	7	Census Grant
1	6	0	1	0	0	0	0	8	Revenue Grants from Government Agencies
1	6	0	1	0	0	0	0	9	Revenue Grant from Financial Institutions
1	6	0	1	0	0	0	1	0	Revenue Grant from Welfare Bodies
1	6	0	1	0	0	0	1	1	Revenue Grant from International Organizations
1	6	0	1	0	0	0	1	2	Revenue Grant from Others
1	6	0	2	0	0	0	0	0	<i>Re-imburement of expenses</i>
1	6	0	2	0	0	0	0	1	Re-imburement of expenses
1	6	0	3	0	0	0	0	0	<i>Contribution towards Schemes</i>
1	6	0	3	0	0	0	0	1	Contribution towards Schemes

Major Code		Minor Code		Sub Minor Code		Detail Code		Description	
1	7	0	0	0	0	0	0	0	Income from Investments
1	7	0	1	0	0	0	0	0	<i>Interest</i>
1	7	0	1	0	0	0	0	1	Interest from fixed Deposits
1	7	0	1	0	0	0	0	2	Interest on Government deposits
1	7	0	1	0	0	0	0	3	Interest on Post office deposits
1	7	0	1	0	0	0	0	4	Interest-Others
1	7	0	2	0	0	0	0	0	<i>Dividend</i>
1	7	0	2	0	0	0	0	1	Saving Account
1	7	0	2	0	0	0	0	2	Dividend – Others
1	7	0	3	0	0	0	0	0	<i>Income from projects taken on commercial basis</i>
1	7	0	3	0	0	0	0	1	Income from plying of boats owned by local bodies
1	7	0	3	0	0	0	0	2	Income from water works owned by local bodies
1	7	0	3	0	0	0	0	3	Income from other sources
1	7	0	4	0	0	0	0	0	<i>Profit on sale of Investments</i>
1	7	0	4	0	0	0	0	1	Profit on sale of Investments
1	7	0	8	0	0	0	0	0	<i>Other income from Investments</i>
1	7	0	8	0	0	0	0	1	Appreciation in value of Investments
1	7	1	0	0	0	0	0	0	Interest Earned
1	7	1	1	0	0	0	0	0	<i>Interest from Bank Accounts</i>
1	7	1	1	0	0	0	0	1	Interest from PD Account
1	7	1	1	0	0	0	0	2	Interest from SB Account
1	7	1	2	0	0	0	0	0	<i>Interest on Loans and advances to Employees</i>
1	7	1	2	0	0	0	0	1	Interest on House building Loan/Advance
1	7	1	2	0	0	0	0	2	Interest on Conveyance Advance
1	7	1	2	0	0	0	0	3	Interest on Computer Loan/Advance
1	7	1	2	0	0	0	0	4	Interest on Festival Advance
1	7	1	2	0	0	0	0	5	Interest on vehicle advance
1	7	1	2	0	0	0	0	6	Interest on Food Grain
1	7	1	2	0	0	0	0	7	Interest on Loans and advances to Employees- Others
1	7	1	3	0	0	0	0	0	<i>Interest on Loans and advances to Others</i>
1	7	1	3	0	0	0	0	1	Interest on Loans and advances to Others
1	7	1	8	0	0	0	0	0	<i>Other Interest</i>
1	7	1	8	0	0	0	0	1	Interest on Hire-Purchases
1	7	1	8	0	0	0	0	2	Interest on Property Tax receivable
1	7	1	8	0	0	0	0	3	Interest on Water Charges receivable
1	7	1	8	0	0	0	0	4	Interest on rental Income receivable
1	8	0	0	0	0	0	0	0	Other Income
1	8	0	1	0	0	0	0	0	<i>Deposits Forfeited</i>
1	8	0	1	0	0	0	0	1	Contractors
1	8	0	1	0	0	0	0	2	Suppliers
1	8	0	1	0	0	0	0	3	Water Supply Deposits
1	8	0	1	0	0	0	0	4	Rental Deposits
1	8	0	1	1	0	0	0	0	<i>Lapsed Deposits</i>
1	8	0	1	1	0	0	0	1	Contractors
1	8	0	1	1	0	0	0	2	Suppliers

Major Code			Minor Code		Sub Minor Code			Detail Code		Description
1	8	0	1	1	0	0	0	0	3	Water Supply Deposits
1	8	0	1	1	0	0	0	0	4	Rental Deposits
1	8	0	1	1	0	0	0	0	5	Lapsed Deposits- Others
1	8	0	2	0	0	0	0	0	0	<i>Insurance Claim Recovery</i>
1	8	0	2	0	0	0	0	0	1	Insurance Claim Recovery
1	8	0	3	0	0	0	0	0	0	<i>Profit on Disposal of fixed assets</i>
1	8	0	3	0	0	0	0	0	1	Land
1	8	0	3	0	0	0	0	0	2	Buildings
1	8	0	3	0	0	0	0	0	3	Roads and Bridges
1	8	0	3	0	0	0	0	0	4	Fly Over
1	8	0	3	0	0	0	0	0	5	Sewerage and Drainage
1	8	0	3	0	0	0	0	0	6	Water Ways
1	8	0	3	0	0	0	0	0	7	Plants and Machinery
1	8	0	3	0	0	0	0	0	8	Vehicles
1	8	0	3	0	0	0	0	0	9	Office and Other Equipments
1	8	0	3	0	0	0	0	1	0	Furniture, fixtures, fittings and electric Appliances
1	8	0	3	0	0	0	0	1	1	Intangible assets
1	8	0	4	0	0	0	0	0	0	<i>Recovery from employees</i>
1	8	0	4	0	0	0	0	0	1	Recovery from employees
1	8	0	5	0	0	0	0	0	0	<i>Unclaimed Refund Payable/Liabilities Written back</i>
1	8	0	5	0	0	0	0	0	1	Stale cheques
1	8	0	6	0	0	0	0	0	0	<i>Excess Provisions written back</i>
1	8	0	6	0	0	0	0	0	1	Provision written back on Property Tax
1	8	0	6	0	0	0	0	0	2	Provision written back on Water Charge
1	8	0	6	0	0	0	0	0	3	Provision written back on Rental Income receivable
1	8	0	6	0	0	0	0	0	4	Provision written back on Encroached Lands
1	8	0	6	0	0	0	0	0	5	Provision written back for Depreciation
1	8	0	8	0	0	0	0	0	0	<i>Miscellaneous Income</i>
1	8	0	8	0	0	0	0	0	1	Income from TV Operators
1	8	0	8	0	0	0	0	0	2	Realization Under Haryana Municipal acts
1	8	0	8	0	0	0	0	0	3	Realization Under Other Acts
1	8	0	8	0	0	0	0	0	4	Fines Under Other Acts/Contracts
1	8	0	8	0	0	0	0	0	5	Recoveries on account of services Rendered to Private Individuals
1	8	0	8	0	0	0	0	0	6	Bad debts recovered
1	8	0	8	0	0	0	0	0	7	Sale of scrap and material
1	8	0	8	0	0	0	0	0	8	Penalties/Damages from Contractors
1	8	0	8	0	0	0	0	0	9	Penalties/Damages from Suppliers
1	8	0	8	0	0	0	0	1	0	Recoveries from Contractors
1	8	0	8	0	0	0	0	1	1	Recoveries from Suppliers
1	8	0	8	0	0	0	0	1	2	Others Misc. Income

Accounting Heads – Revenue Expenditure

Major Code			Minor Code		Sub Minor Code			Detail Code		Description
2	1	0	0	0	0	0	0	0	0	Establishment Expenses
2	1	0	1	0	0	0	0	0	0	<i>Salaries, Wages and Bonus</i>
2	1	0	1	0	0	0	0	0	1	Salaries and Allowances – Officers
2	1	0	1	0	0	0	0	0	2	Salaries and Allowances – Staffs
2	1	0	1	0	0	0	0	0	3	Wages
2	1	0	1	0	0	0	0	0	4	Performance Bonus
2	1	0	1	0	0	0	0	0	5	Ex-gratia
2	1	0	2	0	0	0	0	0	0	<i>Benefits and Allowances</i>
2	1	0	2	0	0	0	0	0	1	Medical Re-imburement
2	1	0	2	0	0	0	0	0	2	Education Allowance
2	1	0	2	0	0	0	0	0	3	Tuition Fees
2	1	0	2	0	0	0	0	0	4	Conveyance Allowance
2	1	0	2	0	0	0	0	0	5	Uniform to staff
2	1	0	2	0	0	0	0	0	6	Uniform Allowance
2	1	0	2	0	0	0	0	0	7	Parshad Allowance
2	1	0	2	0	0	0	0	0	8	HRD Expenses
2	1	0	2	0	0	0	0	0	9	Staff Welfare Expenses
2	1	0	2	0	0	0	0	1	0	Staff /Officers Training
2	1	0	2	0	0	0	0	1	1	Honorarium to Officers/ Staffs
2	1	0	2	0	0	0	0	1	2	Honorarium to Council members
2	1	0	2	0	0	0	0	1	3	Leave travel Concession
2	1	0	2	0	0	0	0	1	4	Over-time Allowance
2	1	0	2	0	0	0	0	1	5	Compensation to staff
2	1	0	2	0	0	0	0	1	6	Allowances to President/ Mayor/ Chief Municipal Officer
2	1	0	2	0	0	0	0	1	7	Office Contingencies
2	1	0	2	0	0	0	0	1	8	Allowances to Other board of councilors
2	1	0	2	0	0	0	0	1	9	Others
2	1	0	3	0	0	0	0	0	0	<i>Pension</i>
2	1	0	3	0	0	0	0	0	1	Employee Pension
2	1	0	3	0	0	0	0	0	2	Family Pension
2	1	0	3	0	0	0	0	0	3	Pension Fund Contribution
2	1	0	3	0	0	0	0	0	4	Pension contribution for deputation staff
2	1	0	3	0	0	0	0	0	5	Pension deficit contribution
2	1	0	3	0	0	0	0	0	6	Pension contribution to Other Funds
2	1	0	4	0	0	0	0	0	0	<i>Other Terminal and Retirement Benefits</i>
2	1	0	4	0	0	0	0	0	1	Leave Encashment
2	1	0	4	0	0	0	0	0	2	Leave Salary Contribution
2	1	0	4	0	0	0	0	0	3	Leave salary Contribution for deputation staff
2	1	0	4	0	0	0	0	0	4	Death cum Retirement gratuity
2	1	0	4	0	0	0	0	0	5	Contribution to gratuity fund
2	1	0	4	0	0	0	0	0	6	Contribution to PF Funds
2	1	0	4	0	0	0	0	0	7	Others
2	2	0	0	0	0	0	0	0	0	Administrative Expenses
2	2	0	1	0	0	0	0	0	0	<i>Rent, Rates and Taxes</i>
2	2	0	1	0	0	0	0	0	1	Office -Building rent
2	2	0	1	0	0	0	0	0	2	Other rents
2	2	0	1	0	0	0	0	0	3	Rates and taxes

Major Code			Minor Code		Sub Minor Code			Detail Code		Description
2	2	0	1	1	0	0	0	0	0	<i>Office-Maintenance</i>

Major Code		Minor Code		Sub Minor Code		Detail Code		Description	
2	2	0	1	1	0	0	0	1	Electricity expenses
2	2	0	1	1	0	0	0	2	Water Charges
2	2	0	1	1	0	0	0	3	Security expenses
2	2	0	1	2	0	0	0	0	<i>Communication Expenses</i>
2	2	0	1	2	0	0	0	1	Telephone Expenses
2	2	0	1	2	0	0	0	2	Cell phone Expenses
2	2	0	1	2	0	0	0	3	Postage and Telegram
2	2	0	1	2	0	0	0	4	Fax expenses
2	2	0	2	0	0	0	0	0	<i>Books and Periodicals</i>
2	2	0	2	0	0	0	0	1	Magazines
2	2	0	2	0	0	0	0	2	Newspapers
2	2	0	2	0	0	0	0	3	Journals
2	2	0	2	0	0	0	0	4	Books
2	2	0	2	1	0	0	0	0	<i>Printing and Stationary</i>
2	2	0	2	1	0	0	0	1	Printing
2	2	0	2	1	0	0	0	2	Stationary
2	2	0	2	1	0	0	0	3	Computer Consumables
2	2	0	3	0	0	0	0	0	<i>Traveling and Conveyance</i>
2	2	0	3	0	0	0	0	1	Traveling and Conveyance -President /Mayor/Chief Municipal Officer
2	2	0	3	0	0	0	0	2	Traveling and Conveyance -Board of Councilors
2	2	0	3	0	0	0	0	3	Traveling and Conveyance –Others
2	2	0	3	0	0	0	0	4	Fuel
2	2	0	3	0	0	0	0	5	Petrol and Diesel
2	2	0	4	0	0	0	0	0	<i>Insurance</i>
2	2	0	4	0	0	0	0	1	Insurance-Vehicles
2	2	0	4	0	0	0	0	2	Group Insurance scheme
2	2	0	5	0	0	0	0	0	<i>Audit-Fees</i>
2	2	0	5	0	0	0	0	1	Fee for Statutory Audit
2	2	0	5	0	0	0	0	2	Internal Audit Fees
2	2	0	5	0	0	0	0	3	Special Audit Fees
2	2	0	5	1	0	0	0	0	<i>Legal Expenses</i>
2	2	0	5	1	0	0	0	1	Legal Fees
2	2	0	5	1	0	0	0	2	Cost of recoveries of tax revenue
2	2	0	5	1	0	0	0	3	Suit Compromises
2	2	0	5	2	0	0	0	0	<i>Professional and other Fees</i>
2	2	0	5	2	0	0	0	1	Professional fees-Architecture
2	2	0	5	2	0	0	0	2	Professional fees-Engineer
2	2	0	5	2	0	0	0	3	Technical Fees
2	2	0	5	2	0	0	0	4	Consultancy Charges
2	2	0	6	0	0	0	0	0	<i>Advertisement and Publicity</i>
2	2	0	6	0	0	0	0	1	Hospitality Expenses
2	2	0	6	0	0	0	0	2	Advertisement and Publicity
2	2	0	6	0	0	0	0	3	Seminar and Workshop
2	2	0	6	0	0	0	0	4	Cultural events
2	2	0	6	1	0	0	0	0	<i>Membership and Subscriptions</i>
2	2	0	6	1	0	0	0	1	Professional Societies
2	2	0	8	0	0	0	0	0	<i>Others</i>
2	2	0	8	0	0	0	0	1	Medicine, Phenyle etc.
2	2	0	8	0	0	0	0	2	Other Contingencies (The detailed codes for branch/department wise may be used by Municipality after approval from DULB)
2	3	0	0	0	0	0	0	0	Operation and Maintenance
2	3	0	1	0	0	0	0	0	<i>Power and Fuel</i>

Major Code		Minor Code	Sub Minor Code			Detail Code	Description		
2	3	0	1	0	0	0	0	1	Electricity Expenses
2	3	0	1	0	0	0	0	2	Diesel expenses
2	3	0	1	0	0	0	0	3	Petrol expenses
2	3	0	2	0	0	0	0	0	<i>Bulk Purchases</i>
2	3	0	2	0	0	0	0	1	Bulk Purchase of Electricity
2	3	0	2	0	0	0	0	2	Bulk Purchase of Water
2	3	0	3	0	0	0	0	0	<i>Consumption of Stores</i>
2	3	0	3	0	0	0	0	1	Central Store
2	3	0	3	0	0	0	0	2	Engineering Store
2	3	0	3	0	0	0	0	3	Auto Store
2	3	0	3	0	0	0	0	4	Medical Store
2	3	0	3	0	0	0	0	5	Health Store
2	3	0	3	0	0	0	0	6	Stationary Store
2	3	0	3	0	0	0	0	7	Storm water Store
2	3	0	3	0	0	0	0	8	Drainage Store
2	3	0	3	0	0	0	0	9	Sewerage Store
2	3	0	3	0	0	0	0	1 0	Sanitary and Conservancy Store
2	3	0	3	0	0	0	0	1 1	Water Supply Store
2	3	0	3	0	0	0	0	1 2	Electricity Store
2	3	0	3	0	0	0	0	1 3	Machinery Spares
2	3	0	4	0	0	0	0	0	<i>Hire-Charges</i>
2	3	0	4	0	0	0	0	1	Hire-charges –Ambulance
2	3	0	4	0	0	0	0	2	Hire -Charges-Road rollers
2	3	0	4	0	0	0	0	3	Hire -Charges-Machinery Rent
2	3	0	4	1	0	0	0	0	<i>Repair and Maintenance-Statues and Heritage Assets</i>
2	3	0	4	1	0	0	0	1	Repair and Maintenance-Statues and Heritage Assets
2	3	0	5	0	0	0	0	0	<i>Repair and Maintenance -Infrastructure Assets</i>
2	3	0	5	0	0	0	0	1	Repair and Maintenance-Roads and Pavements
2	3	0	5	0	0	0	0	2	Repair and Maintenance- Bridges and Flyovers
2	3	0	5	0	0	0	0	3	Repair and Maintenance-Water Supply
2	3	0	5	0	0	0	0	4	Repair and Maintenance-Sewerage and Drainage
2	3	0	5	0	0	0	0	5	Repair and Maintenance-Street Light Posts
2	3	0	5	0	0	0	0	6	Repair and Maintenance-Storm Water Drains
2	3	0	5	0	0	0	0	7	Repair and Maintenance-Parks, Garden and Playgrounds
2	3	0	5	1	0	0	0	0	<i>Repair and Maintenance -Civic Amenities</i>
2	3	0	5	1	0	0	0	1	Repair and Maintenance-Parks, Garden and Playgrounds
2	3	0	5	1	0	0	0	2	Repair and Maintenance –lakes
2	3	0	5	1	0	0	0	3	Repair and Maintenance -Parking Lots
2	3	0	5	1	0	0	0	4	Repair and Maintenance –Markets, Commercial Complex
2	3	0	5	1	0	0	0	5	Repair and Maintenance -Play Materials
2	3	0	5	1	0	0	0	6	Repair and Maintenance -Public toilets
2	3	0	5	1	0	0	0	7	Repair and Maintenance-Swimming Pools
2	3	0	5	1	0	0	0	8	Repair and Maintenance-Stadium
2	3	0	5	1	0	0	0	9	Repair and Maintenance –Nursery
2	3	0	5	1	0	0	0	1 0	Repair and Maintenance –Houses
2	3	0	5	1	0	0	0	1 1	Repair and Maintenance –Hospitals
2	3	0	5	1	0	0	0	1 2	Repair and Maintenance –Schools
2	3	0	5	2	0	0	0	0	<i>Repair and Maintenance - Buildings</i>
2	3	0	5	2	0	0	0	1	Repair and Maintenance - Office Buildings
2	3	0	5	2	0	0	0	2	Repair and Maintenance – Residential Buildings
2	3	0	5	2	0	0	0	3	Others
2	3	0	5	3	0	0	0	0	<i>Repair and Maintenance -Vehicles</i>
2	3	0	5	3	0	0	0	1	Ambulances

Major Code		Minor Code		Sub Minor Code		Detail Code		Description		
2	3	0	5	3	0	0	0	0	2	Buses
2	3	0	5	3	0	0	0	0	3	Cars
2	3	0	5	3	0	0	0	0	4	Jeeps
2	3	0	5	3	0	0	0	0	5	Cranes
2	3	0	5	3	0	0	0	0	6	Trucks
2	3	0	5	3	0	0	0	0	7	Tankers
2	3	0	5	3	0	0	0	0	8	Road-rollers
2	3	0	5	9	0	0	0	0	0	<i>Repair and Maintenance -Others</i>
2	3	0	5	9	0	0	0	0	1	Repair and Maintenance-Furniture and Fixtures
2	3	0	5	9	0	0	0	0	2	Repair and Maintenance-Electric Appliances
2	3	0	5	9	0	0	0	0	3	Repair and Maintenance-Office equipment
2	3	0	5	9	0	0	0	0	4	Repair and Maintenance-Survey and Drawing Equipment's
2	3	0	5	9	0	0	0	0	5	Repair and Maintenance -Plant and Machinery
2	3	0	5	9	0	0	0	9	6	Repair and Maintenance -Other Fixed Assets
2	3	0	8	0	0	0	0	0	0	<i>Other operating and Maintenance expenses</i>
2	3	0	8	0	0	0	0	0	1	Testing and Inspection expenses
2	3	0	8	0	0	0	0	0	2	Water Purification expenses
2	3	0	8	0	0	0	0	0	3	Manure Analysis
2	3	0	8	0	0	0	0	0	4	Garbage Clearance expenses
2	3	0	8	0	0	0	0	0	5	Contract Vehicle
2	3	0	8	0	0	0	0	0	6	Fodder to Animals
2	3	0	8	0	0	0	0	0	7	Patient food expenses
2	3	0	8	0	0	0	0	0	8	Patient Laundry expenses
2	3	0	8	0	0	0	0	0	9	Tax of Public Transport
2	3	0	8	0	0	0	0	1	0	Others
2	4	0	0	0	0	0	0	0	0	Interest and Finance Charges
2	4	0	1	0	0	0	0	0	0	<i>Interest on Loans from the Central Government</i>
2	4	0	1	0	0	0	0	0	1	Interest on Loans from the Central Government
2	4	0	2	0	0	0	0	0	0	<i>Interest on Loans from the State Government</i>
2	4	0	2	0	0	0	0	0	1	Interest on Loans from the State Government
2	4	0	3	0	0	0	0	0	0	<i>Interest on Loans from the Government Bodies and associations</i>
2	4	0	3	0	0	0	0	0	1	Interest on Loans from the State Government
2	4	0	3	0	0	0	0	0	2	Interest on Loans from the Central Government
2	4	0	4	0	0	0	0	0	0	<i>Interest on Loans from International Agencies</i>
2	4	0	4	0	0	0	0	0	1	Interest on Loans from International Agencies
2	4	0	5	0	0	0	0	0	0	<i>Interest on Loans from Banks and other Financial Institutions</i>
2	4	0	5	0	0	0	0	0	1	Interest on Loans from Banks and other Financial Institutions
2	4	0	6	0	0	0	0	0	0	<i>Other Interest</i>
2	4	0	6	0	0	0	0	0	1	Interest on Leases
2	4	0	6	0	0	0	0	0	2	Interest on Hire-Purchases
2	4	0	6	0	0	0	0	0	3	Interest on Bonds
2	4	0	6	0	0	0	0	0	4	Interest on Debentures
2	4	0	7	0	0	0	0	0	0	<i>Bank Charges</i>
2	4	0	7	0	0	0	0	0	1	Bank Charges
2	4	0	8	0	0	0	0	0	0	<i>Other Finance Expenses</i>
2	4	0	8	0	0	0	0	0	1	Discount on Early/Prompt Payments
2	4	0	8	0	0	0	0	0	2	Commitment charges
2	4	0	8	0	0	0	0	0	3	Rebate on Property Tax Receivable
2	5	0	0	0	0	0	0	0	0	Programme Expenses
2	5	0	1	0	0	0	0	0	0	<i>Election Expenses</i>
2	5	0	1	0	0	0	0	0	1	Election Expenses
2	5	0	2	0	0	0	0	0	0	<i>Own Programmes</i>

Major Code		Minor Code		Sub Minor Code		Detail Code		Description		
2	5	0	2	0	0	0	0	0	1	Own Programmes
2	5	0	3	0	0	0	0	0	0	<i>Share in programme of others</i>
2	5	0	3	0	0	0	0	0	1	Share in programme of others
2	6	0	0	0	0	0	0	0	0	Revenue Grants, Contributions and Subsidies
2	6	0	1	0	0	0	0	0	0	<i>Grants</i>
2	6	0	1	0	0	0	0	0	1	Central government
2	6	0	1	0	0	0	0	0	2	State government
2	6	0	1	0	0	0	0	0	3	Other Government Agencies
2	6	0	1	0	0	0	0	0	4	Financial Institutions
2	6	0	1	0	0	0	0	0	5	International Organizations
2	6	0	1	0	0	0	0	0	6	Grant to SC/ST House Holders
2	6	0	2	0	0	0	0	0	0	<i>Contributions</i>
2	6	0	2	0	0	0	0	0	1	Central government
2	6	0	2	0	0	0	0	0	2	State government
2	6	0	2	0	0	0	0	0	3	Other Government Agencies
2	6	0	2	0	0	0	0	0	4	Financial Institutions
2	6	0	2	0	0	0	0	0	5	International Organizations
2	6	0	3	0	0	0	0	0	0	<i>Subsidies</i>
2	6	0	3	0	0	0	0	0	1	Central government
2	6	0	3	0	0	0	0	0	2	State government
2	6	0	3	0	0	0	0	0	3	Other Government Agencies
2	6	0	3	0	0	0	0	0	4	Financial Institutions
2	6	0	3	0	0	0	0	0	5	International Organizations
2	7	0	0	0	0	0	0	0	0	Provisions and write offs
2	7	0	1	0	0	0	0	0	0	<i>Provision For doubtful Receivables</i>
2	7	0	1	0	0	0	0	0	1	Provision for doubtful receivables on Property tax
2	7	0	1	0	0	0	0	0	2	Provision for doubtful receivables on Water Charge
2	7	0	1	0	0	0	0	0	3	Provision for doubtful receivables on Fees and User Charges
2	7	0	1	0	0	0	0	0	4	Provision for doubtful receivables on Rent
2	7	0	1	0	0	0	0	0	5	Provision for doubtful receivables – Others
2	7	0	2	0	0	0	0	0	0	<i>Provision for Other Assets</i>
2	7	0	2	0	0	0	0	0	1	Provision for Stores
2	7	0	2	0	0	0	0	0	2	Provision for Fixed Assets
2	7	0	2	0	0	0	0	0	3	Provision for Encroached Lands
2	7	0	2	0	0	0	0	0	4	Provision for Investments
2	7	0	3	0	0	0	0	0	0	<i>Revenues Written Off</i>
2	7	0	3	0	0	0	0	0	1	Property Tax
2	7	0	3	0	0	0	0	0	2	Water Charge
2	7	0	3	0	0	0	0	0	3	Rental Income
2	7	0	3	0	0	0	0	0	4	Assigned Revenues
2	7	0	3	0	0	0	0	0	5	Grants
2	7	0	3	0	0	0	0	0	6	Other Income
2	7	0	4	0	0	0	0	0	0	<i>Assets Written off</i>
2	7	0	4	0	0	0	0	0	1	Buildings
2	7	0	4	0	0	0	0	0	2	Roads and Bridges
2	7	0	4	0	0	0	0	0	3	Sewerage and Drainage
2	7	0	4	0	0	0	0	0	4	Waterways
2	7	0	4	0	0	0	0	0	5	Public Lighting
2	7	0	4	0	0	0	0	0	6	Plant and Machinery
2	7	0	4	0	0	0	0	0	7	Vehicles
2	7	0	4	0	0	0	0	0	8	Office and Other Equipment
2	7	0	4	0	0	0	0	0	9	Furniture, Fixtures, Fittings and Electric Appliances
2	7	0	4	0	0	0	0	1	0	Stores

Major Code		Minor Code		Sub Minor Code		Detail Code		Description	
2	7	0	5	0	0	0	0	0	Miscellaneous Expense Written off
2	7	0	5	0	0	0	0	1	Issue Expenses for Bonds
2	7	0	5	0	0	0	0	2	Issue Expenses for Others
2	7	1	0	0	0	0	0	0	Miscellaneous Expenses
2	7	1	1	0	0	0	0	0	Loss on Disposal of Assets
2	7	1	1	0	0	0	0	1	Buildings
2	7	1	1	0	0	0	0	2	Parks and Play grounds
2	7	1	1	0	0	0	0	3	Roads and Bridges
2	7	1	1	0	0	0	0	4	Sewerage and Drainage
2	7	1	1	0	0	0	0	5	Waterways
2	7	1	1	0	0	0	0	6	Public Lighting
2	7	1	1	0	0	0	0	7	Plant and Machinery
2	7	1	1	0	0	0	0	8	Vehicles
2	7	1	1	0	0	0	0	9	Office and Other Equipment
2	7	1	1	0	0	0	1	0	Furniture, Fixtures, Fittings and Electric Appliances
2	7	1	2	0	0	0	0	0	Loss on Disposal of Investments
2	7	1	2	0	0	0	0	1	Loss on Disposal of Investments
2	7	1	3	0	0	0	0	0	Decline in Value of Investments
2	7	1	3	0	0	0	0	1	Decline in Value of Investments
2	7	2	0	0	0	0	0	0	Depreciation
2	7	2	2	0	0	0	0	0	Buildings
2	7	2	2	0	0	0	0	1	Office Building
2	7	2	2	0	0	0	0	2	Ward/Borough Buildings
2	7	2	2	0	0	0	0	3	Hospital Buildings
2	7	2	2	0	0	0	0	4	Schools Buildings
2	7	2	2	0	0	0	0	5	Municipal halls, shops, town halls
2	7	2	2	0	0	0	0	6	Park Buildings
2	7	2	2	1	0	0	0	0	Parks and Play grounds
2	7	2	2	1	0	0	0	1	Parks and Play grounds
2	7	2	3	0	0	0	0	0	Roads and Bridges
2	7	2	3	0	0	0	0	1	Roads and Pavements-Concrete
2	7	2	3	0	0	0	0	2	Roads and Pavements-Black topped
2	7	2	3	0	0	0	0	3	Roads and Pavements –Others
2	7	2	3	0	0	0	0	4	Bridges
2	7	2	3	0	0	0	0	5	Sub-Ways
2	7	2	3	0	0	0	0	6	Cause-Ways
2	7	2	3	1	0	0	0	0	Sewerage and Drainage
2	7	2	3	1	0	0	0	1	Storm Water Drainage
2	7	2	3	1	0	0	0	2	Drains-Open
2	7	2	3	1	0	0	0	3	Drains-Closed
2	7	2	3	1	0	0	0	4	Culverts
2	7	2	3	2	0	0	0	0	Waterways
2	7	2	3	2	0	0	0	1	Water Pipelines
2	7	2	3	2	0	0	0	2	Deep Tube wells
2	7	2	3	2	0	0	0	3	Water tanks
2	7	2	3	2	0	0	0	4	Bore Wells
2	7	2	3	2	0	0	0	5	Open Wells
2	7	2	3	2	0	0	0	6	Reservoirs
2	7	2	3	3	0	0	0	0	Public Lighting
2	7	2	3	3	0	0	0	1	Lamp Posts
2	7	2	3	3	0	0	0	2	Transformers
2	7	2	4	0	0	0	0	0	Plant and Machinery
2	7	2	4	0	0	0	0	1	Water treatment plants

Major Code			Minor Code		Sub Minor Code			Detail Code		Description
2	7	2	4	0	0	0	0	0	2	Water pumping plants
2	7	2	4	0	0	0	0	0	3	Sewerage treatment plants
2	7	2	4	0	0	0	0	0	4	Sewerage pumping station
2	7	2	4	0	0	0	0	0	5	Hospital machinery
2	7	2	4	0	0	0	0	0	6	Road Rollers
2	7	2	4	0	0	0	0	0	7	Mixing Mortars
2	7	2	4	0	0	0	0	0	8	Bulldozers
2	7	2	4	0	0	0	0	0	9	Mechanical Sweepers
2	7	2	4	0	0	0	0	1	0	Cranes
2	7	2	4	0	0	0	0	1	1	Loaders
2	7	2	4	0	0	0	0	1	2	Submersible Pumps
2	7	2	4	0	0	0	0	1	3	Motor Pumps
2	7	2	4	0	0	0	0	1	4	School Equipments
2	7	2	5	0	0	0	0	0	0	<i>Vehicles</i>
2	7	2	5	0	0	0	0	0	1	Ambulances
2	7	2	5	0	0	0	0	0	2	Buses
2	7	2	5	0	0	0	0	0	3	Cars
2	7	2	5	0	0	0	0	0	4	Jeeps
2	7	2	5	0	0	0	0	0	5	Motor Cycles
2	7	2	5	0	0	0	0	0	6	Trucks
2	7	2	5	0	0	0	0	0	7	Tankers
2	7	2	5	0	0	0	0	0	8	Lorry
2	7	2	5	0	0	0	0	0	9	Tractors
2	7	2	5	0	0	0	0	1	0	Mini Lorry
2	7	2	6	0	0	0	0	0	0	<i>Office and Other Equipments</i>
2	7	2	6	0	0	0	0	0	1	Computers
2	7	2	6	0	0	0	0	0	2	Xerox-Machines
2	7	2	6	0	0	0	0	0	3	Type-Writers
2	7	2	6	0	0	0	0	0	4	Communication Equipments
2	7	2	6	0	0	0	0	0	5	Refrigerators
2	7	2	6	0	0	0	0	0	6	Public address systems
2	7	2	6	0	0	0	0	0	7	Wireless equipments
2	7	2	6	0	0	0	0	0	8	T.V. sets
2	7	2	6	0	0	0	0	0	9	Air conditioners
2	7	2	6	0	0	0	0	1	0	Water Coolers
2	7	2	6	0	0	0	0	1	1	Radios
2	7	2	7	0	0	0	0	0	0	<i>Furniture, fixtures, fittings and electric Appliances</i>
2	7	2	7	0	0	0	0	0	1	Cabinets
2	7	2	7	0	0	0	0	0	2	Cupboards
2	7	2	7	0	0	0	0	0	3	Chairs
2	7	2	7	0	0	0	0	0	4	Tables
2	7	2	7	0	0	0	0	0	5	Fans
2	7	2	7	0	0	0	0	0	6	Electric Fittings and Installations
2	7	2	8	0	0	0	0	0	0	<i>Other Fixed Assets</i>
2	7	2	8	0	0	0	0	0	1	Software licensee fees
2	8	0	0	0	0	0	0	0	0	Prior Period Item (Income and Expense)
2	8	0	1	0	0	0	0	0	0	<i>Taxes</i>
2	8	0	1	0	0	0	0	0	1	Property Tax
2	8	0	1	0	0	0	0	0	2	Sewerage Tax
2	8	0	1	0	0	0	0	0	3	Conservancy Tax/Latrine Tax
2	8	0	1	0	0	0	0	0	4	Lightening Tax
2	8	0	1	0	0	0	0	0	5	Education Tax
2	8	0	1	0	0	0	0	0	6	Vehicle Tax

Major Code			Minor Code		Sub Minor Code			Detail Code		Description
2	8	0	1	0	0	0	0	0	7	Tax on Animals
2	8	0	1	0	0	0	0	0	8	Electricity Tax
2	8	0	1	0	0	0	0	0	9	Professional Tax
2	8	0	1	0	0	0	0	1	0	Pilgrimage Tax
2	8	0	1	0	0	0	0	1	1	Any Other Tax
2	8	0	2	0	0	0	0	0	0	<i>Other-Revenues</i>
2	8	0	2	0	0	0	0	0	1	Rental Income
2	8	0	2	0	0	0	1	0	0	<i>Fee and User Charges</i>
2	8	0	2	0	0	0	1	0	1	Fees and User Charges
2	8	0	3	0	0	0	0	0	0	<i>Recovery of Revenues Written off</i>
2	8	0	3	0	0	0	0	0	1	Tax Revenue
2	8	0	3	0	0	0	0	0	2	Assigned Revenue and Compensation
2	8	0	3	0	0	0	0	0	3	Rental Income from Municipal Properties
2	8	0	3	0	0	0	0	0	4	Fees and User Charges
2	8	0	4	0	0	0	0	0	0	<i>Other Income</i>
2	8	0	4	0	0	0	0	0	1	Other Income
2	8	0	5	0	0	0	0	0	0	<i>Refund of Taxes</i>
2	8	0	5	0	0	0	0	0	1	Property Tax
2	8	0	5	0	0	0	0	0	2	Sewerage Tax
2	8	0	5	0	0	0	0	0	3	Conservancy Tax/Latrine Tax
2	8	0	5	0	0	0	0	0	4	Lightening Tax
2	8	0	5	0	0	0	0	0	5	Education Tax
2	8	0	5	0	0	0	0	0	6	Vehicle Tax
2	8	0	5	0	0	0	0	0	7	Tax on Animals
2	8	0	5	0	0	0	0	0	8	Electricity Tax
2	8	0	5	0	0	0	0	0	9	Professional Tax
2	8	0	5	0	0	0	0	1	0	Pilgrimage Tax
2	8	0	5	0	0	0	0	1	1	Other Taxes
2	8	0	6	0	0	0	0	0	0	<i>Refund of Other-Revenue</i>
2	8	0	6	0	0	0	0	0	1	Fees and User Charges
2	8	0	6	0	0	0	0	0	2	Assigned Revenues
2	8	0	6	0	0	0	0	0	3	Grants
2	8	0	6	0	0	0	0	0	4	Contributions
2	8	0	6	0	0	0	0	0	5	Subsidies
2	8	0	8	0	0	0	0	0	0	<i>Other-Expenses (Bad Debts Etc)</i>
2	8	0	8	0	0	0	0	0	1	Other-Expenses
2	9	0	0	0	0	0	0	0	0	Transfer to Reserve Funds
2	9	0	0	0	0	0	0	0	0	<i>Transfer to Reserve Funds</i>
2	9	0	1	0	0	0	0	0	1	Transfer to Reserve Fund
2	9	0	1	0	0	0	0	0	2	Transfer to Sinking Fund

Accounting Heads – Capital Receipts and Liabilities

Major Code			Minor Code		Sub Minor Code			Detail Code		Description
3	1	0	1	0	0	0	0	0	0	Municipal (General) Fund
3	1	0	1	0	0	0	0	0	0	<i>Municipal Fund</i>
3	1	0	1	0	0	0	0	0	1	Municipal Fund
3	1	0	9	0	0	0	0	0	0	<i>Excess of Income and Expenditure</i>
3	1	0	9	0	0	0	0	0	1	Excess of Income and Expenditure
3	1	1	0	0	0	0	0	0	0	Earmarked Funds
3	1	1	1	0	0	0	0	0	0	<i>Road Fund</i>
3	1	1	1	0	0	0	0	0	1	Road Fund
3	1	1	1	1	0	0	0	0	0	<i>Development Fund</i>
3	1	1	1	1	0	0	0	0	1	Development Fund
3	1	1	1	2	0	0	0	0	0	<i>Sewerage and Drainage Fund</i>
3	1	1	1	2	0	0	0	0	1	Sewerage and Drainage Fund
3	1	1	1	3	0	0	0	0	0	<i>Water Supply Fund</i>
3	1	1	1	3	0	0	0	0	1	Water Supply Fund
3	1	1	1	4	0	0	0	0	0	<i>City Development Fund</i>
3	1	1	1	4	0	0	0	0	1	City Development Fund
3	1	1	5	0	0	0	0	0	0	<i>Sinking Fund</i>
3	1	1	5	0	0	0	0	0	1	Sinking Fund
3	1	1	7	0	0	0	0	0	0	<i>Pension Fund</i>
3	1	1	7	0	0	0	0	0	1	Pension Fund
3	1	1	7	1	0	0	0	0	0	<i>Provident Fund</i>
3	1	1	7	1	0	0	0	0	1	Provident Fund
3	1	1	7	2	0	0	0	0	0	<i>Benevolent Fund</i>
3	1	1	7	2	0	0	0	0	1	Benevolent Fund
3	1	2	0	0	0	0	0	0	0	Reserves
3	1	2	1	0	0	0	0	0	0	<i>Capital Contribution</i>
3	1	2	1	0	0	0	0	0	1	Capital Contribution
3	1	2	1	1	0	0	0	0	0	<i>Capital Reserve</i>
3	1	2	1	1	0	0	0	0	1	Capital Reserve
3	1	2	2	0	0	0	0	0	0	<i>Borrowing Redemption Reserve</i>
3	1	2	2	0	0	0	0	0	1	Borrowing Redemption Reserve
3	1	2	3	0	0	0	0	0	0	<i>Special Fund (Utilized)</i>
3	1	2	3	0	0	0	0	0	1	Special Fund (Utilized)
3	1	2	4	0	0	0	0	0	0	<i>Statutory Reserve</i>
3	1	2	4	0	0	0	0	0	1	Statutory Reserve
3	1	2	5	0	0	0	0	0	0	<i>General Reserve</i>
3	1	2	5	0	0	0	0	0	1	General Reserve
3	1	2	6	0	0	0	0	0	0	<i>Revaluation Reserve</i>
3	1	2	6	0	0	0	0	0	1	Revaluation Reserve
3	2	0	0	0	0	0	0	0	0	Grants, Contributions for specific purposes
3	2	0	1	0	0	0	0	0	0	<i>Central Government</i>
3	2	0	1	0	0	0	0	0	1	13 th Finance commission grant
3	2	0	1	0	0	0	0	0	2	14 th Finance commission grant
3	2	0	1	0	0	0	0	0	3	15 th Finance commission grant
3	2	0	1	0	0	0	0	0	4	SJSRY
3	2	0	1	0	0	0	0	0	5	National Games
3	2	0	1	0	0	0	0	0	6	Central Government- JNNURM
3	2	0	1	0	0	0	0	0	7	Pradhan Mantri Awas Yojna (PMAY)
3	2	0	1	0	0	0	0	0	8	National Urban livelihood Mission

Major Code			Minor Code		Sub Minor Code			Detail Code		Description
3	2	0	1	0	0	0	0	0	9	Swachh Bharat Mission (SBM)
3	2	0	1	0	0	0	0	1	0	Smart City Project
3	2	0	1	0	0	0	0	1	1	New Urban Renewal Mission
3	2	0	1	0	0	0	0	1	2	Other Central Govt. Grants
3	2	0	2	0	0	0	0	0	0	<i>State Government</i>
3	2	0	2	0	0	0	0	0	1	Grant for Road and Drain Developments
3	2	0	2	0	0	0	0	0	2	Swarn Jayanti Urban Employment Scheme
3	2	0	2	0	0	0	0	0	3	Improvement for Kachi Basti
3	2	0	2	0	0	0	0	0	4	Grant for Cheap Flush Toilets
3	2	0	2	0	0	0	0	0	5	Grant from MLAs for Development
3	2	0	2	0	0	0	0	0	6	Grant from MP's for Development
3	2	0	2	0	0	0	0	0	7	Grant for Strengthening of fire Extinguishing
3	2	0	2	0	0	0	0	0	8	Grant for Equipment under EFC
3	2	0	2	0	0	0	0	0	9	Grant from State Finance Commission for development scheme
3	2	0	2	0	0	0	0	1	0	Grant on recommendation of Finance Commission
3	2	0	2	0	0	0	0	1	1	Grant for Family welfare
3	2	0	2	0	0	0	0	1	2	Deen Dayal Upadhyaya Sewa Basti Utthan
3	2	0	2	0	0	0	0	1	3	Kurukshetra Development Board
3	2	0	2	0	0	0	0	1	4	Urban Solid Waste Management
3	2	0	2	0	0	0	0	1	5	Training Plan for Woman Councilors
3	2	0	2	0	0	0	0	1	6	Shifting of Milk Dairies
3	2	0	2	0	0	0	0	1	7	Rajiv Gandhi Sahari Bhagidari Yojna (RGSBY)
3	2	0	2	0	0	0	0	1	8	Other Specific Grants
3	2	0	3	0	0	0	0	0	0	<i>Other Government Agencies</i>
3	2	0	3	0	0	0	0	0	1	Other Government Agencies
3	2	0	4	0	0	0	0	0	0	<i>Financial Institutions</i>
3	2	0	4	0	0	0	0	0	1	Financial Institutions
3	2	0	5	0	0	0	0	0	0	<i>Welfare Bodies</i>
3	2	0	5	0	0	0	0	0	1	Welfare Bodies
3	2	0	6	0	0	0	0	0	0	<i>International Organizations</i>
3	2	0	6	0	0	0	0	0	1	International Organizations
3	2	0	8	0	0	0	0	0	0	<i>Other Organizations</i>
3	2	0	8	0	0	0	0	0	1	Other Organizations
3	3	0	0	0	0	0	0	0	0	Secured Loans
3	3	0	1	0	0	0	0	0	0	<i>Loans from Central Government</i>
3	3	0	1	0	0	0	0	0	1	Loans from Central Government
3	3	0	2	0	0	0	0	0	0	<i>Loans from State Government</i>
3	3	0	2	0	0	0	0	0	1	Loans from State Government
3	3	0	3	0	0	0	0	0	0	<i>Loan from Government Bodies and Associations</i>
3	3	0	3	0	0	0	0	0	1	Loan from Government Bodies and Associations
3	3	0	4	0	0	0	0	0	0	<i>Loan from International Agencies</i>
3	3	0	4	0	0	0	0	0	1	Asian Development Bank
3	3	0	4	0	0	0	0	0	2	Others
3	3	0	5	0	0	0	0	0	0	<i>Loan from Banks and Other Financial Institutions</i>
3	3	0	5	0	0	0	0	0	1	Haryana Shahri Vikas Pradikaran
3	3	0	5	0	0	0	0	0	2	Others
3	3	0	6	0	0	0	0	0	0	<i>Other term Loans</i>
3	3	0	6	0	0	0	0	0	1	Other term loans
3	3	0	6	0	0	0	0	0	2	Hire-Purchase
3	3	0	7	0	0	0	0	0	0	<i>Bonds and Debentures</i>
3	3	0	7	0	0	0	0	0	1	Bonds and Debentures
3	3	0	8	0	0	0	0	0	0	<i>Other Loans</i>

Major Code			Minor Code		Sub Minor Code			Detail Code		Description
3	3	0	8	0	0	0	0	0	1	Other Loans
3	3	1	0	0	0	0	0	0	0	Unsecured Loans
3	3	1	1	0	0	0	0	0	0	<i>Loans from Central Government</i>
3	3	1	1	0	0	0	0	0	1	Loans from Central Government
3	3	1	2	0	0	0	0	0	0	<i>Loans from State Government</i>
3	3	1	2	0	0	0	0	0	1	Loans from State Government
3	3	1	3	0	0	0	0	0	0	<i>Loan from Government Bodies and Associations</i>
3	3	1	3	0	0	0	0	0	1	Loan from Government Bodies and Associations
3	3	1	4	0	0	0	0	0	0	<i>Loan from International Agencies</i>
3	3	1	4	0	0	0	0	0	1	Loan from International Agencies
3	3	1	5	0	0	0	0	0	0	<i>Loan from Banks and Other Financial Institutions</i>
3	3	1	5	0	0	0	0	0	1	Loan from Banks and Other Financial Institutions
3	3	1	6	0	0	0	0	0	0	<i>Other term Loans</i>
3	3	1	6	0	0	0	0	0	1	Hire Purchase Loans
3	3	1	7	0	0	0	0	0	0	<i>Bonds and Debentures</i>
3	3	1	7	0	0	0	0	0	1	Bonds and Debentures
3	3	1	8	0	0	0	0	0	0	<i>Other Loans</i>
3	3	1	8	0	0	0	0	0	1	Other Loans
3	4	0	0	0	0	0	0	0	0	Deposits Received
3	4	0	1	0	0	0	0	0	0	<i>From Contractors and Suppliers</i>
3	4	0	1	0	0	0	0	0	1	Earnest Money Deposit
3	4	0	1	0	0	0	0	0	2	Security Deposit
3	4	0	1	0	0	0	0	0	3	Tender Money Deposit
3	4	0	2	0	0	0	0	0	0	<i>Deposits-Revenues</i>
3	4	0	2	0	0	0	0	0	1	Water Connection
3	4	0	2	0	0	0	0	0	2	Electricity Connection
3	4	0	2	0	0	0	0	0	3	Rental Deposits
3	4	0	2	0	0	0	0	0	4	License Deposits
3	4	0	2	0	0	0	0	0	5	Others
3	4	0	3	0	0	0	0	0	0	<i>Deposits-Staff</i>
3	4	0	3	0	0	0	0	0	1	Deposits-Staff
3	4	0	8	0	0	0	0	0	0	<i>Deposits-Other</i>
3	4	0	8	0	0	0	0	0	1	Deposits-Other
3	4	1	0	0	0	0	0	0	0	Deposits Works
3	4	1	1	0	0	0	0	0	0	<i>Civil Works</i>
3	4	1	1	0	0	0	0	0	1	Civil Works
3	4	1	2	0	0	0	0	0	0	<i>Electric Works</i>
3	4	1	2	0	0	0	0	0	1	Electric Works
3	4	1	8	0	0	0	0	0	0	<i>Other works</i>
3	4	1	8	0	0	0	0	0	1	Other Works
3	5	0	0	0	0	0	0	0	0	Other Liabilities (Sundry Creditors)
3	5	0	1	0	0	0	0	0	0	<i>Creditors</i>
3	5	0	1	0	0	0	0	0	1	Suppliers Control Accounts
3	5	0	1	0	0	0	0	0	2	Contractors Control Accounts
3	5	0	1	0	0	0	0	0	3	Expenses Payables
3	5	0	1	0	0	0	0	0	4	Payables against Funds
3	5	0	1	0	0	0	0	0	5	Payables against Grants
3	5	0	1	0	0	0	0	0	6	Payables against Specific Scheme
3	5	0	1	0	0	0	0	0	7	Contractors Advance Control account
3	5	0	1	1	0	0	0	0	0	<i>Employee Liabilities</i>
3	5	0	1	1	0	0	0	0	1	Gross Salary Payable
3	5	0	1	1	0	0	0	0	2	Net Salary Payable
3	5	0	1	1	0	0	0	0	3	Unpaid Salaries Payable

Major Code			Minor Code		Sub Minor Code			Detail Code		Description
3	5	0	1	1	0	0	0	0	4	P. F. Payable
3	5	0	1	1	0	0	0	0	5	Pension/Pension Contribution Payable
3	5	0	1	1	0	0	0	0	6	Gratuity Payable
3	5	0	1	1	0	0	0	0	7	Contribution to Welfare fund Payable
3	5	0	1	1	0	0	0	0	8	Leave Salary Payable
3	5	0	1	1	0	0	0	0	9	P.F. Payable for Deputation staff
3	5	0	1	1	0	0	0	1	0	Pension Contribution Payable for Deputation staff
3	5	0	1	2	0	0	0	0	0	<i>Interest Accrued and due</i>
3	5	0	1	2	0	0	0	0	1	Interest Accrued and due on Hire-Purchases
3	5	0	1	2	0	0	0	0	2	Interest Accrued and due on Loans
3	5	0	2	0	0	0	0	0	0	<i>Recoveries Payable</i>
3	5	0	2	0	0	0	0	0	1	Provident fund for employees on Deputation
3	5	0	2	0	0	0	0	0	2	Good and Service Tax
3	5	0	2	0	0	0	0	0	3	Professional Tax
3	5	0	2	0	0	0	0	0	4	Work-Contract tax payable
3	5	0	2	0	0	0	0	0	5	TDS From Employees
3	5	0	2	0	0	0	0	0	6	TDS From Contractors
3	5	0	2	0	0	0	0	0	7	TDS From Suppliers
3	5	0	2	0	0	0	0	0	8	LIC Payable
3	5	0	2	0	0	0	0	0	9	Group Insurance Scheme Premium Payable
3	5	0	2	0	0	0	0	1	0	Sales Tax Payable
3	5	0	2	0	0	0	0	1	1	Works Contract Taxes
3	5	0	2	0	0	0	0	1	2	CGST
3	5	0	2	0	0	0	0	1	3	SGST
3	5	0	2	0	0	0	0	1	4	IGST
3	5	0	2	0	0	0	0	1	5	Other Taxes
3	5	0	3	0	0	0	0	0	0	<i>Government Dues Payable</i>
3	5	0	3	0	0	0	0	0	1	Health Cess
3	5	0	3	0	0	0	0	0	2	Education Cess
3	5	0	3	0	0	0	0	0	3	Court Attachments
3	5	0	3	0	0	0	0	0	4	Commercial Taxes
3	5	0	3	0	0	0	0	0	5	TDS payable
3	5	0	3	0	0	0	0	0	6	Other Deductions
3	5	0	4	0	0	0	0	0	0	<i>Refunds Payable</i>
3	5	0	4	0	0	0	0	0	1	Refunds Payable for taxes
3	5	0	4	0	0	0	0	0	2	Refund Payable for Revenue Grants
3	5	0	4	0	0	0	0	0	3	Refund Payable for Deposit Works
3	5	0	4	0	0	0	0	0	4	Refund Payable for Attached Properties
3	5	0	4	0	0	0	0	0	5	Refund Payable for Water Supply
3	5	0	4	0	0	0	0	0	6	Refund Payable for rent
3	5	0	4	0	0	0	0	0	7	Refund Payable for specific grants
3	5	0	4	0	0	0	0	0	8	Refund Payable for Octrai
3	5	0	4	0	0	0	0	0	9	Refund Payable for Cess
3	5	0	4	1	0	0	0	0	0	<i>Advance Collection of Revenues</i>
3	5	0	4	1	0	0	0	0	1	Advance Collection of Property tax
3	5	0	4	1	0	0	0	0	2	Advance Collection of Rental Income
3	5	0	4	1	0	0	0	0	3	Advance Collection of Water Charges
3	5	0	4	1	0	0	0	0	4	Advance Collection of Fees and User Charges
3	5	0	4	1	0	0	0	0	5	Advance Collection of Advertisement Charges
3	5	0	4	1	0	0	0	0	6	Advance Collection of Water Supply Income
3	5	0	8	0	0	0	0	0	0	<i>Others</i>
3	5	0	8	0	0	0	0	0	1	Compensation Payable by Municipalities
3	5	0	8	0	0	0	0	0	2	Stale Cheques

Major Code			Minor Code		Sub Minor Code			Detail Code		Description
3	5	0	8	0	0	0	0	0	3	Hire Purchase Charges payable
3	5	0	8	0	0	0	0	0	4	Lease Charges Payable
3	5	0	8	0	0	0	0	0	5	Hire Purchase Interest Receivable Control account
3	5	0	8	0	0	0	0	0	6	Hire Purchase Advance Received
3	5	0	9	0	0	0	0	0	0	<i>Sale Proceeds</i>
3	5	0	9	0	0	0	1	0	0	Fixed Assets
3	5	0	9	0	0	0	0	0	1	Fixed Assets
3	5	0	9	0	0	0	2	0	0	Stores
3	5	0	9	0	0	0	0	0	1	Stores
3	5	0	9	0	0	0	3	0	0	Investments
3	5	0	9	0	0	0	3	0	1	Investments
3	5	0	9	0	0	0	4	0	0	Others
3	5	0	9	0	0	0	4	0	1	Attached properties
3	5	0	9	0	0	0	4	0	2	Others
3	6	0	0	0	0	0	0	0	0	Provisions
3	6	0	1	0	0	0	0	0	0	<i>Provisions for Expenses</i>
3	6	0	1	0	0	0	0	0	1	Rent Rates and Taxes
3	6	0	1	0	0	0	0	0	2	Office-Maintenance
3	6	0	1	0	0	0	0	0	3	Communication Expenses
3	6	0	1	0	0	0	0	0	4	Books and Periodicals
3	6	0	1	0	0	0	0	0	5	Printing and Stationary
3	6	0	1	0	0	0	0	0	6	Traveling and Conveyance
3	6	0	1	0	0	0	0	0	7	Insurance
3	6	0	1	0	0	0	0	0	8	Audit-Fees
3	6	0	1	0	0	0	0	0	9	Legal Expenses
3	6	0	1	0	0	0	0	1	0	Professional and other Fees
3	6	0	1	0	0	0	0	1	1	Advertisement and Publicity
3	6	0	1	0	0	0	0	1	2	Membership and Subscriptions
3	6	0	1	0	0	0	0	1	3	Power and Fuel
3	6	0	1	0	0	0	0	1	4	Hire-Charges
3	6	0	1	0	0	0	0	1	5	Repair and Maintenance-Statues and Heritage Assets
3	6	0	1	0	0	0	0	1	6	Repair and Maintenance -Infrastructure Assets
3	6	0	1	0	0	0	0	1	7	Repair and Maintenance -Civic Amenities
3	6	0	1	0	0	0	0	1	8	Repair and Maintenance -Buildings
3	6	0	1	0	0	0	0	1	9	Repair and Maintenance -Vehicles
3	6	0	1	0	0	0	0	2	0	Repair and Maintenance -Others
3	6	0	1	0	0	0	0	2	1	Other Operating and Maintenance-Expenses
3	6	0	2	0	0	0	0	0	0	<i>Provision For Interest</i>
3	6	0	2	0	0	0	0	0	1	Loans from Central Government
3	6	0	2	0	0	0	0	0	2	Loans from State Government
3	6	0	2	0	0	0	0	0	3	Loan from Government Bodies and Associations
3	6	0	2	0	0	0	0	0	4	Loan from International Agencies
3	6	0	2	0	0	0	0	0	5	Loan from Banks and Other Financial Institutions
3	6	0	2	0	0	0	0	0	6	Other term Loans
3	6	0	2	0	0	0	0	0	7	Bonds
3	6	0	2	0	0	0	0	0	8	Debentures
3	6	0	2	0	0	0	0	0	9	Interest Accrued but not Due
3	6	0	3	0	0	0	0	0	0	<i>Provision For Other Assets</i>
3	6	0	3	0	0	0	0	0	1	Stores
3	6	0	3	0	0	0	0	0	2	Investments
3	6	0	3	0	0	0	0	0	3	Others

Account Heads – Capital Expenditure and Assets

Major Code			Minor Code		Sub Minor Code			Detail Code		Description
4	1	0	0	0	0	0	0	0	0	Fixed assets
4	1	0	1	0	0	0	0	0	0	Land
4	1	0	1	0	0	0	0	0	1	Grounds
4	1	0	1	0	0	0	0	0	2	Open Markets
4	1	0	1	0	0	0	0	0	3	Parks
4	1	0	1	0	0	0	0	0	4	Garden
4	1	0	1	0	0	0	0	0	5	Vacant Lands
4	1	0	1	0	0	0	0	0	6	Lands under Permissive Possession
4	1	0	2	0	0	0	0	0	0	Buildings
4	1	0	2	0	0	0	0	0	1	Office Buildings
4	1	0	2	0	0	0	0	0	2	School Buildings
4	1	0	2	0	0	0	0	0	3	Community Center
4	1	0	2	0	0	0	0	0	4	Municipal halls, shops, town halls
4	1	0	2	0	0	0	0	0	5	Hospitals and Dispensaries
4	1	0	2	0	0	0	0	0	6	Public Conveniences
4	1	0	2	0	0	0	0	0	7	Park Buildings
4	1	0	2	0	0	0	0	0	8	Pumping Station Building
4	1	0	2	0	0	0	0	0	9	Sewerage Treatment Plant Building
4	1	0	2	2	0	0	0	0	0	Statues, heritage assets, antiques and other works of art
4	1	0	2	2	0	0	0	0	1	Statues, heritage assets, antiques and other works of art
4	1	0	3	0	0	0	0	0	0	Roads and Bridges
4	1	0	3	0	0	0	0	0	1	Roads and Pavements-Concrete
4	1	0	3	0	0	0	0	0	2	Roads and Pavements-Black topped
4	1	0	3	0	0	0	0	0	3	Roads and Pavements-Others
4	1	0	3	0	0	0	0	0	4	Bridges
4	1	0	3	0	0	0	0	0	5	Subways
4	1	0	3	0	0	0	0	0	6	Culverts
4	1	0	3	0	0	0	0	0	7	Flyovers
4	1	0	3	1	0	0	0	0	0	Sewerage and Drainage
4	1	0	3	1	0	0	0	0	1	Drains-Open
4	1	0	3	1	0	0	0	0	2	Drains- Underground
4	1	0	3	2	0	0	0	0	0	Water Ways
4	1	0	3	2	0	0	0	0	1	Water Pipelines
4	1	0	3	2	0	0	0	0	2	Deep Tube wells
4	1	0	3	2	0	0	0	0	3	Water Tanks
4	1	0	3	2	0	0	0	0	4	Bore Wells
4	1	0	3	2	0	0	0	0	5	Open Wells
4	1	0	3	2	0	0	0	0	6	Reservoirs
4	1	0	3	3	0	0	0	0	0	Public Lighting
4	1	0	3	3	0	0	0	0	1	Lamp Posts
4	1	0	3	3	0	0	0	0	2	Transformers
4	1	0	3	3	0	0	0	0	3	Others
4	1	0	4	0	0	0	0	0	0	Plant and Machinery
4	1	0	4	0	0	0	0	0	1	Water treatment plants
4	1	0	4	0	0	0	0	0	2	Water pumping plants
4	1	0	4	0	0	0	0	0	3	Sewerage treatment plants
4	1	0	4	0	0	0	0	0	4	Sewerage pumping station
4	1	0	4	0	0	0	0	0	5	Hospital machinery
4	1	0	4	0	0	0	0	0	6	Motor Pumps
4	1	0	4	0	0	0	0	0	7	School Equipments

Major Code			Minor Code		Sub Minor Code			Detail Code		Description
4	1	0	4	0	0	0	0	0	8	Vaccum Emptier
4	1	0	5	0	0	0	0	0	0	<i>Vehicles</i>
4	1	0	5	0	0	0	0	0	1	Ambulances
4	1	0	5	0	0	0	0	0	2	Buses
4	1	0	5	0	0	0	0	0	3	Cars
4	1	0	5	0	0	0	0	0	4	Jeeps
4	1	0	5	0	0	0	0	0	5	Motor Cycles
4	1	0	5	0	0	0	0	0	6	Trucks
4	1	0	5	0	0	0	0	0	7	Tankers
4	1	0	5	0	0	0	0	0	8	Lorry
4	1	0	5	0	0	0	0	0	9	Tractors
4	1	0	5	0	0	0	0	1	0	Mini Lorry
4	1	0	6	0	0	0	0	0	0	<i>Office and Other Equipments</i>
4	1	0	6	0	0	0	0	0	1	Computers and Printers
4	1	0	6	0	0	0	0	0	2	Xerox-Machines
4	1	0	6	0	0	0	0	0	3	Type-Writers
4	1	0	6	0	0	0	0	0	4	Communication Equipment's
4	1	0	6	0	0	0	0	0	5	Refrigerators
4	1	0	6	0	0	0	0	0	6	Public address systems
4	1	0	6	0	0	0	0	0	7	Wireless Equipment's
4	1	0	6	0	0	0	0	0	8	T.V. Sets
4	1	0	6	0	0	0	0	0	9	Air conditioners
4	1	0	6	0	0	0	0	1	0	Water Coolers
4	1	0	6	0	0	0	0	1	1	Fax Machine
4	1	0	6	0	0	0	0	1	2	Radios
4	1	0	7	0	0	0	0	0	0	<i>Furniture, Fixtures, Fittings and Electric Appliances</i>
4	1	0	7	0	0	0	0	0	1	Cabinets
4	1	0	7	0	0	0	0	0	2	Cupboards
4	1	0	7	0	0	0	0	0	3	Chairs
4	1	0	7	0	0	0	0	0	4	Tables
4	1	0	7	0	0	0	0	0	5	Fans
4	1	0	7	0	0	0	0	0	6	Electric Fittings and installations
4	1	0	7	0	0	0	0	0	7	Others
4	1	0	8	0	0	0	0	0	0	<i>Other Fixed Assets</i>
4	1	0	8	0	0	0	0	0	1	Software License fees
4	1	0	9	0	0	0	0	0	0	<i>Assets Under Disposal</i>
4	1	0	9	0	0	0	0	0	1	Land
4	1	0	9	0	0	0	0	0	2	Buildings
4	1	0	9	0	0	0	0	0	3	Parks and Playgrounds
4	1	0	9	0	0	0	0	0	4	Roads and Bridges
4	1	0	9	0	0	0	0	0	5	Sewerage and Drainage
4	1	0	9	0	0	0	0	0	6	Water Ways
4	1	0	9	0	0	0	0	0	7	Public Lighting
4	1	0	9	0	0	0	0	0	8	Plant and Machinery
4	1	0	9	0	0	0	0	0	9	Vehicles
4	1	0	9	0	0	0	0	1	0	Office and other Equipments
4	1	0	9	0	0	0	0	1	1	Furniture, Fixtures, Fittings and Electric Appliances
4	1	1	0	0	0	0	0	0	0	Accumulated Depreciation
4	1	1	2	0	0	0	0	0	0	<i>Buildings</i>
4	1	1	2	0	0	0	0	0	1	Office buildings
4	1	1	2	0	0	0	0	0	2	School buildings
4	1	1	2	0	0	0	0	0	3	Hospitals and dispensaries
4	1	1	2	0	0	0	0	0	4	Public conveniences

Major Code			Minor Code		Sub Minor Code			Detail Code		Description
4	1	1	2	0	0	0	0	0	5	Municipal halls, shops, town halls
4	1	1	2	0	0	0	0	0	6	Park Buildings
4	1	1	2	0	0	0	0	0	7	Pumping Station Building
4	1	1	2	0	0	0	0	0	8	Sewerage treatment Plant Building
4	1	1	3	0	0	0	0	0	0	<i>Roads and Bridges</i>
4	1	1	3	0	0	0	0	0	1	Roads and Pavements-Concrete
4	1	1	3	0	0	0	0	0	2	Roads and Pavements-black topped
4	1	1	3	0	0	0	0	0	3	Roads and Pavements –Others
4	1	1	3	0	0	0	0	0	4	Bridges
4	1	1	3	0	0	0	0	0	5	Subways
4	1	1	3	0	0	0	0	0	6	Culverts
4	1	1	3	0	0	0	0	0	7	Flyovers
4	1	1	3	1	0	0	0	0	0	<i>Sewerage and Drainage</i>
4	1	1	3	1	0	0	0	0	2	Drains-Open
4	1	1	3	1	0	0	0	0	3	Drains-Under Ground
4	1	1	3	2	0	0	0	0	0	<i>Water Ways</i>
4	1	1	3	2	0	0	0	0	1	Water Pipelines
4	1	1	3	2	0	0	0	0	2	Deep Tube wells
4	1	1	3	2	0	0	0	0	3	Water tanks
4	1	1	3	2	0	0	0	0	4	Bore Wells
4	1	1	3	2	0	0	0	0	5	Open Wells
4	1	1	3	2	0	0	0	0	6	Reservoirs
4	1	1	3	3	0	0	0	0	0	<i>Public Lighting</i>
4	1	1	3	3	0	0	0	0	1	Lamp posts
4	1	1	3	3	0	0	0	0	2	Transformers
4	1	1	3	3	0	0	0	0	3	Others
4	1	1	4	0	0	0	0	0	0	<i>Plant and Machinery</i>
4	1	1	4	0	0	0	0	0	1	Water treatment plants
4	1	1	4	0	0	0	0	0	2	Water pumping plants
4	1	1	4	0	0	0	0	0	3	Sewerage treatment plants
4	1	1	4	0	0	0	0	0	4	Sewerage pumping station
4	1	1	4	0	0	0	0	0	5	Hospital machinery
4	1	1	4	0	0	0	0	1	6	Motor Pumps
4	1	1	4	0	0	0	0	1	7	School Equipments
4	1	1	4	0	0	0	0	1	8	Vacuum Emptier
4	1	1	5	0	0	0	0	0	0	<i>Vehicles</i>
4	1	1	5	0	0	0	0	0	1	Ambulances
4	1	1	5	0	0	0	0	0	2	Buses
4	1	1	5	0	0	0	0	0	3	Cars
4	1	1	5	0	0	0	0	0	4	Jeeps
4	1	1	5	0	0	0	0	0	5	Motor Cycles
4	1	1	5	0	0	0	0	0	6	Trucks
4	1	1	5	0	0	0	0	0	7	Tankers
4	1	1	5	0	0	0	0	0	8	Lorry
4	1	1	5	0	0	0	0	0	9	Tractors
4	1	1	5	0	0	0	0	1	0	Mini Lorry
4	1	1	6	0	0	0	0	0	0	<i>Office and Other Equipments</i>
4	1	1	6	0	0	0	0	0	1	Computers and Printers
4	1	1	6	0	0	0	0	0	2	Xerox-Machines
4	1	1	6	0	0	0	0	0	3	Type-Writers
4	1	1	6	0	0	0	0	0	4	Communication Equipments
4	1	1	6	0	0	0	0	0	5	Refrigerators
4	1	1	6	0	0	0	0	0	6	Public address systems

Major Code		Minor Code		Sub Minor Code			Detail Code		Description	
4	1	1	6	0	0	0	0	7	Wireless equipments	
4	1	1	6	0	0	0	0	8	T.V. sets	
4	1	1	6	0	0	0	0	9	Air conditioners	
4	1	1	6	0	0	0	0	1	0	Water Coolers
4	1	1	6	0	0	0	0	1	1	Radios
4	1	1	7	0	0	0	0	0	0	<i>Furniture, Fixtures, Fittings and Electric Appliances</i>
4	1	1	7	0	0	0	0	0	1	Cabinets
4	1	1	7	0	0	0	0	0	2	Cupboards
4	1	1	7	0	0	0	0	0	3	Chairs
4	1	1	7	0	0	0	0	0	4	Tables
4	1	1	7	0	0	0	0	0	5	Fans
4	1	1	7	0	0	0	0	0	6	Electric Fittings and installations
4	1	1	8	0	0	0	0	0	0	<i>Other Fixed Assets</i>
4	1	1	8	0	0	0	0	0	1	Software License fees
4	1	2	0	0	0	0	0	0	0	Capital Work-in-progress
4	1	2	1	0	0	0	0	0	0	<i>Specific Grants</i>
4	1	2	1	0	0	0	0	0	1	Buildings
4	1	2	1	0	0	0	0	0	2	Parks and Playgrounds
4	1	2	1	0	0	0	0	0	3	Statues, heritage assets, antiques and other works of art
4	1	2	1	0	0	0	0	0	4	Roads and Bridges
4	1	2	1	0	0	0	0	0	5	Sewerage and Drainage
4	1	2	1	0	0	0	0	0	6	Water Ways
4	1	2	1	0	0	0	0	0	7	Public Lighting
4	1	2	1	0	0	0	0	0	8	Plant and Machinery
4	1	2	2	0	0	0	0	0	0	<i>Specific Funds</i>
4	1	2	2	0	0	0	0	0	1	Buildings
4	1	2	2	0	0	0	0	0	2	Parks and Playgrounds
4	1	2	2	0	0	0	0	0	3	Statues, heritage assets, antiques and other works of art
4	1	2	2	0	0	0	0	0	4	Roads and Bridges
4	1	2	2	0	0	0	0	0	5	Sewerage and Drainage
4	1	2	2	0	0	0	0	0	6	Water Ways
4	1	2	2	0	0	0	0	0	7	Public Lighting
4	1	2	2	0	0	0	0	0	8	Plant and Machinery
4	1	2	3	0	0	0	0	0	0	<i>Specific Schemes</i>
4	1	2	3	0	0	0	0	0	1	Buildings
4	1	2	3	0	0	0	0	0	2	Parks and Playgrounds
4	1	2	3	0	0	0	0	0	3	Statues, heritage assets, antiques and Other works of art
4	1	2	3	0	0	0	0	0	4	Roads and Bridges
4	1	2	3	0	0	0	0	0	5	Sewerage and Drainage
4	1	2	3	0	0	0	0	0	6	Water Ways
4	1	2	3	0	0	0	0	0	7	Public Lighting
4	1	2	3	0	0	0	0	0	8	Plant and Machinery
4	2	0	0	0	0	0	0	0	0	Investments-General Fund
4	2	0	1	0	0	0	0	0	0	<i>Central Government Securities</i>
4	2	0	1	0	0	0	0	0	1	Central Government Securities
4	2	0	2	0	0	0	0	0	0	<i>State Government Securities</i>
4	2	0	2	0	0	0	0	0	1	State Government Securities
4	2	0	3	0	0	0	0	0	0	<i>Debentures and Bonds</i>
4	2	0	3	0	0	0	0	0	1	Debentures and Bonds
4	2	0	4	0	0	0	0	0	0	<i>Preference Shares</i>
4	2	0	4	0	0	0	0	0	1	Preference Shares
4	2	0	5	0	0	0	0	0	0	<i>Equity Shares</i>
4	2	0	5	0	0	0	0	0	1	Equity Shares

Major Code		Minor Code		Sub Minor Code			Detail Code		Description
4	2	0	6	0	0	0	0	0	<i>Units of Mutual Fund</i>
4	2	0	6	0	0	0	0	1	Units of Mutual Fund
4	2	0	8	0	0	0	0	0	<i>Other Investments</i>
4	2	0	8	0	0	0	0	1	Other Investments
4	2	0	9	0	0	0	0	0	<i>Accumulated provision</i>
4	2	0	9	0	0	0	0	1	Central Government Securities
4	2	0	9	0	0	0	0	2	State Government Securities
4	2	0	9	0	0	0	0	3	Debentured and Bonds
4	2	0	9	0	0	0	0	4	Preference Shares
4	2	0	9	0	0	0	0	5	Equity Shares
4	2	0	9	0	0	0	0	6	Units of Mutual Fund
4	2	0	9	0	0	0	0	7	Others
4	2	1	0	0	0	0	0	0	Investments-Other Fund
4	2	1	1	0	0	0	0	0	<i>Central Government Securities</i>
4	2	1	1	0	0	0	0	1	Central Government Securities
4	2	1	2	0	0	0	0	0	<i>State Government Securities</i>
4	2	1	2	0	0	0	0	1	State Government Securities
4	2	1	3	0	0	0	0	0	<i>Debentured and Bonds</i>
4	2	1	3	0	0	0	0	1	Debentured and Bonds
4	2	1	4	0	0	0	0	0	<i>Preference Shares</i>
4	2	1	4	0	0	0	0	1	Preference Shares
4	2	1	5	0	0	0	0	0	<i>Equity Shares</i>
4	2	1	5	0	0	0	0	1	Equity Shares
4	2	1	6	0	0	0	0	0	<i>Units of Mutual Fund</i>
4	2	1	6	0	0	0	0	1	Units of Mutual Fund
4	2	1	8	0	0	0	0	0	<i>Other Investments</i>
4	2	1	8	0	0	0	0	1	Other Investments
4	2	1	9	0	0	0	0	0	<i>Accumulated provision</i>
4	2	1	9	0	0	0	0	1	Central Government Securities
4	2	1	9	0	0	0	0	2	State Government Securities
4	2	1	9	0	0	0	0	3	Debentured and Bonds
4	2	1	9	0	0	0	0	4	Preference Shares
4	2	1	9	0	0	0	0	5	Equity Shares
4	2	1	9	0	0	0	0	6	Units of Mutual Fund
4	2	1	9	0	0	0	0	7	Others
4	3	0	0	0	0	0	0	0	Stock-in-hand
4	3	0	1	0	0	0	0	0	<i>Stores</i>
4	3	0	1	0	0	0	0	1	Central Store
4	3	0	1	0	0	0	0	2	Engineering Store
4	3	0	1	0	0	0	0	5	Health Store
4	3	0	1	0	0	0	0	6	Stationary Store
4	3	0	1	0	0	0	0	7	Storm water Store
4	3	0	1	0	0	0	0	8	Drainage Store
4	3	0	1	0	0	0	0	9	Sewerage Store
4	3	0	1	0	0	0	1	0	Sanitary and Conservancy Store
4	3	0	1	0	0	0	1	1	Water Supply Store
4	3	0	1	0	0	0	1	2	Electricity Store
4	3	0	1	0	0	0	1	3	Machinery Spares
4	3	0	2	0	0	0	0	0	<i>Loose Tools</i>
4	3	0	2	0	0	0	0	1	Loose Tools
4	3	0	8	0	0	0	0	0	<i>Others</i>
4	3	0	8	0	0	0	0	1	Others
4	3	1	0	0	0	0	0	0	Sundry Debtors (Receivables)

Major Code		Minor Code		Sub Minor Code			Detail Code		Description	
4	3	1	1	0	0	0	0	0	<i>Receivables for Property Taxes (Year-Wise)</i>	
4	3	1	1	0	0	0	0	1	Property Tax Receivable on Residential (Current year)	
4	3	1	1	0	0	0	0	2	Property Tax Receivable on Residential (Arrears)	
4	3	1	1	0	0	0	0	3	Property Tax Receivable on Commercial (Current year)	
4	3	1	1	0	0	0	0	4	Property Tax Receivable on Commercial (Arrears)	
4	3	1	1	0	0	0	0	5	Property Tax Receivable on State government Buildings (Current Year)	
4	3	1	1	0	0	0	0	6	Property Tax Receivable on State government Buildings (Arrears)	
4	3	1	1	0	0	0	0	7	Service Charge in lieu of Property Tax of central Government Buildings (Current Year)	
4	3	1	1	0	0	0	0	8	Service Charge in lieu of Property Tax of central Government Buildings (Arrears)	
4	3	1	1	0	0	0	0	9	Property Tax Receivable on Vacant Land (Current Year)	
4	3	1	1	0	0	0	0	1	0	Property Tax Receivable on Vacant Land (Arrear)
4	3	1	1	0	0	0	0	1	1	Property Tax Receivable on Institutional land (Current Year)
4	3	1	1	0	0	0	0	1	2	Property Tax Receivable on Institutional land (Arrear)
4	3	1	1	0	0	0	0	1	3	Property Tax Receivable on Religious Building (CY)
4	3	1	1	0	0	0	0	1	4	Property Tax Receivable on Religious Building (Arrear)
4	3	1	1	0	0	0	0	1	5	Property Tax on Closed and Sick Industry (Current Year)
4	3	1	1	0	0	0	0	1	6	Property Tax on Closed and Sick Industry (Arrear)
4	3	1	1	0	0	0	0	1	7	Property Tax on Industry under litigation (Current Year)
4	3	1	1	0	0	0	0	1	8	Property Tax on Industry under litigation (Arrear)
4	3	1	1	0	0	0	0	1	9	Surcharge Receivable on Property Tax (Current year)
4	3	1	1	0	0	0	0	2	0	Surcharge Receivable on Property Tax (Arrears)
4	3	1	1	9	0	0	0	0	0	<i>Receivables for Other Taxes</i>
4	3	1	1	9	0	0	0	0	1	Other Taxes
4	3	1	2	0	0	0	0	0	0	<i>Receivables for Cess</i>
4	3	1	2	0	0	0	0	0	1	Receivables for Cess
4	3	1	3	0	0	0	0	0	0	<i>Receivables for Fees and User Charges</i>
4	3	1	3	0	0	0	1	0	0	Receivables for Permission Fee (Advertisement)
4	3	1	3	0	0	0	1	0	1	Permission Fee -Land hoarding (Current year)
4	3	1	3	0	0	0	1	0	2	Permission Fee -Land hoarding (Previous year)
4	3	1	3	0	0	0	1	0	3	Permission Fee -Bus Shelter (Current year)
4	3	1	3	0	0	0	1	0	4	Permission Fee -Bus Shelter (Previous year)
4	3	1	3	0	0	0	1	0	5	Permission Fee -Neon, signs and shops (Current Year)
4	3	1	3	0	0	0	1	0	6	Permission Fee -Neon, signs and shops (Previous Year)
4	3	1	3	0	0	0	1	0	7	Permission Fee on Pvt. land holdings (Current Year)
4	3	1	3	0	0	0	1	0	8	Permission Fee on Pvt. land holdings (Previous Year)
4	3	1	3	0	0	0	1	0	9	Permission Fee on toilets (Current Year)
4	3	1	3	0	0	0	1	1	0	Permission Fee on toilets (Previous Year)
4	3	1	3	0	0	0	1	1	1	Permission Fee on traffic signals, Police booths, Umbrellas(CY)
4	3	1	3	0	0	0	1	1	2	Permission Fee on traffic signals, Police booths, Umbrellas (PY)
4	3	1	3	0	0	0	1	1	3	Permission Fee on Footpaths, railing Poles (Current Year)
4	3	1	3	0	0	0	1	1	4	Permission Fee on Footpaths, railing Poles (Previous Year)
4	3	1	3	0	0	0	1	1	5	Permission Fee on tree guards (Current year)
4	3	1	3	0	0	0	1	1	6	Permission Fee on tree guards (Current year)
4	3	1	3	0	0	0	2	0	0	Receivables for Water Charges
4	3	1	3	0	0	0	2	0	1	Water Charges Receivable on Residential (Current year)
4	3	1	3	0	0	0	2	0	2	Water Charges Receivable on Residential (Arrears)

Major Code			Minor Code	Sub Minor Code				Detail Code	Description	
4	3	1	3	0	0	0	2	0	3	Water Charges Receivable on Commercial (Current year)
4	3	1	3	0	0	0	2	0	4	Water Charges Receivable on Commercial (Arrears)
4	3	1	3	0	0	0	2	0	5	Water Charges Receivable State government (Current Year)
4	3	1	3	0	0	0	2	0	6	Water Charges Receivable State government (Arrears)
4	3	1	3	0	0	0	3	0	0	Receivables for Other Fee and User Charges
4	3	1	3	0	0	0	3	0	1	Receivables for License Fees
4	3	1	3	0	0	0	3	0	2	Registration Fees
4	3	1	3	0	0	0	3	0	3	Other Fee and User Charges
4	3	1	4	0	0	0	0	0	0	<i>Receivables from other Sources</i>
4	3	1	4	0	0	0	0	0	1	Receivables for Rental Income
4	3	1	4	0	0	0	0	0	2	Interest accrued and due
4	3	1	4	0	0	0	0	0	3	Interest accrued and not due
4	3	1	4	0	0	0	0	0	4	Interest Due from loans to employees
4	3	1	4	0	0	0	0	0	5	Interest Due from Advance to employees
4	3	1	4	0	0	0	0	0	6	Lease Rental Receivables
4	3	1	5	0	0	0	0	0	0	<i>Receivables from Government</i>
4	3	1	5	0	0	0	0	0	1	Grants Receivable
4	3	1	5	0	0	0	0	0	2	Compensation
4	3	1	5	0	0	0	0	0	3	Contributions
4	3	1	5	0	0	0	0	0	4	Subsidies
4	3	1	5	0	0	0	0	0	5	Fee on transfer of property
4	3	1	5	0	0	0	0	0	6	Entertainment Tax
4	3	1	5	0	0	0	0	0	7	Cess on GST
4	3	1	5	0	0	0	0	0	8	Stamp Duty Share
4	3	1	5	0	0	0	0	0	9	Motor Vehicle Tax
4	3	1	5	0	0	0	0	1	0	Electricity Tax on Electricity
4	3	1	8	0	0	0	0	0	0	<i>Receivables control accounts</i>
4	3	1	8	0	0	0	0	0	1	Property Tax
4	3	1	8	0	0	0	0	0	2	Water Charge
4	3	1	8	0	0	0	0	0	3	Cess
4	3	1	8	0	0	0	0	0	4	Fees and User Charges
4	3	1	8	0	0	0	0	0	5	Government
4	3	1	8	0	0	0	0	0	6	Rental Income
4	3	1	8	0	0	0	0	0	7	Permission Fee
4	3	1	8	0	0	0	0	0	8	Other Taxes and Fee
4	3	1	9	1	0	0	0	0	0	<i>State Govt. Cesses/levies in Property Tax-Control Account</i>
4	3	1	9	1	0	0	0	0	1	State Govt. Cesses/levies in Property Tax-Control Account
4	3	1	9	2	0	0	0	0	0	<i>State Govt. Cesses/levies in Water Charges-Control Account</i>
4	3	1	9	2	0	0	0	0	1	State Govt. Cesses/levies in Water Charges-Control Account
4	3	1	9	9	0	0	0	0	0	<i>State Govt. Cesses/levies in Other Tax-Control Account</i>
4	3	1	9	9	0	0	0	0	1	State Govt. Cesses/levies in Other Tax-Control Account
4	3	2	0	0	0	0	0	0	0	Accumulated Provisions against Debtors (Receivables)
4	3	2	1	0	0	0	0	0	0	<i>Provision for Outstanding Property Tax</i>
4	3	2	1	0	0	0	0	0	1	Property Tax Receivable on Residential Buildings
4	3	2	1	0	0	0	0	0	2	Property Tax Receivable on Commercial Buildings
4	3	2	1	0	0	0	0	0	3	Property Tax Receivable on State government Buildings
4	3	2	1	0	0	0	0	0	4	Service Charge in lieu of P.Tax of central Government Bldgs

Major Code		Minor Code		Sub Minor Code			Detail Code		Description
4	3	2	1	0	0	0	0	5	Surcharge receivable on Property Tax
4	3	2	1	1	0	0	0	0	<i>Provision for Outstanding Water Charges</i>
4	3	2	1	1	0	0	0	1	Water Charges Receivable on Residential Buildings
4	3	2	1	1	0	0	0	2	Water Charges Receivable on Commercial Buildings
4	3	2	1	1	0	0	0	3	Water Charges Receivable on State government Buildings
4	3	2	1	2	0	0	0	0	<i>Provision for Outstanding Other Taxes</i>
4	3	2	1	2	0	0	0	1	Provision for Outstanding Other Taxes
4	3	2	2	0	0	0	0	0	<i>Provision for Outstanding Cess</i>
4	3	2	2	0	0	0	0	1	Provision for Outstanding Cess
4	3	2	3	0	0	0	0	0	<i>Provision for Outstanding Fees and User Charges</i>
4	3	2	3	0	0	0	0	1	License Fees
4	3	2	3	0	0	0	0	2	Notice Fees
4	3	2	3	0	0	0	0	3	Rental Income from Municipal Properties
4	3	2	3	0	0	0	0	4	Other Fee and User Charges
4	3	2	4	0	0	0	0	0	<i>Provision for Other Outstanding Receivable</i>
4	3	2	4	0	0	0	0	1	Provision for Other Outstanding Receivable
4	3	2	9	1	0	0	0	0	<i>State Govt. Cesses/levies in Property Tax-Provision Account</i>
4	3	2	9	1	0	0	0	1	State Govt. Cesses/levies in Property Tax-Provision Account
4	3	2	9	2	0	0	0	0	<i>State Govt. Cesses/levies in Water Charges-Provision A/c</i>
4	3	2	9	2	0	0	0	1	State Govt. Cesses/levies in Water Charges-Provision A/c
4	3	2	9	9	0	0	0	0	<i>State Govt. Cesses/levies in Other Tax-Provision Account</i>
4	3	2	9	9	0	0	0	1	State Govt. Cesses/levies in Other Tax-Provision Account
4	4	0	0	0	0	0	0	0	Pre-Paid Expenses
4	4	0	1	0	0	0	0	0	<i>Establishment</i>
4	4	0	1	0	0	0	0	1	Salaries, Wages and Bonus
4	4	0	1	0	0	0	0	2	Benefits and Allowances
4	4	0	1	0	0	0	0	3	Pension
4	4	0	1	0	0	0	0	4	Other Terminal and Retirement Benefits
4	4	0	2	0	0	0	0	0	<i>Administration</i>
4	4	0	2	0	0	0	0	1	Rent, Rates and Taxes
4	4	0	2	0	0	0	0	2	Office-Maintenance
4	4	0	2	0	0	0	0	3	Communication Expenses
4	4	0	2	0	0	0	0	4	Books and Periodicals
4	4	0	2	0	0	0	0	5	Printing and Stationary
4	4	0	2	0	0	0	0	6	Traveling and Conveyance
4	4	0	2	0	0	0	0	7	Insurance
4	4	0	2	0	0	0	0	8	Audit-Fees
4	4	0	2	0	0	0	0	9	Legal Expenses
4	4	0	2	0	0	0	1	0	Professional and other Fees
4	4	0	2	0	0	0	1	1	Advertisement and Publicity
4	4	0	2	0	0	0	1	2	Membership and Subscriptions
4	4	0	3	0	0	0	0	0	<i>Operation and Maintenance</i>
4	4	0	3	0	0	0	0	1	Power and Fuel
4	4	0	3	0	0	0	0	2	Bulk Purchases
4	4	0	3	0	0	0	0	3	Hire-Charges
4	4	0	3	0	0	0	0	4	Repair and Maintenance -Infrastructure Assets
4	4	0	3	0	0	0	0	5	Repair and Maintenance -Civic Amenities

Major Code		Minor Code		Sub Minor Code			Detail Code		Description
4	4	0	3	0	0	0	0	6	Repair and Maintenance -Buildings
4	4	0	3	0	0	0	0	7	Repair and Maintenance -Vehicles
4	4	0	3	0	0	0	0	8	Repair and Maintenance -Others
4	4	0	3	0	0	0	0	9	Other operating and Maintenance expenses
4	5	0	0	0	0	0	0	0	Cash and Bank Balance
4	5	0	1	0	0	0	0	0	<i>Cash-in -Hand</i>
4	5	0	1	0	0	0	0	1	Cash-in -Hand
4	5	0	2	1	0	0	0	0	<i>Nationalized Banks -Municipal Fund</i>
4	5	0	2	1	0	0	0	1	Main Bank Account
4	5	0	2	1	0	0	0	2	Other Bank Account
4	5	0	2	2	0	0	0	0	<i>Other Schedule Banks-Municipal Fund</i>
4	5	0	2	2	0	0	0	1	Other Schedule Banks-Municipal Fund
4	5	0	2	3	0	0	0	0	<i>Schedule Co-operative Banks -Municipal Fund</i>
4	5	0	2	3	0	0	0	1	Schedule Co-operative Banks -Municipal Fund
4	5	0	2	4	0	0	0	0	<i>Post Office -Municipal Fund</i>
4	5	0	2	4	0	0	0	1	Post Office -Municipal Fund
4	5	0	4	1	0	0	0	0	<i>Nationalized Banks -Special Funds</i>
4	5	0	4	1	0	0	0	1	Nationalized Banks -Special Funds
4	5	0	4	2	0	0	0	0	<i>Other Schedule Banks-Special Funds</i>
4	5	0	4	2	0	0	0	1	Other Schedule Banks-Special Funds
4	5	0	4	3	0	0	0	0	<i>Schedule Co-operative Banks -Special Funds</i>
4	5	0	4	3	0	0	0	1	Schedule Co-operative Banks -Special Funds
4	5	0	4	4	0	0	0	0	<i>Post Office -Special Funds</i>
4	5	0	4	4	0	0	0	1	Post Office -Special Funds
4	5	0	6	1	0	0	0	0	<i>Nationalized Banks -Grant Funds</i>
4	5	0	6	1	0	0	0	1	Nationalized Banks -Grant Funds
4	5	0	6	2	0	0	0	0	<i>Other Schedule Banks-Grant Funds</i>
4	5	0	6	2	0	0	0	1	Other Schedule Banks-Grant Funds
4	5	0	6	3	0	0	0	0	<i>Schedule Co-operative Banks -Grant Funds</i>
4	5	0	6	3	0	0	0	1	Schedule Co-operative Banks -Grant Funds
4	5	0	6	4	0	0	0	0	<i>Post Office -Grant Funds</i>
4	5	0	6	4	0	0	0	1	Post Office -Grant Funds
4	6	0	0	0	0	0	0	0	Loans, Advances and Deposits
4	6	0	1	0	0	0	0	0	<i>Loans and Advances to employees</i>
4	6	0	1	0	0	0	0	1	House Building Advance
4	6	0	1	0	0	0	0	2	Conveyance Advance
4	6	0	1	0	0	0	0	3	Computer Advance
4	6	0	1	0	0	0	0	4	Festival Advance
4	6	0	1	0	0	0	0	5	Vehicle Advance
4	6	0	1	0	0	0	0	6	Food Grain Advance
4	6	0	2	0	0	0	0	0	<i>Employee PF Loans/NPS Fund Loans</i>
4	6	0	2	0	0	0	1	0	Loan from Provident Fund
4	6	0	2	0	0	0	1	0	Housing Loan
4	6	0	2	0	0	0	1	0	Vehicle Loan
4	6	0	2	0	0	0	2	0	Loan from New Pension Scheme Fund
4	6	0	2	0	0	0	2	0	Loan from New Pension Scheme Fund
4	6	0	3	0	0	0	0	0	<i>Loans to Others</i>
4	6	0	3	0	0	0	0	1	Loans to Others
4	6	0	4	0	0	0	0	0	<i>Advance to Suppliers and Contractors</i>
4	6	0	4	0	0	0	0	1	Advance for Municipal Works
4	6	0	4	0	0	0	0	2	Advance for Stores
4	6	0	4	0	0	0	0	3	Material Issued to the Contractors
4	6	0	4	0	0	0	0	4	Advance for Hire-Purchase assets

Major Code		Minor Code		Sub Minor Code			Detail Code		Description
4	6	0	4	0	0	0	0	5	Advance to Suppliers and Contractors – Others
4	6	0	5	0	0	0	0	0	<i>Advance to Others</i>
4	6	0	5	0	0	0	0	1	Permanent Advance
4	6	0	5	0	0	0	0	2	Temporary Advance
4	6	0	5	0	0	0	0	3	Advance Against Projects
4	6	0	5	0	0	0	0	4	Advance against Grants
4	6	0	5	0	0	0	0	5	Advance against Schemes
4	6	0	6	0	0	0	0	0	<i>Deposits with External Agencies</i>
4	6	0	6	0	0	0	0	1	Telephone Deposit
4	6	0	6	0	0	0	0	2	Electricity Deposit
4	6	0	6	0	0	0	0	3	Water Deposit
4	6	0	8	0	0	0	0	0	<i>Other Current Assets</i>
4	6	0	8	0	0	0	0	1	H.P. installments Receivable
4	6	0	8	0	0	0	0	2	Interest Receivable on Loans
4	6	0	8	0	0	0	0	3	Interest Receivable on Advances
4	6	0	8	0	0	0	0	4	Scheme Expenses
4	6	1	0	0	0	0	0	0	Accumulated Provisions against Loans, Advances and deposits
4	6	1	1	0	0	0	0	0	<i>Loans to Others</i>
4	6	1	1	0	0	0	0	1	Loans to Others
4	6	1	2	0	0	0	0	0	<i>Advances</i>
4	6	1	2	0	0	0	0	1	Advances
4	6	1	3	0	0	0	0	0	<i>Deposits</i>
4	6	1	3	0	0	0	0	1	Deposits
4	7	0	0	0	0	0	0	0	Other Assets
4	7	0	1	0	0	0	0	0	<i>Deposit works –Expenditure</i>
4	7	0	1	0	0	0	0	1	Civil
4	7	0	1	0	0	0	0	2	Electrical
4	7	0	2	0	0	0	0	0	<i>Inter Unit Transactions</i>
4	7	0	2	0	0	0	0	1	Inter Unit Transactions –AU
4	8	0	1	0	0	0	0	0	<i>Loan Issue Expenses</i>
4	8	0	1	0	0	0	0	1	Loan Issue Expenses
4	8	0	2	0	0	0	0	0	<i>Discount on Issue of Loans</i>
4	8	0	2	0	0	0	0	1	Discount on Issue of Loans
4	8	0	3	0	0	0	0	0	<i>Other</i>
4	8	0	3	0	0	0	0	1	Loss on Issue of Debt Securities
4	8	0	3	0	0	0	0	2	Unamortized Discount on Issue of Debt Securities

3.12 Simplified Definitions:

- **Revenue Income:** Money or money equivalent earned or accrued during an accounting period, increasing the total of previously existing net assets, and arising from provision of any type of services and rentals.
- **Revenue Expenses:** A cost relating to the operations of an accounting period or to the revenue earned during the period or the benefits of which do not extend beyond that period.
- **Capital Receipt and Liabilities:** Any amount owing by one person to another, payable in money, or in goods or services, the consequence of an asset or service received, or a loss incurred or accrued.
- **Capital Expenditure and Assets:** Tangible objects or intangible rights owned by the Urban Local Bodies (Municipalities) and carrying probable future benefits. In simple terms the properties used in the operation or investment activities of a business.

3.13 Sample Accounting Entries:

3.13.1 Recording of demand raised on existing assessments:

Code of Account	Accounting Entry (Illustrative Heads)	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-10-000-	Receivable for Property Taxes (Year)	Dr.	75,500		Journal Book, Ledger
110-01-000-01	To Property Tax – Residential	Cr.		25,000	
110-01-000-02	To Property Tax – Commercial	Cr.		32,500	
140-16-000-01	To Water Charge-Residential	Cr.		6,500	
110-04-000-01	To Latrine Tax	Cr.		8,000	
110-90-002-11	To Others	Cr.		3,500	

3.13.2 Recording of income: Suppose a Municipality has earned income on registration charges on dogs and sale of Birth Certificate. The Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	To be entered into
1	2	3	4	5	6
450-21-000-01	Main Bank Account*	Dr.	25,000		Cash Book, Ledger
140-10-000-08	To Registration on Dogs (Fees and User) Charges	Cr.		15,000	
150-11-000-09	To Birth Certificate Forms (Sale and Hire) Charges	Cr.		10,000	

3.13.3 Recording of salary, allowances and corresponding liability: For recognizing the expense under various heads and the liability to the employees (staff) in respect of gross salaries, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	To be entered into
1	2	3	4	5	6
210-10-000-02	Establishment Expenses –Salary and Allowances of staff	Dr.	35,000		Journal Book, Ledger
350-11-000-01	To Employee Liabilities – Gross Salaries Payable	Cr.		35,000	

3.13.4 Recording of purchase of Fixed Assets: To record the purchase of the Fixed Asset, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
410- 10-000-05	Fixed Assets-Purchase of Vacant Land	Dr.	00,000		Journal Book, Ledger
350-10-000-01	To Creditors -Suppliers Account	Cr.		00,000	
340- 10-000-02	To Contractor /Suppliers –Security Deposit	Cr.		0,000	
460-40-000-05	To Advance to Suppliers and contractors	Cr.		0,000	

CHAPTER-4**GENERAL ACCOUNTING PROCEDURE****4.1 Introduction**

This chapter discusses the Books of Accounts to be maintained and the General Accounting Procedures to be followed by the Municipality under the accrual-based accounting system.

4.2 Books of Accounts

Books of Accounts shall be maintained separately for each financial year. Haryana Municipal Corporation Act 1994 (16 of 1994), Haryana Municipal Act 1973 (24 of 1973) and Financial Rules followed by the State shall be followed in preparation of books of accounts. The following are the primary Books of Accounts that shall be maintained at the Municipality:

- (a) **Cash Book (Form GEN-1)** shall be the Book of Original Entry for recording transactions involving cash and/or bank. The Cash Book may also be referred to as the Cash and Bank Book. The Cash Book has two sides, viz., "Receipt" and "Payment". All collections on behalf of the Municipality shall be recorded on the "Receipt" side and all payments shall be recorded on the "Payment" side. Separate Cash Books shall be maintained in respect of each bank account. Designated Bank Accounts may be operated for deposit of collections pertaining to Property and Other Taxes, Water Supply, Municipal Works, Special Funds etc., as has been provided in the applicable rules and regulations. Format of Cash Book is provided in Form GEN – 1.
- (b) **Journal Book (Form GEN-2)** shall be the book of original entry for recording all transactions other than those involving cash and/or bank. A non-cash/ bank transaction is first recorded in the Journal Book by dividing into its debit and credit aspects, from which a posting is done in the relevant ledger account. Recording of income in respect of Property and Other Taxes Bills raised, recording of liability on receipt of supplier's bills are examples of transactions, which shall be first recorded in the Journal Book. Format of Journal Book is provided in Form GEN – 2.
- (c) **Ledger (Form GEN-3)** shall be a book that shall contain all the accounts as specified in the Chart of Accounts. The Ledger has two sides, viz, "Debit" (Dr.) and "Credit" (Cr.). The head of account which is "Debited" while recording the accounting entry in the Journal Book (Form GEN-2) or which is recorded on the "Payment" side of the Cash Book (Form GEN-1) shall be posted on the "Debit" side of the Ledger. Similarly, the head of account which is "Credited" while recording the accounting entry in the Journal Book or which is recorded on the "Receipt" side of the Cash Book shall be posted on the "Credit" side of the Ledger. Each entry in the Cash Book and the Journal Book shall have a posting in the Ledger (except transactions relating to deposit into or withdrawal of cash from bank or transfer of amount from one bank account to another). The Ledger shall provide a listing of all the transactions in respect of a head of account during an accounting period. The posting of the entries from the books of original entry to the Ledger has been explained later in this chapter. Format of Ledger is provided in GEN-3.

4.3 Accounting Documents

Vouchers prepared at the Municipality shall form the base documents for recording the transactions in the Books of Original Entry. The vouchers shall be numbered serially. The accounting documents to be prepared by the Municipality are described below:

- (a) **Cash/Bank Receipt Voucher (Form GEN-4)** shall be the document prepared for recording receipt entries in the Cash Book. The Cash Receipt Voucher shall be prepared for receipts in cash; and the Bank Receipt Voucher for receipts by cheques, demand drafts, banker's cheques, etc., which need to be deposited in the bank for realization. Separate series of numbers shall be maintained for cash transactions and for each bank account. For example, the Bank Receipt Vouchers in respect of Bank Account A and B may have the series BRV-A-1 onwards and BRV-B-1 onwards respectively.
- (b) **Cash/Bank Payment Voucher (Form GEN-5)** shall be the document prepared for recording payment entries in the Cash Book. Separate series of numbers shall be maintained for cash transactions and for each bank account. For example, the Bank Payment Vouchers in respect of Bank Account M and N may have the series BPV-M-1 onwards and BPV-N-1 onwards respectively.
- (c) **Contra Voucher (Form GEN-6)** shall be the document prepared for recording transactions involving deposit of cash into the bank, withdrawal of cash from bank or transfer of amount from one bank to another.
- (d) **Journal Voucher (Form GEN-7)** shall be the document prepared for recording entries in the Journal Book. These entries shall not involve any cash/bank related transactions.

4.4 Other Registers/Forms

The specific books of accounts, forms and registers to be maintained at various Branches of the Municipality are defined in the Code depending on the rules and regulations governing them. However, inputs required from various branches for recording the transactions are prescribed in the subsequent chapters. Some of the other general registers and forms which shall be required to be maintained are provided in Table below:

GENERAL REGISTERS AND FORMS

Serial Number	Name of the Form	Form Number
1	2	3
1	Cash Book	GEN-1
2	Journal Book	GEN-2
3	Ledger	GEN-3
4	Receipt Voucher	GEN-4
5	Payment Voucher	GEN-5
6	Contra Voucher	GEN-6
7	Journal Voucher	GEN-7
8	Receipt	GEN-8
9	Receipt Register	GEN-9
10	Statement on Status of Cheques Received	GEN-10
11	Collection Register	GEN-11
12	Summary of Daily Collection	GEN-12
13	Register of Bills for Payment	GEN-13
14	Payment Order	GEN-14
15	Cheque/Instrument Issue Register	GEN-15
16	Register of Advance	GEN-16
17	Register of Permanent Advance	GEN-17
18	Deposit Register	GEN-18
19	Summary Statement of Deposit Adjusted	GEN-19
20	Demand Register	GEN-20
21	Notice/Bill	GEN-21
22	Summary Statement of Bills Raised	GEN-22
23	Register of Notice Fee, Warrant Fee, Other Fee	GEN-23
24	Summary Statement of Notice Fee, Warrant Fee, Other Fee	GEN-24
25	Register of Refunds, Remissions and Write-offs	GEN-25
26	Summary Statement of Refunds and Remissions	GEN-26
27	Summary Statement of Write-Offs	GEN-27
28	Statement of Outstanding Liability for Expense	GEN-28
29	Document Control Register/Stock Account of Receipt/ Cheque Book	GEN-29
30	Register of Immovable Property	GEN-30
31	Register of Movable Property	GEN-31
32	Register of Land	GEN-32
33	Function-wise Income Subsidiary Ledger	GEN-33
34	Function-wise Expense Subsidiary Ledger	GEN-34
35	Asset Replacement Register	GEN-35
36	Register of Public lighting System	GEN-36
37	Grant Register	GEN-37
38	Register of Civil Suits	GEN-38
39	Register of Decrees	GEN-39
40	Register of Miscellaneous Sales	GEN-40
41	Summary Statement of Status of Capital Work-in Progress/ Deposit Work/Delegated Loan	GEN-41
42	Register of Stores	GEN-42
43	Detailed Bill of Other Expenditure Bill	GEN-43
44	Register of Interest on loans or Advances to Employees	GEN-44
45	Register of Investment	GEN-45

4.5 Procedure for Income Accounting**4.5.1 Accrual Income Accounting**

Authentic information shall be called for accounting of income on accrual basis. From serving of bill to collection, provisioning, write off and change in demand accounting procedures and information needs have been explained below:

Activity	Information from Revenue Branch	Form	Accounting Entry
1	2	3	4
Serving of Demand (Bill)	Copy of Demand served shall be kept in Serial Order. Particulars of each Demand shall be entered in demand Register maintained by the branch concerned. Demand Register shall be maintained ward wise. Demand Register shall contain demand (bill) particulars, amount bifurcation for each component of demand and total amount. Summarization of these registers shall be done at periodic intervals ideally once in a month. Information in Format GEN-22 on Monthly basis shall be furnished to the Accounts Branch.	GEN-22 (Monthly)	On receipt of summary statement of bills raised in format GEN-22 from the concerned Sections, accounting entry (Journal Voucher) for accruing income shall be passed. As per Accounting rules mentioned in the Different Chapters of this Code following Accounting Entry shall be passed Debit- Receivables A/C (Personal A/C- Debit the receiver of money/Services/Goods) Credit- Income A/C (Nominal A/C-Credit Income or gains) Narration: (Being the ___ receivable for the Month/Half Year/Year of _____ accounted as per the Statement enclosed)
Collection	Each collection shall be entered in Demand Registers against the Demand Bill. Daily collections shall be remitted to the Cashier/ Shroff after verification of Income Auditor. Information in format GEN-9 Receipt Register on daily basis shall be furnished to the Accounts Branch.	GEN-9 (Receipt Register)	Daily Collection information furnished by the cashier/Shroff shall be verified with the Income Auditor as per information furnished in GEN-9 Receipt Register. Cash Receipt Voucher and Bank Receipt Voucher shall be passed for each collection point based on the information furnished in (GEN - 12) after cross verification with GEN-9. Deviation between these reports shall be intimated to the concerned branches. Debit Cash/Bank A/c (Real Account-What comes in) Credit Receivable A/c (Personal Account – Credit the giver) Narration (Being amount collected at _____ collection point against demand on _____)
Bounced Cheques	Collection entries shall be reversed in the Revenue Register based on the bounced Cheques information received from Accounts Branch in	GEN-10 (Daily)	Bounced cheques shall be collected from the bank on daily basis. Bounced cheques information shall be entered in Cheques

Activity	Information from Revenue Branch	Form	Accounting Entry
	<p>format GEN- 10. Notice shall be issued to the person who issued the cheque. Steps shall be initiated to realize the amount.</p>		<p>Register – GEN-10 Bounced Cheques information shall be prepared Section wise/ward wise on daily basis. Bounced Cheques and GEN-10 shall be forwarded to the Branch concerned. Following Accounting Entry Shall be passed Debit – Bank Charges A/c (Nominal Account – Debit all exp and Losses) Credit – Bank A/c (Personal Account – Credit the Giver) Debit – Receivable A/c (Personal Account – Debit the receiver) Credit – Bank A/c (Real Account – Credit what goes out) Narration (Being the reversal of Bounced Cheques Amount on _____) Credit – Bank Charges A/c (Nominal Account- Expenses transferred to Real Account)</p>
Provision	<p>Demand balances shall be arrived on periodic intervals. Monthly GEN-20 shall be prepared showing summary of uncollected bills with year-wise bifurcation.</p>	GEN-21 (Monthly)	<p>On receipt of GEN-20, the Section shall calculate provision in accordance with the accounting policies. The Provision against the uncollected bills shall be provided at the end of each month. Following Journal voucher shall be passed: Debit Provision for Doubtful Receivables A/c (Nominal Account – Debit expenditure or losses) Credit Accumulated Provision for Doubtful Receivables A/c (Real Account – Credit what goes out) Narration (Being the provision on doubtful receivables provided for the month of _____) Exact reverse entry shall be passed to reduce the excess provision created if any in earlier period.</p>

Activity	Information from Revenue Branch	Form	Accounting Entry
Write Off	Demand served and collection not possible shall be written off with the approval of appropriate authority based on the information received from the concerned Branch.	GEN-20	Based on the proposal for write off received in Form GEN-20, Accounts Branch shall make necessary entries. Following Journal Voucher shall be passed. Debit Income Written Off A/c (Nominal Account – Debit expenditure or losses) Credit Receivables A/c (Real Account – Credit what goes out) Narration (Being the _____ Receivable written off as per the statement enclosed).

4.5.2 Procedure for Income Accounting on Collection

Where there is no proper system of raising demand, then income shall be accounted on collection basis. These transactions are like providing service or goods against collection.

Concerned Branches shall maintain collection registers and enter full particulars. Procedures and information needs for accounting of collection-based income has been explained below:

Activity	Information from Revenue Branch	Form	Accounting Entry
1	2	3	4
Collection	Each collection shall be entered in Demand Registers. Daily collections shall be remitted to the Cashier/Shroff after verification of Income Auditor Information in Format GEN-12 on daily basis shall be furnished to the Accounts Branch.	GEN-12 (Daily)	Daily collection information furnished by the Cashier/Shroff shall be verified with the Income Auditor as per information furnished in GEN-12. Summary of Cash Receipt Voucher and Bank Receipt Voucher shall be passed for each collection point based on the information furnished in GEN-12 after cross verification with GEN-9 Receipt Register. Deviation between these reports shall be intimated to the concerned branches. Debit Cash/Bank A/c (Real Account-What comes in) Credit Respective Income A/c (Nominal – Credit income and gains) Narration (Being amount collected at _____ collection point on _____).

4.6 Procedure for Accounting of Collections

The collections in respect of the receipts of the Municipality may be made at Collection Offices/counters (i.e. at the CFC, Head Office, Circle Office, Ward Offices, Branches, Single-Window, etc.) or at other Collection Centres (i.e. branches of Designated Banks, e-Seva Centres, other Collection Centres and Online). The general procedure for the receipt, deposit and accounting of the collections shall be as follows:

- (a) **Collections at Centres:** For receipt of cash or any amount received in the form of cheques/draft, a Receipt, duly signed and dated shall be issued in Form GEN-8. In cases where the payer has to submit Bills/ Challans, one copy shall be returned to the payer along with the Receipt. All cash/ cheques/ drafts received shall be recorded in a Receipt Register, maintained in Form GEN-9. Receipt Register shall be maintained in perforated sheets, so that the second

(Extracted Cash Book)

- (i) **Posting in the Ledger:** From the Cash Book, a posting shall be made to the Ledger (Form GEN-3) in the "Deposit from Contractors – Security Deposit" Account on the "Credit" side, as shown below:

Tax Revenue Items Account

Date	Code of Account	Particulars	L/F	Amount (₹)	Date	Code of Account	Particulars	L/F	Amount (₹)
1	2	3	4	5	6	7	8	9	10
					xx/xx/xxxx	450-21-000-01	By Main Bank A/c		10,000

- (j) Similarly, collections in respect of Property and Other Taxes shall be accounted for as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-01	Main Bank A/c _____	Dr.	25,000		Cash Book and Ledger
431-80-000-01	To Receivable Control Account-Property Tax (Property)	Cr.		25,000	

In practice, the above entry shall be passed in the relevant Cash Book (Form GEN-1), in the "Bank" column on the "Receipt" side and posted to the Ledger (Form GEN-3), as follows:

Cash Book of _____ (Name of Bank)

RECEIPT**PAYMENT**

Serial Number	Date	Rept. Vchr. No.	Code of Account	Particulars of Receipt	L/F	Cash Amount (₹)	Bank Amount (₹)
1	2	3	4	5	6	7	8
	xx/xx/xxxx		431-80-000-01	To Receivable Control Account-Property Tax (Property)			25,000
Serial Number	Date	Pymt. Vchr. No.	Code Account of	Particulars of Payment	L/F	Cash Amount (₹)	Bank Amount (₹)
9	10	11	12	13	14	15	16

(Extracted Cash Book)

Receivable Control Account

Date	Code of Account	Particulars	L/F	Amount (₹)	Date	Code of Account	Particulars	L/F	Amount (₹)
					xx/xx/xxxx	450-21-000-01	By Main Bank A/C		25,000

- (k) **Updating of Subsidiary Ledgers:** The Accounts Branch shall maintain separate Subsidiary Ledger for each of the Major Heads of Income in Form GEN-33. The Subsidiary Ledgers shall provide function-wise break-up of above-mentioned income earned/received by the Municipality on a daily basis. Separate folios shall be maintained for each function within the Subsidiary Ledger for recording incomes in respect of each function. When some income is earned, it shall be first recorded in the Cash Book on the receipt side or in the Journal from bills submitted by the concerned Branches. Thereafter, the entry will be posted to the credit of the appropriate income account in the Main Ledger. Simultaneously, the amount shall also be recorded in the folio for the concerned function in the Subsidiary Ledger under the respective income column.
- (l) This is illustrated with reference to the Function – Health Branch which have received from various type of heads as listed below:

Day 1

License Fee :	₹ 1,000
Registration fee from patients:	₹ 500
Sale of medicines:	₹10,000

Day 2

X-ray and pathology charges:	₹ 2,000
Sale of Tender forms:	₹ 500
Receipt of Malaria Control Grant:	₹ 5,000

- (m) The folio for the Revenue in the Subsidiary Ledger shall provide for separate columns for various major heads on Income for which the incomes are received. The details of income received, after being posted in the general ledger, shall be posted in the relevant Subsidiary Ledger as follows:

Function Wise Income Subsidiary Ledger**Function: Health**

Date	Ref. No.	Particulars	Total Amount (₹)	Income (₹)		
				Revenue Grants	Fees and User Charges	Sale and Hire Charges
1	2	3	4	5	6	7
xx.xx.xxxx	1	License Fees	1,000		1,000	
	2	Registration Fees from Patients	500		500	
	3	Birth and Death Fees	10,000		10,000	
	4	X-Ray and Pathology Charges	2,000		2,000	
	5	Sale of Forms	500			500
	6	Malaria Control Grant	5,000	5,000		
		Total for the Month	19,000	5,000	13,500	500
		Cumulative total at the beginning of the Month	2,000	1,200	600	200
		Cumulative total at the end of the Month	21,000	6,200	14,100	700

- (n) Each of the above entries shall be first posted in the respective ledger accounts in the Main Ledger. Thus, the Main Ledger will be a complete record from which a Trial Balance shall be prepared. However, for ascertaining function-wise details, the Subsidiary Ledger will need to be referred.
- (o) Summary of major code wise income for each function may be prepared from the Subsidiary Ledgers in the format given in the Part-II of this Account Code.

Summary of Major Head Wise Income

Serial Number	Function Code	Function Head	Total Income (₹)	Major Heads of Income (₹)		
				Revenue Grants	Fees and User Charges	Sale and Hire Charges
1	2	3	4	5	6	7
1	30	Health	19,000	5,000	13,500	500
2	20	Public Works				
3	50	Civic Amenities				
		Total for the major Heads of Income	19,000	5,000	13,500	500

- (p) Summary total of major heads of Income prepared as stated above must agree with the major income head-wise schedules prepared from Trial Balance.
- (q) Updating of details regarding cheques/ drafts deposited: The realization/return of the cheques/drafts shall be followed up with the bank. The details of the realization/non-realization of the cheques/drafts shall be updated in the Receipt Register (Form GEN-9) and communicated to the concerned officer for follow-up action. The details shall be intimated to the Accounts Branch by the Collection Office/Centre who has actually deposited the cheques and coordinating with the bank, through a Statement on Status of Cheques Received (Form GEN-10).
- (r) Based on the Statement on Status of Cheques Received (Form GEN-10), and in case the cheque is dishonoured, the Accounts Branch shall reverse the entry passed in "g" above i.e., on preparation of Bank Receipt Voucher.
- e.g., Security Deposit received by cheque and deposited in Main Bank Account is dishonoured. The Accounts Branch shall pass the following entry for reversal of receipt.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-02	Deposit Contractors - Security Deposit	Dr.	10,000		Cash Book and Ledger
450-21-000-01	To Main Bank A/c	Cr.		10,000	

- (s) Subsidiary Ledgers shall be adequately updated for the reversal entry to be passed in respect of Fees and User Charges and Sale and Hire Charges due to dishonour of cheques. An administrative charge (as per Municipality operations Code/guidelines) is normally levied on the dishonoured cheques.
- (t) Transfer of Funds from One Bank Account to Other Bank Account: Transfers from one Bank account to another shall be governed by the applicable rules. On the basis of the cheque prepared for the transfer or on the basis of the bank intimation received, in case of standing instructions being given to the banks for transfer of funds, the Accounts Branch shall prepare a Contra Voucher (Form GEN-6). Accounting entries relating to this is explained below under 'Accounting for Contra entries.'

4.7 Procedure for Expenditure Accounting

- 4.7.1 Preparation of Bill for payment:** On the basis of work completed as per rules, a bill shall be prepared and sent for payment. The amount of security deposit, income tax deducted at source, works contract, tax and any other recovery or deduction, including recovery for supply of material by the Stores and money advanced to the contractor, shall be specified in the Bill. Running bills are submitted during the

progress of work. Certificate shall be annexed to the final bill. Specimen of the certificate is given at the end of the chapter.

- 4.7.2 Recording of Contractor's bill in respect of Original Work:** On receipt of the processed bill, the particulars are entered in a Register of Bills for Payment in Form GEN-13. To record the liability in respect of contractor's bill for Original Works undertaken for roads and bridges, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
412-30-000-04	Capital WIP-Road Development A/c	Dr.	50,000		Journal Book and Ledger
350-10-000-02	To Creditors-Contractors A/c	Cr.		44,000	
340-10-000-02	To Contractors-Security Deposit	Cr.		2,500	
460-40-000-05	To Advance to Contractors	Cr.		500	
350-20-000-06	To TDS from Contractors Bills	Cr.		1,000	
350-20-000-15	To Recoveries payable-Other Tax	Cr.		1,500	
460-40-000-03	To Advance to Contractors-Material issued to Contractors	Cr.		500	

The Capital Work-In-Progress Account shall be a Control Account wherein details of expenditure incurred on capital projects shall be recorded. Separate Capital Work-in-Progress Control Accounts shall be opened for Civil, Electrical, Water Works and Other projects.

At period-end, the Branches incurring expenditure on capital projects shall submit a Summary Statement of Status on Capital Work-in-Progress in Form MW-17 (refer Chapter Municipal Works) detailing total expenditure incurred till date on each of the capital projects. The details of total expenditure incurred on each of the capital projects shall be collated from the Work Sheet in Form MW-18 (refer Chapter Municipal Works).

The Contractors Control Account shall be a Control Account in which the liability for amount payable to various contractors for works executed shall be credited and the amount paid shall be debited.

- 4.7.3 Recording of Payment made to Contractors:** The procedure to be followed for approval of a contractor's bill for payment and making payment shall be the same as provided in Chapter General Accounting Procedures. The Accounts Branch shall, on receipt of Payment Order in Form GEN-14 together with the Work Sheet and Contract Completion Certificate, where applicable, after making the payment, enter the details of the payment in the Work Sheet in Form MW-18 (refer Chapter Municipal Works) and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-10-000-02	Creditors-Contractors A/C	Dr.	44,000		Cash Book and Ledger
450-21-000-01	To Main Bank A/c	Cr.		44,000	

- 4.7.4 Recording of payment of TDS Payable and Works Contract Tax Payable:** The income tax and works contract tax deducted from the bills of the contractors shall be paid by the Accounts Branch to the concerned authorities as and when due as per the relevant laws in force. On payment of Income Tax and Works Contract Tax deducted, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-20-000-06	Recoveries payable-TDS from Contractors	Dr.	1,500		Cash Book and Ledger
350-20-000-15	Recoveries payable (Others)	Dr.	1,000		
450-21-000-01	To Main Bank A/c _____	Cr.		2,500	

4.7.5 Recording of difference between the Stores Issue Rate and Recovery Rate for material issued to Contractors: The Accounts Branch shall determine the difference between the Stores Issue Rate and the Recovery Rate for material issued to Contractors. To record the difference, the Accounts Branch shall pass either entry (a) or entry (b) given below:

- (a) In case of favourable Rate Variance, where Stores Issue Rate is less than Recovery Rate with the Contractor for materials issue:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
460-40-000-03	Materials issued to Contractors A/C	Dr.	5,000		Journal Book and Ledger
412-30-000-04	To Capital W.I.P.-Roads	Cr.		5,000	

- (b) Insert Detailed Head Code of Account as applicable.
(c) In case Adverse Rate Variance, where Stores Issue Rate is greater than Recovery rate from the Contractor for materials issue:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
412-30-000-04	To Capital Work-in progress - Roads A/C	Dr.	5,000		Journal Book and Ledger
460-40-000-03	Materials issued to Contractors A/C	Cr.		5,000	

4.8 Procedure for Accounting of Payments: The general procedure in respect of payments, which shall be applicable for all payments made by the Municipality including payment of supplier's/ contractor's bills, refund of taxes, payment of advance, refund of deposits, investments made, loan repayments, etc., is described below:

- (a) **Receipt of bills/claims:** The bills or claims against the Municipality shall be received at the various branches of the Municipality or at the Accounts Branch as per the procedures laid down for Municipality in this behalf. The concerned Branch shall verify the bills/claims received. On satisfactory verification, the bills/claims shall be entered into the Register of Bills for Payment, maintained in Form GEN-13.
- (b) **Preparation of Payment Order:** On approval of the payment by the concerned authorities at the respective branches, the branch shall forward the bills to the Accounts Branch for payment. Payment is made through Payment Order (Form GEN-14). Accounts Branch after passing the bill shall send the bill to the Local Audit for Pre-Audit.
- (c) **Bill Passing/Approval of bills:** Engineering Branch/Intending Branch shall verify and ensure the following relating to a Payment order before forwarding the bills to Local Audit for pre-audit:
- (i) whether the supporting documents such as invoices, bills, etc. are stamped with 'certified for payment' and signed by the authorities of the concerned Branch;

- (ii) whether adequate budget provision/appropriation is available under the particular head.
- (iii) whether evidence of entry into Purchase/Fixed Assets/Investments Register with folio and reference numbers are attached/ available;
- (iv) whether work 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;
- (v) 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;
- (vi) further, physical verification of the concerned registers such as fixed assets/stocks/investments, etc. may also be carried out to ensure that the bills under 'payment order' are entered in the registers.
- (d) In case of any queries in the process of verification of 'payment order' explained above, including non-reference to the relevant folio/page number of the Stock/Masurement Book or Fixed Asset Register or Register of Bills for Payment, the same shall be noted on the Payment Order and shall be returned to the respective Branch.
- (e) The concerned Branch shall resolve the query raised (as specified in para (d) above), make the necessary changes in the Payment Order and other registers/forms, if required, and forward the documents back to the Bill Passing authority for review of the revised payment order.
- (f) Forwarding for Payment: After satisfactory verification of the payment order and its supporting, the Payment Order shall be released for payment.
- (g) On approval of payment, entry shall be made in the Register of Bills for Payment maintained at Accounts Branch (Form GEN-13). Journal Voucher shall also be prepared.
- (h) **Preparation of Cash/Bank Payment Voucher:** A Cash/Bank Payment Voucher (Form GEN-5) shall be prepared for payment and verified.
- (i) **Preparation of Cheque:** On verification of the Cash/Bank Payment Voucher, a cheque shall be prepared. The person preparing the cheque shall mention the date of the cheque. An entry of the cheque prepared shall be made in the Cheque/Instrument Issue Register, maintained in Form GEN-15.
- (j) **Payment Instrument/Digital Payments:** The authorized signatories shall sign the cheque, Cash/Bank Payment Voucher and Cheque/Payment Instrument Issue Register or authorize any digital payment.

Cheque/Digital Payments shall be signed by both officers as per table exhibit below:

Type of Municipalities	Ist	IInd
1	2	3
All Municipalities	Officer in charge of the Accounts	Chief Municipal Officer

Note: In case of vacancy of post of the Officer In-Charge of the Accounts, Accountant posted in the Municipality is authorized for jointly signing of all the payment instrument.

Explanation: Payment Instrument includes Cheques, NEFT, RTGS etc. .

- (k) **Recording of entry for Payment:** After the signing of the Cash / Bank Payment Voucher, the Accounts Branch shall pass the entry for the payment. For example, the Accounts Branch shall pass the following entry for payment of rent in respect of an **office building**:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
220-10-000-01	Office Building Rent A/c	Dr.	5,000		Cash Book and Ledger
450-21-000-01	To Main Bank A/c	Cr.		5,000	

- (l) **Entry in Cash Book:** In practice, above entry shall be passed in the Cash Book (Form GEN-1), in the “Bank” column on the “Payment” side, as follows:

Cash Book of _____

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Serial Number	Date	Rept. Vchr. No.	Code of Account	Particulars of Receipt	L/F	Cash Amount (₹)	Bank Amount (₹)
1	2	3	4	5	6	7	8
Serial Number	Date	Pymt. Vchr. No.	Code of Account	Particulars of Payment	L/F	Cash Amount (₹)	Bank Amount (₹)
9	10	11	12	13	14	15	16
	xx/xx/xxxx		220-10-000-01	By Office Building Rent A/c			5,000

- (m) **Posting in the Ledger:** From the Cash Book, a posting shall be made to the Ledger (Form GEN-3) in the “Rent, Rates and Taxes” Account on the “Debit” side, as shown below:

Rent, Rates and Taxes Account

DR.

CR.

Date	Code of Account	Particulars	L/F	Amount (₹)
1	2	3	4	5
xx/xx/xxxx	450-21-01	To Main Bank A/c		5,000
Date	Code of Account	Particulars	L/F	Amount (₹)
6	7	8	9	10

Similarly, payment made to a contractor towards construction of a building block shall be accounted as follows (separate Cash Book shall be maintained for Designated Municipal Works Bank Account):

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
350-10-000-02	Creditors-Contractors Control A/c	Dr.	1,00,000		Cash Book and Ledger
450-21-000-01	To Main Bank A/c	Cr.		1,00,000	

In practice, the above entry shall be passed in the Municipal Works Cash Book (Form GEN-1), in the “Bank” column on the “Payment” side and posted to the Ledger (Form GEN-3), as follows:

Cash Book of _____ Name of the Municipality (Municipal Works)

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Serial Number	Date	Rcpt. Vchr. No.	Code of Account	Particulars of Receipt	L/F	Cash Amount (₹)	Bank Amount (₹)
1	2	3	4	5	6	7	8
Serial Number	Date	Pymt. Vchr. No.	Code of Account	Particulars of Payment	L/F	Cash Amount (₹)	Bank Amount (₹)
9	10	11	12	13	14	15	16
	xx/xx/xxxx		350-10-000-01	By Contractors Control A/c			1,00,000

Contractor's Control Account

DR.

CR.

Date	Code of Account	Particulars	L/F	Amount (₹)
1	2	3	4	5
xx/xx/xxxx	450-21-000-01	To Main Bank A/c		1,00,000
Date	Code of Account	Particulars	L/F	Amount (₹)
6	7	8	9	10

- (n) **Updating of Subsidiary Ledgers for Expenditures:** The Accounts Branch shall maintain separate Subsidiary Ledger for each of the Major expense head in Form GEN-34. The Subsidiary Ledgers shall provide function-wise break-up of above-mentioned expenses incurred by the Municipality on a daily basis. Separate folios shall be maintained for each function. When expenditure is incurred, it shall be first recorded in the Cash Book on the payment side or in the credit side of Journal Bill. Thereafter, the entry shall be posted to the credit of the appropriate expense account in the Main Ledger. Simultaneously, the amount shall also be recorded in the folio for the concerned function in the Subsidiary Ledger under the respective expense column.

- (o) This is illustrated with reference to the Function – Municipal Works, which have incurred various types of expenses as listed below:

Day 1

Salary of Staff	₹10,000
Books and Periodicals	₹ 1,000
Consumption of Stores	₹ 3,000

Day 2

Repair to Roads	₹ 20,000
Communication Expenses	₹ 1,000
Computer Consumables	₹ 2,000

- (p) This folio for Expense in the Subsidiary Ledger shall provide for separate columns for various major heads of expenses. The details of expenses incurred, after being posted in the general ledger under the respective expense head, shall be posted in the relevant Subsidiary Ledger as follows:

Function Wise Expenses Subsidiary Ledger

Function:

Date	Ref. No.	Particulars	Total Amount (₹)	Major Head of Expenses		
				Establishment	Administration	Operation and Maintenance
1	2	3	4	5	6	7
xx.xx.xxxx	1	Salaries to Staff	10,000	10,000		
xx.xx.xxxx	2	Books and Periodicals	1,000		1,000	
xx.xx.xxxx	3	Consumption of Stores	3,000			3,000
xx.xx.xxxx	4	Repairs of Roads	20,000			20,000
xx.xx.xxxx	5	Communication	1,000		1,000	
xx.xx.xxxx	6	Expenses	2,000		2,000	
		Computer Consumables				
		Total for the Month	37,000	10,000	4,000	23,000
		Cum. Total at the beginning of the Month	NIL	NIL	NIL	NIL
		Cum. Total at the end of the Month	37,000	10,000	4,000	23,000

(q) Each of the above entries shall be first posted in the respective ledger accounts in the Main Ledger. Thus, the Main Ledger shall be a complete record from which a Trial Balance shall be prepared. However, for ascertaining function-wise details, the Subsidiary Ledger will need to be referred.

(r) Summary of major head wise expenses for each of the functions may be prepared from the Subsidiary Ledgers in the format given below:

Summary of Major Head Wise Expenses

Serial Number	Function Code	Function Head	Total Amount (₹)	Major Head of Expenses		
				Establishment	Administration	Operation and Maintenance
1	2	3	4	5	6	7
1		Municipal Works	37,000	10,000	4,000	23,000
2						
3						
		Total for the Major Heads of Expenses	37,000	10,000	4,000	23,000

(s) Summary total of major heads of Expenses prepared as stated above must agree with the major expenses detailed head wise schedules prepared from Trial Balance.

4.9 Procedure of Accounting for Journal Entries: For transactions other than those involving cash and/or bank, the Accounts Branch shall prepare a Journal Voucher (Form GEN-7) for recording the entry in the Journal Book. The following example illustrates the recording of entry in the Journal Book:

For recording the entry in respect of the raising of demand of Property and Other Taxes, the Accounts Branch shall prepare a Journal Voucher (Form GEN-7) and pass the following entry in the Journal Book (Form GEN-2):

Journal Book of _____ (Name of the Municipality)

Serial Number	Date	Jrn. Vchr. No.	Code of Account	Particulars	L/F	Debit Amount (₹)	Credit Amount (₹)
1	2	3	4	5	6	7	8
1	xx/xx/xxxx	XXX	431-10-000-01 110-01-000-01	Receivable for Property taxes (Year...) To Property tax-Residential Properties		50,000	50,000

Posting in Ledger

From the Journal Book, a posting shall be made to the Ledger (Form GEN-3) as shown below:

Receivables for Property Tax (Year) Account

Dr.					Cr.				
Date	Code of Account	Particulars	Folio	Amount (₹)	Date	Code of Account	Particulars	Folio	Amount (₹)
1	2	3	4	5	6	7	8	9	10
xx/xx/xxxx	110-01-000-01	To Property Tax-Residential Properties		50,000					

Property Tax – Residential Properties Account

Dr.					Cr.				
Date	Code of Account	Particular	Folio	Amount (₹)	Date	Code of Account	Particulars	Folio	Amount (₹)
1	2	3	4	5	6	7	8	9	10
					xx/xx/xxxx	431-10-000-01	By Receivable of Property Taxes (Year....)		50,000

The journal entries are also passed for rectification of errors in recording of earlier transactions. For example, if the income in respect of sale of Forms has been taken as Registration Fees from PW contractors:

- (a) The entry which shall have been actually passed, shall be:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-01	Main Bank _____ A/c	Dr.	1,000		Cash Book and Ledger
150-11-000-01	To Sale Forms-Tenders	Cr.		1,000	

If the entry has been wrongly passed as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-01	Main Bank _____ A/c	Dr.	1,000		Cash Book and Ledger
140-10-000-01	To Registration of carts A/c	Cr.		1,000	

(b) To rectify the above, the Accounts Branch shall prepare a Journal Voucher (Form GEN-7) and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
140-10-000-01	Registration of Carts A/c	Dr.	1,000		Journal Book and Ledger
150-11-000-01	To sale of Forms-Tender	Cr.		1,000	

4.10 Accounting of Permanent/Official Advance: For Permanent Advance (imprest cash) provided to the various officers/ branches of the Municipality, such payments shall be initially recorded as an advance provided. The details of the expenditure incurred against the advance shall be recorded in a Register of Permanent Advance maintained at the various Branches in Form GEN-17. The details of the other advances given shall be recorded in the Register of Advance maintained in Form GEN-16. The concerned Branch shall prepare Payment Order (Form GEN-14) for replenishment of the Permanent Advance.

Similarly, the employees of the Municipality to whom official advances are provided for incurring expenditure on behalf of the Municipality, shall prepare a Payment Order for the expenditure incurred as soon as the purpose for which the advance was provided is accomplished.

The payment order prepared for expenditure incurred against the Permanent Advance or against the official advance shall be approved in the same manner as the Payment Order prepared for normal expenditure.

4.11 Accounting of Bank Charges: Based on the nature of banking services availed by a Municipality, service charges or transaction processing charges (for example, demand draft commission, outstation cheque clearing charges, etc.) are charged by the Banks.

The Bank, through an Advice, gives details of their charges. Municipalities shall account for the Bank Charges based on the Debit Advice. In the absence of receipt and accounting for bank charges, these shall be listed in the bank reconciliation statements prepared, as items not accounted by the Municipality. Accounting entry for Bank Charges shall be as follows:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
240-70-000-01	Bank Charges A/c	Dr.	10,000		Cash Book and Ledger
450-21-000-01	To Main Bank _____ A/c	Cr.		10,000	

- 4.12 Accounting of Stale/Obsolete Instruments:** The validity period of an instrument shall be as specified on expiry of the validity period, in case the instrument has not been realized, it becomes a stale instrument. At period end, the Accounts Branch shall review the Instrument Issue Register (Form GEN-15) and the Bank Reconciliation Statements to identify the cheque, which have become stale. It shall prepare a Bank Receipt Voucher (Form GEN-4) for recording a notional receipt in respect of the stale instrument. The necessary details shall be updated in the Instrument Issue Register (Form GEN-15). In respect of the stale instruments, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-01	Main Bank ____ A/c	Dr.	10,000		Cash Book and Ledger
350-80-000-02	To Liability in respect of stale cheques	Cr.		10,000	

When the instruments are revalidated or a fresh instrument is issued against the stale instrument, the Accounts Branch shall prepare a Bank Payment Voucher (Form GEN-5). After approval and signing of the Bank Payment Voucher by the concerned authority, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-80-000-02	Liability in respect of stale cheques A/c	Dr.	10,000		Cash Book and Ledger
450-21-000-01	To Bank _____	Cr.		10,000	

Liability in respect of Stale instrument account shall be reviewed periodically and those Stale instruments which were not revalidated for a period of 6 months from the date of original issue shall be reversed as 'Write back of Liability for Stale Cheques under Other Incomes of the Municipality. Accounts Branch shall pass the following entry for recognition of other income:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-80-000-02	Other Liability-Liability in respect of stale cheques	Dr.	2,000		Cash Book and Ledger
180-50-000-01	To Unclaimed Liabilities written back-Stale Cheques	Cr.		2,000	

Insert Detailed Head Code of Account as applicable.

- 4.13 General Instructions for Payment:** All payments made by the Accounts Branch shall be recorded in the Cash Book (Form GEN-1) on a daily basis. Payments exceeding ₹ 5000/- or such other sum as may be prescribed by the Rules shall be made only by "Account Payee Crossed" cheque. Any payment exceeding ₹ 20,000 shall be made only by electronics transfer.

All claims against the Municipality, which are barred by time under any provisions of law relating limitation, are ordinarily to be refused and no claim on account of such time barred items is to be paid without the sanction of the Authorities as prescribed in the applicable Act / Rules. This question shall be decided on the merits of each case.

In case of payments made by drafts that are issued by banks through a written instruction other than a cheque, i.e., an authorization letter, etc., the copy of the authorizing document shall be attached to the Payment Order (Form GEN-14). The entry for payments made in this manner shall be recorded on receiving the drafts from the bank. A copy of the draft shall also be attached to the Payment Order. The Bank Charges for the draft shall be collected from the person making the request.

At period end, the officers/ Branches to whom the Permanent Advance is provided shall prepare a Payment Order for the replenishment of the expenditure incurred up to the period end and submit it to the Accounts Branch within 5 days from the end of the period.

In respect of cheques, which are cancelled or lost, the Accounts Branch shall update the Cheque/Instrument Issue Register (Form GEN-15) against the specific cheque numbers. The cheques cancelled shall bear the approval of the authorized signatories on the cheque and in the Cheque/Instrument Issue Register.

State Government shall define the rules and procedures for processing of duplicate bills. However, it shall be ensured that no claim is processed or paid twice, e.g. payment both against original bill and against copies of bills etc.

Municipalities may also bring in additional internal control procedures. Some Municipalities operate centralized cheque issue section for delivery of cheques to the parties. Parties coming to collect cheques need not go to any Branch and instead, collect it from this central cheque issue section.

- 4.14 Accounting for Contra Entries:** Contra entry means an accounting entry that is recorded on both the sides of a Cash Book, showing inflow and outflow of funds at the same time. Contra entries are the entries for recording deposit of cash in the bank, withdrawal of cash from the bank or transfer of funds from one bank to another. For example, cash deposited with bank shall be reflected as inflow in "Bank" Column on "Receipt" side and simultaneously as outflow in "Cash" Column on "Payment" side. Similarly, balances transferred from one bank account to another shall be shown as inflow in "Bank" Column on "Receipt" side in the receiving bank account and simultaneously as outflow in "Bank" Column on "Payment" side in the paying bank account. For recording of a Contra entry, the Accounts Branch shall prepare a Contra Voucher (Form GEN-6). In respect of Contra Entries, the following entries shall be passed:

Code of Account	Accounting Entry	Dr. /Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
For Recording Cash deposited into Bank					
450-21-000-01	Main Bank A/c	Dr.	10,000		Cash Book and Ledger
450-10-000-01	To Cash in Hand	Cr.		10,000	
For Recording Cash Withdrawn from Bank					
450-10-000-01	Cash on Hand	Dr.	10,000		Cash Book and Ledger
450-21-000-01	To Main Bank A/c	Cr.		10,000	
For Recording Transfer of Funds from One Bank to another					
450-21-000-01	Main Bank A/C	Dr.	10,000		Cash Book and Ledger
450-41-000-01	To Bank _____(CDF) A/C	Cr.		10,000	

Contra Entries shall also be recorded for rectification of entries involving cash and/or bank transactions. For example, if the amount deposited in the Designated Property Tax Bank Account has been wrongly debited to Designated City Development Fund Bank Account, then the following entry shall be passed to rectify the error:

Code of Account	Accounting Entry	Dr. /Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
450-21-000-01	Main Bank A/c	Dr.	2,000		Cash Book and Ledger
450-41-000-01	To Bank _____(CDF) A/C	Cr.		2,000	

Cash Book of _____ (Name of the Municipality)

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Serial Number	Date	Rept. Vchr. No.	Code of Account	Particulars	L/F	Cash Amount (₹)	Bank Amount (₹)
1	2	3	4	5	6	7	8
	xx/xx/xxxx		450-41-000-02	To Bank (CDF) A/C			2,000
Serial Number	Date	Pymt. Vchr. No.	Code of Account	Particulars	L/F	Cash Amount (₹)	Bank Amount (₹)
9	10	11	12	13	14	15	16

Cash Book of _____ (CDF)

RECEIPT

PAYMENT

Serial Number	Date	Rept. Vchr. No.	Code of Account	Particulars	L/F	Cash Amount (₹)	Bank Amount (₹)
1	2	3	4	5	6	7	8
Serial Number	Date	Pymt. Vchr. No.	Code of Account	Particulars	L/F	Cash Amount (₹)	Bank Amount (₹)
9	10	11	12	13	14	15	16
	xx/xx/xxxx		450-21-000-01	By Main Bank A/c			2,000

4.15 Banking arrangements: Municipalities may enter arrangements with their bankers as listed below in respect of collections and payments. Such arrangements shall enable Municipalities in improvement of funds management.

Illustrative list of arrangements with Banks:

- Acting as an authorized collection agency for direct collection. This facilitates collection at all authorized branches of the Bank providing easy access.
- Operation of collection counter at Municipality offices Arrangement for collection of Deposits from authorized collection centers at a fixed time (say end of the day).
- Issuing daily Debit/Credit Advices.
- Issue Account Statements on a weekly basis or for such other periods.
- Tele banking facilities.
- Salary Credit for employees

4.16 Internal Controls: The following general internal controls shall be observed by the Municipalities:

- (a) The closing balance of cash as per the Cashier's Cash Book shall be verified daily with the physical cash balance at all the Collection Offices and must be signed by the person verifying the cash.
- (b) The cash chest shall have two keys. One key shall be with the cashier of the collection office and the other shall be with another officer designated for this purpose by the Municipality.
- (c) Cash in chest shall be insured for theft, fire etc.
- (d) The officers designated by the Municipality for operating the Designated Bank Accounts shall co-ordinate with the banks on a daily basis and ascertain the status of the cheques/ drafts deposited by them.
- (e) Receipts and payments from digital transactions shall be recorded on a daily basis in the Cash Book.
- (f) Bank reconciliation shall be carried out monthly by the officers of the Municipality designated for the purpose of handling the bank accounts and the same shall be duly verified and signed by the designated officer.
- (g) Original copy of the cancelled Receipt shall be attached with the duplicate copy with the words "Cancelled" marked on it.
- (h) At the time of approving payment, the Accounts Branch shall ensure that the Payment Order provides reference of Register of Bills for Payment, Measurement Book, Stock Ledger or Fixed Asset Register, as the case may be, depending on the purpose for which payment is made.
- (i) At the time of recording collections, the Accounts Branch shall ensure that the total amount of collections as per the Collection Register tallies with the total amount as per Receipt Register for Cheques received and total of cash collections as per summary of daily collection in Form GEN-12.
- (j) Original copies of all the cancelled documents such as receipts, payment vouchers shall be retained in the office file with reasons / justification for cancellation written on the cancelled documents.
- (k) At the end of each month, the Accounts Branch shall ensure compliance with the month-end procedure.
- (l) The Accounts Branch shall also comply with month-end procedure in respect of:-
 - Operation and Maintenance Expenses as described in Chapter – Municipal Works,
 - Employees related expenses as described in Chapter – Employee Related Transactions, and
 - Administrative Expenses as described in Chapter – Other Revenue Expenditures.
- (m) 'Liability for Stale Cheques account shall be reviewed at the end of every quarter and all the stale cheques dated as specified from the date of original issue shall be identified and reversed as other income of the Municipality.
- (n) The Accounts Branch shall ensure stamping of all the bills, once approved for payment to ensure the same bill is not processed once again.
- (o) The Accounts Branch shall ensure that all the bank charges accounted based on the bank reconciliation statement are supported with original bank debit advices.
- (p) The Accounts Branch shall certify all Reconciliation Statements.

4.17 Periodical Financial Statement: This section describes the procedures to be followed by a Municipality to facilitate preparation of periodical accounts. Each Municipality shall prepare periodical accounts on quarterly basis, and this shall be in addition to the annual accounts.

It is recommended that certain reconciliations and other accounting procedures be carried out on a daily and monthly basis so that the recording of transactions is up to date and accurate. These shall be in addition to quarterly and annual procedures.

The specific period-end procedures in relation to various categories of transactions have been described in the relevant chapters. The procedures to be followed on a daily, monthly, quarterly and annual basis are covered under the following:

The procedures to be followed on a daily, monthly, quarterly and annual basis shall be as below:**Daily Procedures**

- (a) Balancing/Closing of Cash Book
- (b) Physical verification of cash balance
- (c) Deposit of collection (both cash and cheque) in bank
- (d) Review of stale cheques
- (e) Digital Payments
- (f) Checking of ledger accounts with the book of original entries i.e. Cash Book and Journal Book
- (g) Verification of number of receipts issued as reported by the collection office with the Collection Register
- (h) Updating of Subsidiary Ledgers

Monthly Procedures

- (a) Bank Reconciliation;
- (b) Recording of expenditures incurred against permanent advance;
- (c) Payment of provident fund dues and pension contribution in respect of employees on deputation;
- (d) Reconciliation of Function wise Income/Expense Subsidiary Ledgers with respective trial balance totals;
- (e) Compilation of details of closing stock for recording the consumption of stores at the end of the month;
- (f) Closing of ledger accounts;
- (g) Review of Stale Cheques
- (h) Review of Digital Payments

Quarterly Procedures

- (a) Reconciliation of deposits, advances, receivables and incomes;
- (b) Provision for period-end expenses;
- (c) Transfer of revenue grant received in advance for specific purpose to grant income;
- (d) Recognition of grant income for revenue expenditure incurred in respect of grant receivable as reimbursement;
- (e) Accrual of interest on borrowings;
- (f) Recording of provision for bills remaining unpaid in respect of Special Fund expenditure;
- (g) Accrual of interest on investments;
- (h) Accrual of interest on loans to employees;
- (i) Reconciliation of capital work in progress;
- (j) Reconciliation of inter unit balances;
- (k) Passing of adjustment entries;
- (l) Closing of ledger accounts

Annual Procedures

- (a) Physical verification of stores;
- (b) Physical verification of fixed assets;
- (c) Transfer of funds from Special Funds to Special Funds (Utilized);
- (d) Confirmation of all categories of advances;
- (e) Provision for unrealized revenue;
- (f) Accounting of prepaid expenses;
- (g) Contribution of difference in interest to the provident fund;
- (h) Expenditure for the benefit of Backward classes or similar other welfare schemes;
- (i) Confirmation from Government/Quasi-government and Government owned agencies;
- (j) Closing of ledger accounts;

Each of the above procedures shall be as follows:

4.18 Daily Procedures

- (a) **Balancing/Closing of Cash Book:** -
The cash book shall be totalled and balanced daily. The posting of the day's transactions shall be made in the respective Ledger Accounts by the end of the day. The closing cash and bank balance of the day shall be carried forward to the next day as opening balance for that day.
- (b) **Physical verification of cash balance:** -
Cash available with the Accounts Branch shall be physically verified by the Cashier. The values and denominations of the cash physically verified shall be noted in the cash book itself. This shall be certified

by the Cashier and the Head of the Accounts Branch. The cash balance as physically verified shall match with the closing cash balance as per the cash book.

- (c) **Deposit of collections (both cash and cheque) in the Bank:**
The cash and cheque collection shall be remitted to the Accounts Branch or deposited with the Bank (Main Bank or Designated Banks). Care has to be taken that the money is remitted or deposited either on the same day or by the next working day. Further, it shall be ensured that the funds are transferred from the designated bank accounts to the Main Bank Account at such periodicity, as may be prescribed by the States.
- (d) **Review of stale cheques:**
It involves verifying daily bank statements for any outstanding cheques not cleared within their validity period and comparing these entries with the municipality's cheque issue register (GEN-15). Cheques as specified are identified as stale and shall be marked in the cheque issue and receipt registers. Accounts branch shall notify about the stale cheques, including details such as cheque number, amount and date of issue, with advice to reissue or take necessary actions, if required. A daily report summarizing the status of identified stale cheques shall then send to the concerned branch.
- (e) **Digital Payments:**
After approval of the competent authority, payment orders shall be generated through appropriate digital payment method and initiated through the banking portal. Payment confirmations shall be recorded and daily reports summarizing all transactions shall get generated. Regular reconciliation with bank statements shall be performed to address discrepancies and transaction trail shall be maintained for all transactions. Compliance with financial regulations and security measures to prevent fraud shall be regularly reviewed.
- (f) **Checking of ledger accounts with the books of original entries, i.e., Cash Book and Journal Book:**
The daily postings of the entries in the Ledger Accounts from the cash book and the journal book shall be checked and certified by the Head of the Accounts Branch and/or other designated officer. The employee making the concerned posting shall also certify the posting of each transaction recorded in the books of original entries. Necessary rectification entries shall be passed immediately in respect of differences or errors in posting.
- (g) **Verification of number of receipts issued as reported by the collection office with the Collection Register:**
On receipt of challans for remittance of money from the collection office, the Head of the Branch supervising the functioning of the collection office shall verify the duplicate copies of the receipts issued with the entries made in the collection register and in the challan for Remittance of Money. The number of receipts cancelled shall be reported in the challan for Remittance of Money.
- (h) **Updating of Subsidiary Ledger:**
The Accounts Branch shall update the following Subsidiary registers at the end of each day:
- i. Functions wise Income Subsidiary Ledger in respect of all major heads of income during the day;
 - ii. Function wise Expense Subsidiary Ledger in respect of all major heads of expenses during the day.

4.19 Monthly Procedures

- (a) **Bank Reconciliation:**
Bank Reconciliation shall be carried out for each of the banks either on a monthly basis or for such shorter time interval(s) as the Municipality may decide.
- (b) **Recording of expenditure incurred against permanent advance:**
At the end of each month, the Head of the Branch, to whom permanent advance has been disbursed, shall prepare and submit a payment order for expenses incurred against the permanent advance. The Register of Permanent Advance maintained at the Branches shall be updated on a daily basis for the expenses incurred and updated for payment order prepared and sent to the Accounts Branch.
- (c) **Payment of provident fund dues and pension contribution in respect of employees on deputation:**
The Accounts Branch shall ensure that the provident fund deducted from the salaries of the employees on deputation and the pension contribution payable for their benefit have been paid in time to the Government.
- (d) **Reconciliation of Function wise Income/Expense Subsidiary Ledgers with respective ledger accounts:**
Subsidiary ledgers of all Function wise Income and Expense shall be reconciled. The following is an illustrative list of Subsidiary Ledgers for which the Accounts Branch shall prepare reconciliation statements on a monthly basis:

- i. Functions wise Income Subsidiary Ledger in respect of all major heads of income during the day;
 - ii. Functions wise Expense Subsidiary Ledger in respect of all major heads of expenses during the day.
- (e) **Compilation of details of closing stock for preparation of financial statements at the end of the month:** At the end of each month, the Stores-in-charge shall prepare a Statement of closing stock in Form ST-3A for the stocks held in the stores and issues made for various purposes from the entries made in the Stores Ledger.
- (f) **Closing of ledger accounts:** The ledger accounts shall be totaled and balanced at the end of each month or such shorter period(s) as the Municipality may decide. The closing balances for each of ledger accounts shall be determined and posted in the trial balance prepared for that period.
- (g) **Review of Stale Cheques:** It involves conducting a comprehensive review of all outstanding cheques at the end of each month, reconciling the cheque issue register (GEN-15) with bank statements and preparing a detailed report listing all identified stale cheques, including information such as cheque number, amount, date of issue, payee. This report will be circulated to concerned branch for follow-up actions, such as reissuance or cancellation. Financial records shall be adjusted to reflect actions taken on stale cheques, ensuring these are either cancelled or reissued appropriately. In case of receipt, the demand be raised against the stale cancelled cheque by the concerned branch. Compliance with municipal financial regulations and audit requirements shall be ensured and all documentation shall be retained for audit purposes. The monthly report shall be presented to Chief Municipal Officer for review.

4.20 Quarterly Procedures

- (a) **Reconciliation of deposits, advances, receivables and income:** The deposits received from contractor/supplier or any other deposit; advances provided to contractor/supplier or to the branches or employees of the Municipality receivables in respect of various sources of income and money received from various sources of income shall be reconciled at the end of each quarter.
- (b) **Provision for period-end expenses:** At the end of an accounting period (quarter), all the branches of the Municipality shall prepare a statement of Outstanding Liability for Expenses in Form GEN-28. The procedures for making period-end provision entries have been outlined in the relevant chapters and are briefly described below:
- (i) Provision for expenses incurred on original work/ operations or maintenance work being executed by the Engineering Branch or Public Works Branch for which either no payment has been made, or part payment has been made against the bills received, shall be made in accordance with the procedures outlined in Chapter of Municipal Works.
 - (ii) Provision for materials purchased for which either no payment has been made, or part payment has been made against the bills received, by the Stores, shall be made in accordance with the procedures outlined in Para 30.4 **Stores**. Provision shall also be made for materials received for which bills are not received at the values indicated in the Purchase Order.
 - (iii) Provision for revenue expenditures other than those described above for which either no payment has been made, or part payment has been made against the bills received, shall be made in accordance with the procedures outlined in Para 18.11 **Other Revenue Expenses**.
 - (iv) Provision for interest accrued but not due on the money borrowed through loans or debentures shall be made in accordance with the procedures outlined in other chapter.
 - (v) Provision for fixed assets purchased, for which either no payment has been made, or part payment has been made against the bills received, shall be made in accordance with the procedures outlined under the Chapter of Fixed Assets.
 - (vi) Provision for Depreciation on Fixed assets shall be calculated in accordance with the procedures outlined under the Chapter of Fixed Assets.
- (c) **Transfer of revenue grant received in advance for specific purpose to grant income:** The balance in the Revenue Grant Account received in advance, to the extent utilized during the period shall be transferred to the respective Grant Income Account. Where such transfer has not been made, the Accounts Branch shall pass the relevant entries in accordance with the procedures outlined under the Chapter of Grants.
- (d) **Recognition of grant income for revenue expenditure incurred in respect of grant receivable as reimbursement:** The revenue expenditure incurred during the period towards specific projects/schemes under a grant receivable, as a reimbursement shall be recognized as income at the end of each quarter. Where such income has not been recognized, the Accounts Branch shall pass the relevant entries in accordance with the procedures outlined under the Chapter of Grants.

- (e) **Accrual of interest on borrowings:** Interest accrued but not paid, shall be treated as accrued interest payable in accordance with the procedures outlined in Chapter of Debt Security and Municipal Bond.
- (f) **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 in accordance with the procedures outlined under the Chapter of Special Funds.
- (g) **Accrual of interest on investments:** Interest accrued but not received on investments made shall be accrued in accordance with the procedures outlined in Chapter of Investments.
- (h) **Accrual of interest on loans to employees:** The amount of interest accrued in respect of loans provided to employees shall be determined and accrued in accordance with the procedures outlined under the Chapter of Employee Related Transactions.
- (i) **Reconciliation of Capital Work in Progress:** Expenditure incurred on cumulative total of several Capital Work-in-Progress Ledger Accounts shall be reconciled at the end of each quarter with the Summary Statement of Status on Capital Work-in-Progress received from the branch. The Accounts Branch shall ensure that total expenditure incurred as stated in the Statement tallies with the cumulative total of several Capital Work-in-Progress Ledger Accounts.
- (j) **Reconciliation of Inter unit Account balances:** At the end of each period, reconciliation of inter unit transactions is intended to identify the disputed / unaccepted inter unit transactions between an 'originating AU' and the 'responding AU' and take appropriate action for rectification. Further, reconciliation of inter unit account is necessary in the process of consolidation of Municipality at the head office level as the balances of inter unit account balances shall be nullified.
- (k) **Passing of adjustment entries:** At the period-end, the Accounts Branch shall verify whether proper distinction has been maintained between revenue and capital transactions and between the transactions having effect in two accounting periods. In case, any income or expenditure for the previous periods or the subsequent periods has been accounted for as income or expenditure of the current period, the rectification entries as outlined under General Accounting Procedures shall be made by the Accounts Branch.
- (l) **Closing of ledger accounts:** The ledger accounts shall be totaled and balanced at the end of each quarter or such shorter period(s) as the Municipality shall decide for preparation of Financial Statements. The closing balances for each of ledger accounts shall be determined and posted in the Trial Balance prepared for that period. The procedures for preparation of Trial Balance, and, from it, the Financial Statements, have been outlined under the Chapter of Financial Statements. The closing balance in the assets and liabilities ledger accounts of the period shall be carried forward as opening balance of the next period.

4.21 Annual Procedures

All the period-end procedures, including the passing of adjustment entries performed at the end of each quarter, as explained above, shall also be performed at the end of each accounting year. In addition to that, further period-end procedures required to be performed at the year-end have been described below: -

- (a) **Physical verification of stores:** The physical verification of stores and consumables shall be carried out at least once in a year on the last day of the accounting year and at such time intervals, as the Municipality shall decide. The verification shall be carried out by the Stores-in-charge in presence of the personnel of the Accounts Branch, who shall certify the stock sheet. The physically verified stores shall be reconciled with the balances as per the store's records. The value of physically verified closing stock shall be incorporated in the Financial Statements. The procedure for valuation of closing stock has been outlined under the Para 30.4 Stores.
- (b) **Physical verification of fixed assets:** A committee consisting of Municipal Commissioner, Head of the Accounts Branch, Head of the Engineering Branch or Public Works Branch and such other representatives as the Municipality Statutory Authority resolves, shall be formed. The Municipality shall ensure the existence of a system of conducting physical verification of fixed assets throughout the year so that each fixed asset is verified at least once during the year. Any discrepancies within the Fixed Assets Register shall be reconciled and brought to the attention of the Statutory Authority. For this, the Municipality shall prepare a plan of action for physical verification of its fixed assets. The Accounts Branch together with the Engineering Branch or Public Works Branch shall carry out physical verification as per the procedures provided in the verification plan. The details recorded in the verification sheets shall be checked with their relevant Fixed Assets Registers and suitable remedial steps shall be taken in case of discrepancies identified.
- (c) **Transfer of funds from special funds:** The balance in the Special Fund shall be transferred to the Special Fund (Utilized) on construction or purchase or acquisition of fixed asset at the time of

capitalization of the relevant expenditures into fixed asset. A control shall be kept on the projects executed under any Special Fund for effecting transfer of balance.

- (d) **Confirmation of all categories of advances:** At the end of the year, the Accounts Branch shall obtain a confirmation from all the persons to whom the advances have been provided including the Head of the Branch for Permanent Advance and employees of the Municipality for miscellaneous advance provided.
- (e) **Provision for unrealized revenue:** A provision shall be made for the demands raised during the accounting period but remaining outstanding. The procedure for provisioning, the amount to be provided and the accounting entries have been outlined in the respective chapters on incomes. The arrears of receivable shall be carried forward year-wise up to two years or five years depending on the provision norm applicable to that income. On completion of the last year, the amount outstanding in the specific year-wise receivable account shall be transferred to a general arrears account i.e. receivable (Others) Account. Further, the Accounts Branch shall make a provision based on the provisioning principle suggested for various types of Income.
- (f) **Accounting of prepaid expenses:** At the year-end, all the expenses shall be scrutinized to identify those expenses whose benefit is likely to accrue in the next year and a prepaid entry shall be passed in accordance with the procedures outlined under the chapter – Other Revenue Expenditures.
- (g) **Contribution of difference in interest to the provident fund:** The difference between the interest earned on Provident Fund investment and interest payable on Provident Fund contribution to the employees shall be contributed by the Municipality and an amount equivalent to the difference shall be transferred from the Main Bank Account to the Provident Fund Bank Account.
- (h) **Expenditure for the benefit of Backward Classes Welfare or similar other Welfare schemes:** At the year-end, the Accounts Branch shall collect the expenditure incurred for the benefit of Backward Classes Welfare or similar other benefit schemes from the records maintained there. The difference between the amount spent and the amount required to be spent as per the Government's instructions shall be transferred from the Main Bank Account to Backward Classes Welfare Fund Bank Account or other similar benefit fund Bank Account with a corresponding creation of/addition to Backward Classes Welfare Fund.
- (i) **Confirmation from Government/Quasi-government and Government owned agencies:** At the end of each accounting year, Accounts Branch shall prepare and forward a balance confirmation statement to Government and Quasi-government and various government owned agencies in the format as prescribed in Chapter 29 – Reconciliation Procedures. Based on replies received, the Accounts Branch shall undertake appropriate remedial action, including passing of necessary rectification entries, for reconciling the balances.
- (j) **Closing of ledger accounts:** In addition to closing of ledger accounts at the end of each quarter, the ledger accounts shall be balanced and totaled at the end of each accounting year, i.e., on 31st March, for preparation of Financial Statements. The closing balances for each of the ledger accounts shall be posted in the Trial Balance from which Financial Statements shall be prepared.

After the Annual Financial Statements have been prepared, the Accounts Branch shall pass the entries for transfer of income and expenditure ledger balances to the Income and Expenditure Account. Let us assume that total income earned (from property and other taxes, water supply, cess and any other income) by the Municipality for the Financial Year 2021-22 is ₹ 16,35,00,000 and total expenditure incurred (on salaries and wages paid to the employees, on repairs and maintenance of roads, buildings and other structures, on stores consumed and other such expenditure) for the same Financial Year is ₹12,50,00,000. The details of entries to be passed are as follows:

(i) **For transfer of income ledger balances to income side of Income and Expenditure Statement**

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
110-(a)	Tax Income	Dr.	10,00,00,000		Journal Book and Ledger
110-52-000-(a)	Cess Income	Dr.	2,00,00,000		
140-90-000-(a)	Water Charge	Dr.	4,00,00,000		
140-12-002-(a)	Permit Fee	Dr.	20,00,000		
120-10-000-03	Property Transfer Charges	Dr.	15,00,000		
140-(a)	To Income and Expenditure A/C	Cr.		16,35,00,000	

Notes: -

- (a) Balances of the income ledger accounts shall be posted on the right-hand side of the Income and Expenditure Statement under the column heading "Income".
- (b) The total of the aforesaid debit and credit columns shall be the same.
- (c) Insert Minor and Detailed Head Codes of Account.

(ii) For transfer of expenditure ledger balances to expenditure side of Income and Expenditure Statement:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
210-(a)	Income and Expenditure Account	Dr.	10,25,00,000		Journal Book and Ledger
210-(a)	To Establishment Expenditure	Cr.		7,00,00,000	
220-(a)	To Administrative Expenses	Cr.		50,00,000	
230-(a)	To Operation and Maintenance Exp	Cr.		25,00,000	
230-50-000-(a)	To Repairs and Maintenance Exp	Cr.		2,50,00,000	

Notes:

- (a) Balances of the expense ledger accounts shall be posted on the left-hand side of the Income and Expenditure Statement under the column heading "Expenditure".
- (b) The total of the aforesaid debit and credit columns shall be the same.
- (c) Insert Minor and Detailed Head Codes of Account.

The closing ledger balance in the assets and liabilities ledger accounts of the accounting year shall be carried forward as opening balance of the next accounting year.

CERTIFICATE TO BE ANNEXED AT THE TIME OF PREPARATION OF BILL (Para 4.7.1)

Name of the work _____

Certificate regarding quality, quantity, specification and Schedule/Non-Schedule items

1. It is certified that the quantity of the work executed at site is as per requirement of Detail Notice for Inviting Tender (DNIT).
2. It is certified that the quantity taken in the bill have been checked by me and there is no difference in the item taken in measurement book and executed at site.
3. It is certified that the scheduled/Non-Scheduled items have been executed as per the provision mentioned in the Detail Notice for Inviting Tender (DNIT). It is also certified that no extra scheduled/non-scheduled item is entered in the Measurement Book (MB)/Bill without prior approval of the competent authority.
4. It is certified that the deviation and variation have already been approved from the competent authority.
5. The bill is submitted for release of payment.

Signature of
Junior Engineer

Signature of
Asstt. Engineer

Signature of
Executive Engineer

CHAPTER-5**RECEIPTS****5.1 This chapter discusses about general procedure for the receipts, deposits and accounting of the collection shall be as follows:**

- (a) **Collection at Counters:** For receipt of cash or an amount received in the form of cheque/draft, receipts, duly signed and dated shall be issued in form GEN-8. In case, where the payer has to submit bills / challans, one copy shall be returned to the payer along with the receipts. All cheques/drafts received shall be recorded in a receipt Register, maintained in form GEN-9. Receipt register shall be maintained in perforated sheets, so that the second copy may be used for depositing cheques with Bank or other collection offices of the Municipality. All receipt in form of GEN-8 shall be issued through electronics mode only through authorized software/system provided or approved by State Government or Department.
- (b) **Collection through Bank:** The amount collected by the bank either by challan or cash transfer by way of RTGS/NEFT/debit card/credit card/cheque/demand draft or any other mode shall be credited into designated bank account of Municipality immediately. The bank shall submit a detail of the same in form GEN-12 to the Municipality on the same day or on the next working day.
- (c) **Collection through bank/ payment aggregator/Online:** The amount collected by the bank/payment aggregator either by of web- portal/mobile wallet/ online transfer/debit card/ credit card or any other mode shall be credited into designated bank account of Municipality immediately. On successful payment, a receipt in form GEN- 8 shall be issued to beneficiary immediately and bank/payment aggregator shall submit a detail of the same in form GEN-12 to the Municipality on the same day or on the next working day.

5.2 Deposit of amount collected: The amount collected (cash, cheques as well as drafts) shall be deposited into designated Bank Accounts or with the other designated collection officer of Municipality on the same day or on the next working day.**5.3 Remittance of collections to other Collection Offices:** The collection office receiving the cash/cheque/demand draft/banker's cheque from other collection centers, shall issue a receipt (Form GEN-8) to acknowledge the receipts of cash/cheque/demand drafts/banker's cheque from other collection offices. The receiving collection center shall record the receipt of the cheques/drafts received from other collection centers in the receipts register maintained in Form GEN-9.**5.4 Entry in Collection Register:** The collection center shall record the particulars of each receipt issued in the collection registers, maintained in Form GEN-11, on a daily basis. The collection to be maintained in Form GEN-11 account head wise details of the daily collections. This collection register shall be maintained in triplicate wherein one copy shall be sent to the concerned branch along with one copy of the bill/challan collected, if any, one shall be sent to the accounts and other one shall be retained as book copy.

While switching over to computerized accounting, it will be ensured that for online receipt concerned bank submit a detailed code wise account of the receipts and acknowledgement issued by the bank shall specify the name of the municipality and detailed head of income to which deposit relates and income shall be directly credited to the concerned Municipality Bank Account.

5.5 Summary of daily collection: Based on the detail from the collection register, the collection offices shall prepare a summary of daily collection in Form GEN-12. The summary of daily collection is a covering sheet that provides a summary of the total revenues collected by the collection officer/center.**5.6 Collection at branches of designated banks directly from the payers:** The officers, designated for the purpose of coordinating with the branches collecting the receipt directly from the payers, shall also prepare a summary of daily collection in Form GEN-12.**5.7 Preparation of Bank Receipts Voucher:** The Accounts Branch shall prepare a Bank Receipt Voucher (Form GEN-4) and pass the entry for recording the collection based on the summary of daily collection (Form GEN-12) received.

For example, the following entry shall be passed in respect of receipt of security deposit received by cheque and deposited in Main Bank Account:

Code of Account	Accounting Entry	Dr/ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-01 340-10-000-02	Main Bank A/c* To Deposit Contractor-Security Deposit	Dr Cr	10,000	10,000	Cash Book and Ledger

*Specify the name of bank and account number

5.8 Entry in Cash Book

In practice, the above entry shall be passed in the Main Cash Book (GEN-1), in the 'Bank' Column on the 'Receipt' side, as follows :

Cash Book of _____ (Name of the Municipality)

Serial Number	Date	Receipt Voucher No.	Code of A/c	Particulars of receipts	L/ F	Cash Amt (₹)	Bank Amt (₹)
1	2	3	4	5	6	7	8
	xx/xx/xxxx		340-10-000-02	To Deposit From contractor Security Deposit		10,000	
Serial Number	Date	Receipt Voucher No.	Code of Account	Particular of Receipt	L / F	Amount (₹)	Bank Amt (₹)
9	10	11	12	13	14	15	16

5.9 Posting in Ledger

From the Cash Book, a posting shall be made to the ledger (Form GEN-3.) In the "Deposit from Contractor-Security Deposit" Account on the Credit" side, as shown below:

Deposit from Contractors-Security Deposit

Date	Code of Account	Particulars	Folio	Amount (₹)	Date	Code of Account	Particulars	Folio	Amount (₹)
1	2	3	4	5	6	7	8	9	10
					xx/xx/xxxx	450-21-000-01	By Main Bank A/c		10,000

5.10 Similarly, collection in respect of Property and Other Taxes shall be accounted as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹) Illustrative Figure	Books to be Entered into
1	2	3	4	5	6
450-21-000-01	Main Bank A/c*	Dr.	25,000		Cash Book and Ledger
431-80-000-01	To Receivable control account-Property Tax	Cr.		25,000	

*Specify the name of the bank and account number

In practice, the above entry shall be passed in the relevant Cash Book (Form GEN-1), in the "Bank" column on the "Receipt" side and posted to the Ledger (Form GEN-3) as follows:

Cash Book of _____ (Name of the Municipality)

Serial Number	Date	Receipt Voucher No.	Code of A/c	Particulars of receipts	L/ F	Cash Amt (₹)	Bank Amt (₹)
1	2	3	4	5	6	7	8
	xx/xx/xxxx		431-80-000-01	To Receivable Control Account – Property Tax			25,000
Serial Number	Date	Receipt Voucher No.	Code of Account	Particular of Receipt	L / F	Amount (₹)	Bank Amt (₹)
9	10	11	12	13	14	15	16

(Extracted Cash Book)

Receivable Control Account

Date	Code of Account	Particulars	Folio	Amount (₹)	Date	Code of Account	Particulars	Folio	Amount (₹)
1	2	3	4	5	6	7	8	9	10
					xx.xx.xxxx	450-21-000-01	By Bank A/c		25,000

- 5.11 Updating of Subsidiary Ledger:** The Accounts Branch shall maintain separate subsidiary ledger(s) for each of the major revenues in Form GEN-33. The subsidiary ledger shall provide function-wise break-up of above-mentioned income earned/received by the Municipality on a daily basis. Separate folio shall be maintained for each function within the subsidiary ledger for recording incomes in respect of each function. When an income is earned, it shall be first recorded in the cash book on the receipts side or in the journal from bills submitted by the concerned branch. Thereafter, the entry shall be posted to the credit of the appropriate income account in the main ledger. Simultaneously, the amount shall also be recorded in the folio for the concerned function in the subsidiary ledger under the respective income column.
- 5.12 Entry in Ledger:** The folio for the Revenue in the subsidiary ledger shall provide for separate columns for various Major Heads of Income for which the income(s) are received. The details of revenue received, after being posted in the general ledger, shall be posted in the relevant subsidiary ledger as follows:

Date	Ref No.	Particulars	Total	Income			
			Amount(₹)	Revenue Grants	Fees and User Charges	Sales and Hire Charges	Other Nature to be specify
1	2	3	4	5	6	7	8
xx/xx/xxxx	1	License Fees	1,000		1,000		
	2	Registration Fees Patients	500		500		
	3	Birth and Death	10,000		10,000		
	4	X-ray and charges	2,000		2,000		
						500	
	5	Sale of Forms	500				
	6	Malaria Control grant	5000	5,000			
		Total for the Month	19,000	5,000	13,500	500	Nil
		Cum. Total at the beginning of the month	Nil	Nil	Nil	Nil	Nil
		Cum. Total at the end of the month	19,000	5,000	13,500	500	Nil

Each of the above entries shall be first posted in the respective ledger accounts in the main ledger. Thus, the main ledger shall be a complete record from which a trial balance may be prepared. However, for ascertaining function-wise details, the subsidiary ledger shall need to be referred.

Summary of Major Head Wise income for each of the function may be prepared from the subsidiary ledger in the following format:

Sr. No.	Function Code	Function Head	Total Income (₹)	Major Heads of Income			
				Revenue Grants	Fees and User Charges	Sale and Hire Charges	Other Nature to be specify
1	2	3	4	5	6	7	8
	30 20 50	Health Public Works - Civic Amenities	19,000	5,000	13,500	500	
Total for the major heads of income			19,000	5,000	13,500	500	

Summary of total of major heads of income prepared as stated above must agree with the major income head wise schedules prepared from trial balance.

- 5.13 Updating of details regarding Cheques/Drafts deposited:** The realization/return of the cheques/draft shall be followed up with the bank. The details of the realization/non-realization of the cheques/drafts shall be updated in the receipt register (Form GEN-9) as well as communicated to the concerned officer for follow-up. The details be intimated to the Account branch by the collection office/centre who have actually deposited the cheques and coordinating with the bank, through a Statement on status of cheques received, prepared in Form GEN-10.

Based on the statement on status of cheques received (Form GEN-10), the Accounts Branch shall reverse the entry passed as per Para 5.7 on preparation of bank receipt vouchers.

For example- Security Deposit received by cheque and deposited in Main bank Account is dishonoured, the Accounts Branch shall pass the following entry for reversal of receipt: -

Code of Account	Accounting Entry	Dr./Cr	Debit Amount (₹)	Credit Amount (₹) Illustrative figure	Books to be Entered Into
1	2	3	4	5	6
340-10-000-02	Contractor Security Deposit A/c	Dr.	10,000		Cash Book and Ledger
450-21-000-01	To Main Bank A/c*	Cr.		10,000	

*Specify the name of the bank and account number.

Subsidiary ledger shall be adequately updated for the reversal entry to be passed in respect of Fees and user charges and Sale and hire charges due to dishonour of cheques. An administrative charge shall be normally levied on the dishonoured cheques.

- 5.14 Transfer of funds from one Bank Account to another Bank Account:** Transfers from one bank account to another shall be governed by the applicable rules. On the basis of the cheques prepared for the transfer or on the basis of the bank intimation received, in case of standing instruction(s) being given to the banks for transfer of funds, the Accounts Branch shall prepare a Contra Voucher (in Form GEN- 6). Accounting entries relating to this is explained below:

Code of Account	Accounting Entry	Dr./Cr	Debit Amount(₹)	Credit Amount(₹)	Books to be Entered into
1	2	3	4	5	6
450- 21-000-01	Main Bank A/c *	Dr.	2,000		Cash Book and Ledger
350-90-000-(a)	To Sale Proceeds from Assets	Cr.			

*Specify the name of the bank and account number

(a) Insert Detailed Head Code of Account as applicable.

- 5.15** Municipalities shall maintain an Asset Replacement register in form GEN-35 (specimen has been provided in Part-II of this Code).

CHAPTER-6
FIXED ASSETS AND DEPRECIATION

6.1 Introduction:

This chapter contains the recommended accounting system for Fixed Assets, Depreciation and other related transactions.

6.2 Basic Terms:

- **Fixed Assets:** Fixed Assets represent those assets of the Municipality, which are meant for use over an extended period. These are the assets held for providing services and are not held for resale in the normal course of operations of the Municipality.
- **Capital Work in Progress:** Fixed Assets under construction
- **Capitalization:** The process of transferring the total cost of a capital work-in- progress to an appropriate fixed asset account on completion of work
- **Heritage assets** are of cultural, environmental or historical significance, e.g., historical buildings and monuments, archaeological sites, conservation areas, and works of art. Their value is unlikely to be fully reflected in financial terms as they are irreplaceable. It may be difficult to estimate their useful lives. The Municipality may have acquired many heritage assets by various means, including purchase, donation, bequest, etc.
- **Capitalization:** The process of transferring the total cost of a capital work-in- progress to an appropriate fixed asset account on completion of work
- **Depreciation:** It is the amount at which a fixed asset is written off over its useful life. It may also be considered as a non-cash expense that reduces the value of an asset as a result of wear and tear, age or obsolescence.
- **Depreciable assets** are assets which (i) are expected to be used during more than one accounting period; and (ii) have a limited useful life; and (iii) are held by an enterprise for use in the production or supply of goods and services, for rental to others, or for administrative purposes and not for the purpose of sale in the ordinary course of business.
- **Useful life** is either-
 - The period over which a depreciable asset is expected to be used by the enterprise; or
 - The number of production or similar units expected to be obtained from the use of the asset by the enterprise.
- **Depreciable amount** of a depreciable asset is its historical cost, or other amount substituted for historical cost in the financial statements, less the estimated residual value.
- **Estimated Useful Life:** Period over which a fixed asset is expected to be used
- **Original Cost or Historical Cost:** Total cost associated with the purchase of an asset including expenditure incurred to bring the asset to its location and installing it. Original cost includes the cost at which the asset is purchased, freight, insurance and installation expenses at the time of acquiring the asset.
- **Change of Historical cost** of a depreciable asset represents its money outlay or its equivalent in connection with its acquisition, installation and commissioning as well as for additions to or improvement thereof. The historical cost of a depreciable asset may undergo subsequent changes arising as a result of increase or decrease in long term liability on account of exchange fluctuations, price adjustments, changes in duties or similar factors.
- **Written down Value (WDV):** It is the net value of the asset i.e. Original cost of the asset minus up-to-date depreciation
- **Fair market value** is the price that shall be agreed to in an open and unrestricted market between knowledgeable and willing parties dealing at arm's length who are fully informed and are not under any compulsion to transact.
- **Gross book value** of a fixed asset is its historical cost or other amount substituted for historical cost in the books of account or financial statements. When this amount is shown net of accumulated depreciation, it is termed as net book value.
- **Intangible Assets** are non-physical sources of value, virtual in nature; generated by innovation, discovery,

or human resource practices that create future benefits. It includes good will, software, database, etc.

- **Natural Assets** of Municipality are those assets of the natural environment (those having some environmental values associated with it) traditionally owned by it or specifically entrusted with it by the Acts or other Laws, prevailing at the time. These consist of traditional open spaces, sacred grooves, land patches with thick natural vegetation, natural water sources, and the surrounding areas with their eco-systems.
- **Rehabilitation/Enhancement** of Assets is an improvement or augmentation of an existing asset (including separately depreciable parts), beyond its originally recognized service potential. For example, an activity undertaken for enhancing an asset's remaining useful life, capacity, quality, and functionality or any one of this.
- **Refurbishment/Maintenance** to an asset restores or maintains the originally assessed future economic benefits or service potential that an entity may expect from an asset and is necessary for the planned life of asset to be achieved.

6.3 Classification of Fixed Assets:

The Fixed Assets described in this chapter shall be broadly classified as Infrastructure assets and other assets and the list of these assets illustratively include:

A. Infrastructure Assets

- Roads and Bridges, Cause ways, etc.
- Water Works;
- Bore Wells;
- Laboratory Equipment, etc.;
- Sewerage and drainage; (Open Drains, Underground Drains, etc.)
- Public Lighting;
- Lamp Posts;
- Luminary and Electrical Fittings, etc.
- Culvert;
- CCTV, OFC CABLE and IT Network
- Open Space Parks

B. Other Assets

- Land, Grounds, etc.
- Buildings; (Office building, Art gallery Buildings, Auditorium Buildings, etc.)
- Furniture, fixtures, fittings and Electrical appliances; Cabinets and cup boards, Chairs, etc.
- Office and other equipment's; Air Conditioners, Computer-Hardware, etc.
- Vehicles; (Ambulances, Buses, etc.)
- Health related assets; and Cold Storage Equipment, Medical Equipment, etc.
- The codes of Account for above and all other transactions are given in Chapter-3 (Charts of Accounts).

6.4 Creation of Fixed Assets

Creation of fixed assets may happen in the following ways:

- (a) Works carried out either through contractors or through departmental execution.
- (b) Purchase of movable and immovable assets such as furniture and fittings, office equipments, vehicles, plant and machinery.
- (c) The Municipality may receive fixed assets by way of grant or donation – for example donation of land by a private company for road formation, donation of bus shelters, buildings etc.

6.5 Record of Fixed Assets:

The Municipality shall maintain and report physical and financial status of other fixed assets to ensure:

- (a) transparency and accountability of the assets' status,
- (b) generating asset management information,
- (c) making decisions on assets viz. acquisition, transfer, disposal and usages.
- (d) The timely service capacity of assets.

A record shall be maintained for the other immovable fixed assets in the relevant register of Immovable Property in Form GEN-30 and for the moveable fixed assets in the Register of Moveable Property in Form GEN-31.

6.6 Assets Database and Codification Structure:

- All Municipalities shall maintain the information relating to the Infrastructural Assets in an Asset Register (AR-1) and shall ensure that the information in the AR-1 is proper and up to date in all respects.
- The Custodian of Assets/ or official in-charge shall maintain the AR updated.

- A Codification System to identify each asset with a unique number is the precondition for effective asset management.
- Codification System serves four purposes viz.
 - Identifying each asset with a unique number through its life cycle;
 - Tagging the movable assets with asset number to facilitate physical verification and discourage theft/loss;
 - Collecting all related data of the assets in a database;
 - Obtain information about an individual asset or a class of assets based on the asset code. In computerized systems, code is generally used as key field in asset database.

6.7 Assets Register:

Each Municipality shall prepare Assets Register and shall follow the below instructions for the preparation of Asset Register (AR-1).

- (a) One page shall be allotted to one asset
- (b) Allot unique code for each asset
- (c) The code shall be tagged with the asset also (if immovable)
- (d) Enter all details of assets as per the description given along with the format of asset register.
- (e) The register shall be prepared at Custodian of Asset (CA) level.
- (f) All assets coming above capital threshold limit (i.e. ₹ 5,000) shall have a page in the asset register.
- (g) The small assets (i.e. below the value of ₹ 5,000) and safeguarded assets shall be recorded separately in separate register.
- (h) The consolidated amount shall be shown in balance sheet.
- (i) The recording of small assets and safe guarded assets are recorded after grouping the assets.
- (j) Monthly monitoring shall be planned and conducted for these small and safe guarded assets.
- (k) The Municipality shall ensure that the Assets Register (AR) shall be prepared.

6.8 Accounting Policies for Fixed Assets:

- (a) The cost of fixed assets shall include cost incurred/money spent in acquiring or installing or constructing fixed assets.
- (b) Fixed assets shall be reported at written down value (i.e. Historical cost of the asset less up-to-date depreciation) in financial statements.
- (c) Fixed assets acquired for a non-monetary consideration or free of cost by way of grants or as a gift or alienation or vested lands shall be accounted at their fair value or at a nominal value of ₹ 1.
- (d) All heritage assets shall be identified and measured at historical cost where records are available otherwise at nominal value of ₹ 1.
- (e) Expenditure under Capital Work in Progress (CWIP) is capitalized as and when the construction/acquisition is completed and available for use. The capitalization is done under the appropriate fixed asset head.
- (f) Any addition or improvement to the fixed asset that results in increasing the capacity or useful life of the asset shall be capitalized and included in the cost of asset.
- (g) Expenditure incurred to maintain the asset and sustain its functioning shall be charged off as revenue expenditure.
- (h) All assets costing less than ₹ 5,000 (Rupees five thousands) shall be charged to Income and Expenditure Account in the year of purchase;

6.9 Accounting Policy for Revaluation of Fixed Assets

- (a) An increase in net book value arising on revaluation shall be credited to a reserve account under the respective fund as 'Revaluation Reserve'. A decrease in the net book value arising on revaluation of fixed assets shall be charged to the 'Revaluation Reserve' to the extent that it represents an increase in an earlier revaluation. Excess, if any, is charged to the Income and Expenditure account as assets written off.
- (b) Revaluation of a class of assets shall not result in the net book value of that class being greater than the recoverable amount of the assets of that class.
- (c) Depreciation on a revalued asset shall be calculated on the value after revaluation, at rates necessary to charge off the asset over the remaining useful life of the asset.

6.10 Accounting Policy for Impairment of Assets

- (a) An asset is impaired when its carrying amount exceeds its recoverable amount.
- (b) An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.
- (c) The impairment loss is to be adjusted against revaluation reserve if any for that asset and any

excess shall be charged to the income and expenditure account.

6.11 Accounting Policy for Loss/Misplaced Fixed Assets

- (a) Assets recorded in the register but not physically available shall be “written off” after a specified period as prescribed by the Government.
- (b) Procedure to write off the misplaced fixed assets: According to Significant Accounting Principles, all misplaced assets are to be written off. Following procedure shall be adopted for writing off the misplaced fixed assets:
- 6.11.1 For any fixed asset which is misplaced for more than five years, Chief Municipal Officer shall prepare a list of such fixed assets and write to Government for seeking permission to write off. No asset or revenues shall be written off without the permission as per policy of Urban Local Bodies Department.
- 6.11.2 After receiving such concurrence of the Government of Haryana, Accounts Branch of the municipalities shall pass the necessary journal entries. For example, an asset was purchased ₹ 1,00,000/- and recognizes ₹ 10,000/- of depreciation per year over the following ten years. But the asset is not trackable and it is decided that asset shall be written off. Accounts Branch records the following entry in its books:

Code of Account	Particulars	Debit Amount	Credit Amount
1	2	3	4
411-(a)	Accumulated Depreciation A/c	1,00,000	
410-(a)	To Asset A/c*		1,00,000

- (a) Insert Minor and Detail Code of Account as applicable

A variation on this situation is to write off a fixed asset that has not yet been completely depreciated. In this situation, write off the remaining un-depreciated amount of the asset to a loss account. To use the same example, asset is not trackable after eight years use, when it has not yet depreciated ₹20,000 of the asset's original cost ₹1,00,000/-. In this case, ABC will record the following entry in its books:

Code of Account	Particulars	Debit	Credit
1	2	3	4
271-(a)	Loss on asset disposal A/c	20,000	
411-(a)	Accumulated Depreciation A/c	80,000	
410-(a)	To Asset A/c*		1,00,000

6.12 Depreciation of Fixed Assets

- 6.12.1 Depreciation shall be charged by Written down Value (WDV) method or Straight-Line Method as specified for all fixed assets except land.\
- 6.12.2 Depreciation shall not be charged on heritage assets which are carried in the books of account at a value of ₹ 1,
- 6.12.3 The depreciation method selected shall be applied consistently from period to period. A change from one method of providing depreciation to another shall be made only if the adoption of the new method is required by statute or for compliance with an accounting standard or if it is considered that the change shall result in a more appropriate preparation or presentation of the financial statements of the enterprise. When such a change in the method of depreciation is made, depreciation shall be recalculated in accordance with the new method from the date of the asset coming into use. The deficiency or surplus arising from retrospective recompilation of depreciation in accordance with the new method shall be adjusted in the accounts in the year in which the method of depreciation is changed. In case the change in the method results in deficiency in depreciation in respect of past years, the deficiency shall be charged in the Income and Expenditure Account. In case the change in the method results in surplus, the surplus shall be credited to the statement of profit and loss. Such a change shall be treated as a change in accounting policy and its effect shall be quantified and disclosed.

6.13 **Rate of Depreciation:** The rates of depreciation for different types of fixed assets are given in below table:

Nature of Assets		Useful Life	Depreciation Rate		
			SLM	WDV	
1		2	3	4	
I	Buildings [NESD]				
	(a)	Building (other than factory buildings) RCC Frame Structure	60 Years	1.58%	4.87%
	(b)	Building (other than factory buildings) other than RCC Frame Structure	30 Years	3.17%	9.50%
	(c)	Factory buildings	30 Years	3.17%	9.50%
	(d)	Fences, wells, tube wells	5 Years	19.00%	45.07%
	(e)	Other (including temporary structure, etc.)	3 Years	31.67%	63.16%
II	Bridges, culverts, bunkers, etc. [NESD]		30 Years	3.17%	9.50%
III	Roads [NESD]				
	(a)	Carpeted Roads			
	(i)	Carpeted Roads – RCC	10 Years	9.50%	25.89%
	(ii)	Carpeted Roads – other than RCC	5 Years	19.00%	45.07%
	(b)	Non-carpeted roads	3 Years	31.67%	63.16%
IV	Plant and Machinery				
	i	General rate applicable to Plant and Machinery not covered under Special Plant and Machinery			
	(a)	Plant and Machinery other than continuous process plant not covered under specific industries [NESD]	15 Years	6.33%	18.10%
	(b)	continuous process plant for which no special rate has been prescribed under (ii) below [NESD]	8 Years	11.88%	31.23%
	ii	Special Plant and Machinery			
	(a)	Plant and Machinery related to production and exhibition of Motion Picture Films			
		1. Cinematograph films— Machinery used in the production and exhibition of cinematograph films, recording and reproducing equipment, developing machines, printing machines, editing machines, synchronizers and studio lights except Municipalities	13 Years	7.31%	20.58%
		2. Projecting equipment for exhibition of films	13 Years	7.31%	20.58%
	(b)	Plant and Machinery used in glass manufacturing			
		1. Plant and Machinery except direct fire glass melting furnaces — Recuperative and regenerative glass melting furnaces	13 Years	7.31%	20.58%
		2. Plant and Machinery except direct fire glass melting furnaces — Moulds [NESD]	8 Years	11.88%	31.23%
		3. Float Glass Melting Furnaces [NESD]	10 Years	9.50%	25.89%
	(c)	Plant and Machinery used in mines and quarries— Portable underground machinery and earth moving machinery used in open cast mining [NESD]	8 Years	11.88%	31.23%

Nature of Assets			Useful Life	Depreciation Rate		
				SLM	WDV	
1			2	3	4	
		(d)	Plant and Machinery used in Telecommunications [NESD]			
			1. Towers	18 Years	5.28%	15.33%
			2. Telecom transceivers, switching centres, transmission and other network equipment	13 Years	7.31%	20.58%
			3. Telecom – Ducts, Cables and optical fibre	18 Years	5.28%	15.33%
			4. Satellites	18 Years	5.28%	15.33%
		(e)	Plant and Machinery used in exploration, production and refining oil and gas [NESD]			
			1. Refineries	25 Years	3.80%	11.29%
			2. Oil and gas assets (including wells), processing plant and facilities	25 Years	3.80%	11.29%
			3. Petrochemical Plant	25 Years	3.80%	11.29%
			4. Storage tanks and related equipment	25 Years	3.80%	11.29%
			5. Pipelines	30 Years	3.17%	9.50%
			6. Drilling Rig	30 Years	3.17%	9.50%
			7. Field operations (above ground) Portable boilers, drilling tools, well-head tanks, etc.	8 Years	11.88%	31.23%
			8. Loggers	8 Years	11.88%	31.23%
		(f)	Plant and Machinery used in generation, transmission and distribution of power [NESD]			
			1. Thermal/ Gas/ Combined Cycle Power Generation Plant	40 Years	2.38%	7.22%
			2. Hydro Power Generation Plant	40 Years	2.38%	7.22%
			3. Nuclear Power Generation Plant	40 Years	2.38%	7.22%
			4. Transmission lines, cables and other network assets	40 Years	2.38%	7.22%
			5. Wind Power Generation Plant	22 Years	4.32%	12.73%
			6. Electric Distribution Plant	35 Years	2.71%	8.20%
			7. Gas Storage and Distribution Plant	30 Years	3.17%	9.50%
			8. Water Distribution Plant including pipelines	30 Years	3.17%	9.50%
		(g)	Plant and Machinery used in manufacture of steel			
			1. Sinter Plant	20 Years	4.75%	13.91%
			2. Blast Furnace	20 Years	4.75%	13.91%
			3. Coke Ovens	20 Years	4.75%	13.91%
			4. Rolling mill in steel plant	20 Years	4.75%	13.91%
			5. Basic oxygen Furnace Converter	25 Years	3.80%	11.29%
		(h)	Plant and Machinery used in manufacture of non-ferrous metals			
			1. Metal pot line [NESD]	40 Years	2.38%	7.22%

Nature of Assets			Useful Life	Depreciation Rate	
				SLM	WDV
1			2	3	4
		2. Bauxite crushing and grinding section [NESD]	40 Years	2.38%	7.22%
		3. Digester Section [NESD]	40 Years	2.38%	7.22%
		4. Turbine [NESD]	40 Years	2.38%	7.22%
		5. Equipments for Calcination [NESD]	40 Years	2.38%	7.22%
		6. Copper Smelter [NESD]	40 Years	2.38%	7.22%
		7. Roll Grinder	40 Years	2.38%	7.22%
		8. Soaking Pit	30 Years	3.17%	9.50%
		9. Annealing Furnace	30 Years	3.17%	9.50%
		10. Rolling Mills	30 Years	3.17%	9.50%
		11. Equipments for Scalping, Slitting, etc. [NESD]	30 Years	3.17%	9.50%
		12. Surface Miner, Ripper Dozer, etc., used in mines	25 Years	3.80%	11.29%
		13. Copper refining plant[NESD]	25 Years	3.80%	11.29%
	(i)	Plant and Machinery used in medical and surgical operations [NESD]			
		1. Electrical Machinery, X- ray and electrotherapeutic apparatus and accessories thereto, medical, diagnostic equipments, namely, Cat- scan, Ultrasound Machines, ECG Monitors, etc.	13 Years	7.31%	20.58%
		2. Other Equipments.	15 Years	6.33%	18.10%
	(j)	Plant and Machinery used in manufacture of pharmaceuticals and chemicals [NESD]			
		1. Reactors	20 Years	4.75%	13.91%
		2. Distillation Columns	20 Years	4.75%	13.91%
		3. Drying equipments/Centrifuges and Decanters	20 Years	4.75%	13.91%
		4. Vessel/storage tanks	20 Years	4.75%	13.91%
	(k)	Plant and Machinery used in civil construction			
		1. Concreting, Crushing, Piling Equipments and Road Making Equipments	12 Years	7.92%	22.09%
		2. Heavy Lift Equipments—			
		-Cranes with capacity of more than 100 tons	20 Years	4.75%	13.91%
		-Cranes with capacity of less than 100 tons	15 Years	6.33%	18.10%
		3. Transmission line, Tunneling Equipments [NESD]	10 Years	9.50%	25.89%
		4. Earth-movingequipments	9 Years	10.56%	28.31%
		5. Others including Material Handling /Pipeline/Welding Equipment [NESD]	12 Years	7.92%	22.09%
	(l)	Plant and Machinery used in salt works [NESD]	15 Years	6.33%	18.10%

Nature of Assets			Useful Life	Depreciation Rate	
				SLM	WDV
1			2	3	4
V	Furniture and fittings [NESD]				
	(i)	General furniture and fittings	10 Years	9.50%	25.89%
	(ii)	Furniture and fittings used in hotels, restaurants and boarding houses, schools, colleges and other educational institutions, libraries; welfare centres; meeting halls, cinema houses; theatres and circuses; and furniture and fittings let out on hire for use on the occasion of marriages and similar functions.	8 Years	11.88%	31.23%
VI.	Motor Vehicles [NESD]				
	1	Motor cycles, scooters and other mopeds	10 Years	9.50%	25.89%
	2	Motor buses, motor lorries, motor cars and motor taxies used in a business of running them on hire	6 Years	15.83%	39.30%
	3	Motor buses, motor lorries and motor cars other than those used in a business of running them on hire	8 Years	11.88%	31.23%
	4	Motor tractors, harvesting combines and heavy vehicles	8 Years	11.88%	31.23%
	5	Electrically operated vehicles including battery powered or fuel cell powered vehicles	8 Years	11.88%	31.23%
VII	Ships [NESD]				
		Ocean-going ships			
	(i)	Bulk Carriers and liner vessels	25 Years	3.80%	11.29%
	(ii)	Crude tankers, product carriers and easy chemical carriers with or without conventional tank coatings.	20 Years	4.75%	13.91%
	(iii)	Chemicals and Acid Carriers:			
		(a) With Stainless steel tanks	25 Years	3.80%	11.29%
		(b) With other tanks	20 Years	4.75%	13.91%
	(iv)	Liquified gas carriers	30 Years	3.17%	9.50%
	(v)	Conventional large passenger vessels which are used for cruise purpose also	30 Years	3.17%	9.50%
	(vi)	Coastal service ships of all categories	30 Years	3.17%	9.50%
	(vii)	Offshore supply and support vessels	20 Years	4.75%	13.91%
	(viii)	Catamarans and other high-speed passenger for ships or boats	20 Years	4.75%	13.91%
	(ix)	Drill ships	25 Years	3.80%	11.29%
	(x)	Hovercrafts	15 Years	6.33%	18.10%
	(xi)	Fishing vessels with wooden hull	10 Years	9.50%	25.89%
	(xii)	Dredgers, tugs, barges, survey launches and other similar ships used mainly for dredging purposes	14 Years	6.79%	19.26%

Nature of Assets		Useful Life	Depreciation Rate		
			SLM	WDV	
1		2	3	4	
2	Vessels ordinarily operating on inland waters—				
	(i)	Speed boats	13 Years	7.31%	20.58%
	(ii)	Other vessels	28 Years	3.39%	10.15%
VIII.	Aircrafts or Helicopters [NESD]		20 Years	4.75%	13.91%
IX.	Railways sidings, locomotives, rolling stocks, tramways and railways used by concerns, excluding railway concerns [NESD]		15 Years	6.33%	18.10%
X.	Ropeway structures [NESD]		15 Years	6.33%	18.10%
XI.	Office equipment [NESD]		5 Years	19.00%	45.07%
XII.	Computers and data processing units [NESD]				
	(i)	Servers and networks	6 Years	15.83%	39.30%
	(ii)	End user devices, such as, desktops, laptops, etc.	3 Years	31.67%	63.16%
XIII.	Laboratory equipment [NESD]				
	(i)	General laboratory equipment	10 Years	9.50%	25.89%
	(ii)	Laboratory equipment used in educational institutions	5 Years	19.00%	45.07%
XIV.	Electrical Installations and Equipment [NESD]		10 years	9.50%	25.89%
XV.	Hydraulic works, pipelines and sluices [NESD]		15 Years	6.33%	18.10%

Note: For the purposes of calculating the depreciation rate, the residual value of the asset has been assumed to be 5% of the original cost.

In respect of additions to fixed assets during the year, depreciation shall be calculated in the following manner:

Assets purchased/constructed before October 1 st of the accounting year	Full rate
Assets purchased/constructed on/after October 1 st of the accounting year	Half rate
Assets disposed off before October 1 st of the accounting year	Half rate
Assets disposed off on/after October 1 st of the accounting year	Full rate

6.14 Accounting Record and Procedures:

The procedure for accounting of fixed assets is briefly described below:

- Earnest Money Deposit (EMD) as prescribed shall be received from the bidders for the tender as per the principles and procedures prescribed by the Government. On award of the contract, Earnest Money Deposit (EMD) shall be refunded to the unsuccessful bidders;
- Contract for supply of requisite fixed asset shall be awarded to the successful supplier and a Purchase Order shall be issued to the supplier for supply of fixed assets specified therein;
- Advance may be provided to the contractor as per the terms and procedures of the Municipality/ PWD Code and purchase agreement/tender document entered into with the contractor; on receipt of bill, the concerned branch shall prepare a payment order in Form GEN-14 for the purchase/acquisition of the Fixed Asset and forward it to the Accounts Branch to make the payment after deducting the Security Deposit and any other deductions specified in the purchase agreement;

6.15 Accounting for Earnest Money Deposit (EMD):

Earnest Money Deposit shall be collected from the bidders on such basis as determined by the Municipality at the time of submitting the tenders. A receipt in Form GEN-8 shall be issued for the amount collected. The accounting for collection of Earnest Money Deposit (EMD) from the bidders, refund of Earnest Money Deposit (EMD) to the unsuccessful bidders and conversion of Earnest Money Deposit (EMD) of successful

bidder into Security Deposit and its refund shall be the same as provided in the Chapter “Municipal Works”.

6.16 Accounting for Security Deposit:

Where the terms of agreement entered into with the supplier provide for collection of a certain percentage of security deposit in advance, a receipt (Form GEN-8) shall be issued for the amount collected to the successful bidder. The procedure for accounting of security deposit received and refunded on successful execution of the order shall be the same as provided in Chapter “Municipal Works”.

6.17 Accounting for Advance:

As per the terms of purchase agreement, advance shall be paid to the supplier. The procedure to be followed for payment and accounting in respect of advance shall be the same as provided in the Chapter “Municipal Works”.

6.18 Accounting for Acquisition/ Purchase of Fixed Assets

(a) Accounting for purchase of Fixed Assets:

When an asset is acquired for a specific purpose and not as a part of a project, it is immediately capitalized upon its purchase. The branch which purchases the Fixed Asset shall prepare a FA-JV (specimen has been provided in Part-II of this Account Code) for the purchase and forward it to Accounts Branch. The cost of the fixed assets shall also include installation, duties, taxes and other incidental expenses for example transport charges, port dues, advertisement charges for tender notifications etc. incurred towards acquisition of an asset.

(b) Recording of purchase of Fixed Assets:

The fixed asset shall be recorded at the gross value by debiting the respective fixed asset account and crediting the accounts payable – suppliers account. To record the purchase of the computer and printers, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
410-60-000-01	Computer and Printer A/c	Dr.	1,00,000		Journal Book and Ledger
350-10-000-01	To Supplier's A/c	Cr.		90,000	
340-10-000-02	To Suppliers–Security Deposit A/c	Cr.		5,000	
460-40-000-05	To Advance to Suppliers A/c	Cr.		5,000	

- **Note 1:** All the fixed assets belonging to a class of assets shall be accounted under that asset class. For instance, the acquisition of a building for any purpose shall be accounted under the asset head of Buildings.
- **Note 2:** The cost of the fixed assets shall also include installation, duties, taxes and other incidental expenses for example, transport charges, port dues, etc. incurred towards acquisition of an asset.
- **Note 3:** The postings in the Ledger Accounts of “Fixed Asset” Account, “Suppliers” Account, “Security Deposit” Account and “Advance to Supplier” Account shall be carried out as indicated in Chapter 4 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there shall be no entry in the Journal Book.

(c) Payment made for purchase of Fixed Asset:

After obtaining approval of the concerned authority, the Accounts Branch shall prepare a Bank Payment Voucher in Form GEN-5 and draw a cheque. On payment, the Accounts payable – Supplier is debited and Bank Account is credited.

Fixed assets acquired for a non-monetary consideration or free of cost by way of grants in kind or gifts, alienations or vested lands shall be accounted at fair value determined on the basis of a valuation by a certified value. Heritage assets transferred to the Municipality shall be accounted at a nominal value of ₹ 1/-. On payment, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-10-000-01	Suppliers A/c	Dr.	90,000		Cash Book and Ledger
450-21-000-(a)	To Main Bank A/c*	Cr.		90,000	

* Specify name of the Bank and account number.

(d) **Additions/Improvement to existing fixed assets:**

Any addition or improvement to a Fixed Asset that results in increasing the utility or useful life of the asset shall be capitalized and included in the cost of Fixed Asset. The entry shall be passed by debiting fixed assets account and crediting Accounts payables – Suppliers account.

6.19 **Depreciation**

Depreciation has a significant effect in determining and presenting the financial position and results of operations of an enterprise. Depreciation is charged in each accounting period by reference to the extent of the depreciable amount, irrespective of an increase in the market value of the assets.

Assessment of depreciation and the amount to be charged in respect thereof in an accounting period are usually based on the following three factors

- Historical cost or other amount substituted for the historical cost of the depreciable asset when the asset has been revalued;
- Expected useful life of the depreciable asset; and
- Estimated residual value of the depreciable asset

The useful life of a depreciable asset is shorter than its physical life and is:

- Pre-determined by legal or contractual limits, such as the expiry dates of related leases;
- Directly governed by extraction or consumption;
- Dependent on the extent of use and physical deterioration on account of wear and tear which again depends on operational factors, such as, the number of shifts for which the asset is to be used, repair and maintenance policy of the enterprise etc.; and
- Reduced by obsolescence arising from such factors as: (a) technological changes; (b) improvement in production methods; (c) change in market demand for the product or service output of the asset; or (d) legal or other restrictions.

6.19.1 **Depreciation In case Historical Cost of Fixed Asset Changes:**

Where the historical cost of a depreciable asset has undergone a change due to increase or decrease in long term liability on account of exchange fluctuations, price adjustments, changes in duties or similar factors, the depreciation on the revised unamortized depreciable amount shall be provided prospectively over the residual useful life of the asset.

6.19.2 **Depreciation In case of Fixed Assets are Revalued:**

Where the depreciable assets are revalued, the provision for depreciation shall be based on the revalued amount and on the estimate of the remaining useful lives of such assets. In case the revaluation has a material effect on the amount of depreciation, the same shall be disclosed separately in the year in which revaluation is carried out.

6.19.3 **Depreciation in case of Assets Acquired from Grant:**

- Grant is recognized in the Income and Expenditure Account over the useful life of a depreciable asset by way of a reduced depreciation charge.
- Grants related to depreciable assets are treated as deferred income which is recognized in the profit and loss statement on a systematic and rational basis over the useful life of the asset. Such allocation to income is usually made over the periods and in the proportions in which depreciation on related assets is charged. Grants related to non- depreciable assets are credited to capital reserve under this method, as there is usually no charge to income in respect of such assets. However, if a grant related to a non- depreciable asset requires superintendence of certain obligations, the grant is credited to income over the same period over which the cost of meeting such obligations is charged to income. The deferred income is suitably disclosed in the balance sheet pending its apportionment to profit and loss account.

6.19.4 **Depreciation in case Grant becomes Refundable:**

The amount refundable in respect of a government grant related to a specific fixed asset is recorded by increasing the book value of the asset or by reducing the capital reserve or the

deferred income balance, as appropriate, by the amount refundable. In the first alternative, i.e., where the book value of the asset is increased, depreciation on the revised book value is provided.

6.19.5 Amount of Depreciation:

At the end of the accounting year, depreciation shall be provided on each class of fixed asset at the prescribed rates. The amount of depreciation to be provided each year shall be computed by applying the depreciation rate to the cost or written down value of fixed asset as per the accounting principles of the Municipality. An example of computation of depreciation on Computers etc. on written down value is provided in the table given below:

Serial Number	Particulars	Amount (₹)
1	2	3
A	Original Cost of Fixed Asset at the beginning of the year 10,000	10,000
B	Less: Original Cost of fixed asset sold during the accounting year*	2,000
C	Original Cost of the fixed asset held at year-end	8,000
D	Annual Depreciation provision (@20%) for the financial year	1,600
Depreciation on fixed assets purchased during the year**		
E	Depreciation on the fixed asset purchased before October 1 of an accounting year (at full rate of 20% on `2,000/-)	400
F	Depreciation on the fixed asset purchased after October 1 of an accounting year (at full rate of 20% for 6 months 1,000/-)	100
G	Total Depreciation charge for the year (d +e +f)	2,100

* Refer sale of fixed asset worth ₹ 2,000 in para 6.23 below in the section 'Sale/ Disposal of Fixed Assets'.

** It is assumed that fixed assets worth ₹ 2,000 were purchased before October 1 of an accounting year and fixed assets worth ₹ 1,000 were purchased after October 1 of an accounting year.

6.19.6 Recording of depreciation on fixed asset: -

For providing depreciation (refer e.g. In Table below), the Accounts Branch shall pass the following entry:

Code of A/c	Accounting Entry	Dr. Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
272-60-000-01	Depreciation on Computers	Dr.	2,100		Journal Book and Ledger
411-60-000-01	To Accumulated Depreciation A/c	Cr.		2,100	

Note: Separate depreciation entry shall be passed for each class of fixed assets, such as Buildings, Vehicles, etc. as shown below.

6.20 Maintenance of Asset Registers

The Asset Register shall be maintained category wise and assets are recorded at their original costs in case of bought out assets or the capitalized costs in case of transfer from capital work in progress. The maintenance of this register is the responsibility of the Engineering Branch. The Engineer In-Charge shall arrange for annual physical verification of all items of assets and take appropriate action wherever there is discrepancy. Separate Asset Register shall be maintained by the Town Planning Officer for lands. The Asset register shall be maintained in form AR-1 which has been provided in the Part-II of this Accounts Code.

6.21 Register of Immovable Property:

Register of Immovable Property maintained in Form GEN-30, Register of Moveable Property maintained in Form GEN-31, and Register of Public Lighting System in Form GEN-36 shall be updated in respect of the depreciation provision made during an accounting year annually.

6.22 Maintenance of Sinking Fund

Municipality may maintain sinking funds to invest the replacement of assets. In such cases, the following procedures shall be adopted:

- 6.22.1 Recording of transfer of funds from Main Bank Account to Asset Replacement Bank Account:**
- Immediately after the approval of Financial Statements by the Municipality, an amount equivalent to depreciation provision for the year shall be transferred from the Main Bank Account to Asset Replacement Bank Account for which the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-41-000-01	Designated Bank A/c*	Dr.	2,100		Cash Book and Ledger
450-21-000-01	To Bank Account*	Cr.		2,100	

* Specify name of the Bank and account number.

- 6.22.2 Utilization of Sinking Fund:** The amount so set aside shall be utilized only for the purpose of purchase or acquisition of the fixed assets pertaining to the asset class in respect of which the above depreciation has been provided.
- 6.22.3 Asset Replacement Register:** Asset Replacement Register in GEN-35 shall be maintained asset class-wise to record the money set aside and shall be updated for deposits made to Asset Replacement Bank Account in respect of annual depreciation provision made during the accounting year and for utilization of proceeds from the Asset Replacement Bank Account for the purpose of replacement by way of purchase / acquisition / construction of fixed asset.
- 6.22.4 Recording of transfer of funds from Asset Replacement Bank Account to Main Bank Account:**

In case, where the payment in respect of any such fixed assets is made through the Main Bank Account, the Accounts Branch shall transfer an amount equivalent to the cost of acquisition from the Asset Replacement Bank Account to the Main Bank Account and pass the following entry:

Code of Account	Accounting Entry	Dr/ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-01	Main Bank Account*	Dr.	200		Cash Book and Ledger
450-41-000-01	To Asset Replacement Bank A/c*	Cr.		200	

*Specify name of the bank branch and account number.

6.23 Sale/Disposal of Fixed Assets

The Fixed Assets may be transferred by way of sale either through auction or otherwise. The procedure for accounting of receipt of Earnest Money Deposit (EMD) from the bidders, refund of Earnest Money Deposit (EMD) to the unsuccessful bidders, conversion of Earnest Money Deposit (EMD) of successful bidder into security deposit and its adjustment shall be the same as provided in Chapter of Municipal Works.

- 6.23.1 Recording of Depreciation on disposal of fixed assets:** - Depreciation shall be provided at the prescribed rates on the asset class (in respect of fixed asset sold). The amount of depreciation to be provided shall be computed by applying the depreciation rate to the cost of fixed asset (computer) up to the month of sale. For providing depreciation, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
272-60-000-01	Depreciation on computer A/c	Dr.	100		Journal Book and Ledger
411-60-000-01	To Accumulated Depreciation	Cr.		100	

- 6.23.2 Recording of disposal of fixed asset:** In respect of the fixed asset to be sold, the Accounts Branch 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 till the month of disposal (computed in Table below). The Accounts Branch shall pass the following entry for disposal of chairs:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹) Illustrative figure	Credit Amount (₹) Illustrative figure	Books to be entered into
1	2	3	4	5	6
410-90-000-11	Chairs under Disposal A/c	Dr.	1,500		Journal Book And Ledger
411-70-000-03	Accumulated Depreciation	Dr.	500		
410-70-000-03	To Fixed Assets-Chair A/c	Cr.		2,000	

- 6.23.3 Recording of receipt of money on disposal of Fixed Asset:** - On receipt of money, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-01	Main Bank A/c*	Dr.	1,500		Cash Book and Ledger
350-90-000-01	To Sale of Fixed Assets – Chairs A/c	Cr.		1,500	

* Specify name of Bank and account number.

Note: This entry shall be passed for the consideration amount at which the Fixed Asset is disposed.

- 6.23.4 Recording of refund of Security Deposit:** After the completion of the disposal of the fixed asset, security deposit (if any) received shall be refunded for which the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-02	From Contractors– Security Deposit A/c	Dr.	500		Cash book and Ledger
450-21-000-01	To Main Bank A/c*	Cr.		500	

* Specify name of Bank and account number.

- 6.23.5 Profit or Loss on Disposal:** The concerned fixed asset may be transferred at a loss or profit in comparison to its written down value, as provided in Table Below which shall be calculated by applying the rate of depreciation (prescribed for the asset class) to the cost of fixed asset sold. The cost of fixed asset sold shall be obtained from Register of Immovable Property (GEN-30).

Table: Computation of Profit or Loss on Disposal of Fixed Asset

Serial Number	Particulars	Profit scenario Amount (₹)	Loss scenario Amount (₹)
1	2	3	4
A	Original cost of Fixed Asset	2,000	2,000
B	Add: Cost of improvement/addition	0	0
C	Total cost of Fixed Asset (a +b)	2,000	2,000
D	Less: Depreciation provided from the year of acquisition till the previous financial year	400	400
E	Less: Depreciation provided for the current financial year till the month of disposal	100	100
F	Total Depreciation provided on the Fixed Asset Disposed (d +e)	500	500
G	Written down Value of the Fixed Asset at thetime of transfer (c – f)	1,500	1,500
H	Less: Disposal value realized	2,000	500
I	Profit or (loss) on transfer of Fixed Asset (h-g)	500	1,000

6.23.6 Recording profit/loss on disposal of Fixed Asset: - In case the asset is disposed at ₹ 2000, i.e., a profit of ₹ 500 is earned on disposal of fixed asset, the Accounts branch shall pass the entry referred to in preceding para for ₹ 500 for recording the money realized on disposal of fixed asset. For profit incurred on disposal of fixed asset, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-90-000-(a)	Sale Proceeds of fixed asset	Dr.	2,000		Journal And Ledger
410-90-000-(a)	To Fixed Assets-Assets Under Disposal	Cr.		1,500	
180-30-000-(a)	To Profit on disposal of Fixed Asse	Cr.		500	

(a) Insert detailed code of accounts as applicable.

6.24 Revaluation of Fixed Assets

Fixed assets may be revalued under the following circumstances such as:

- Commercial development of the fixed assets is taken up after the land use and architectural control have been approved by the competent authority;
- At the time of lease; or
- At the time of issue of municipal bonds.

(a) **Procedure of Revaluation:** The procedure for accounting of revaluation of fixed assets is briefly described below:

- Recording for increase or decrease of the values of the fixed assets;
- Recording of amortization of revaluation reserve;
- Recording of disposal of revalued assets.

- (i) **Recording of increase in the value of assets:** - Increase in values arising on account of revaluation of the fixed assets shall be credited to a reserve account under General Fund. The accounting entry for recording the increase shall be as follows:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
410-(b) 312-60-000-(a)	Fixed Assets To Reserves- Revaluation Reserve	Dr. Cr.	10,000	10,000	Journal Book, Ledger and Fixed Assets Register

(a) Insert Detailed Codes of Account as applicable.

(b) Insert Minor and Detailed Codes of Account as applicable.

- (ii) **Recording of decrease in the value of assets:** -

Decrease in the value of fixed assets because of revaluation shall be charged off in the Income and Expenditure Account. The accounting entry for recording the decrease shall be as follows:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹) Illustrative figure	Credit Amount (₹) Illustrative Figure	Books to be entered into
1	2	3	4	5	6
270-40-000-(a) 410-(b)	Assets Written Off/ Decline in value of Assets on Revaluation To Fixed Assets	Dr. Cr.	10,000	10,000	Journal Book, Ledger and Fixed Asset Register

(a) Insert Detailed Head Codes of Account as applicable.

(b) Insert Minor and Detailed Head Codes of Account as applicable.

- (iii) **Recording of adjustment of depreciation against revaluation reserve:** Revaluation reserve shall be adjusted /reduced by an amount equivalent to the depreciation charged on the revalued portion of the fixed assets. The accounting entry for recording the adjustment is as follows:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
312-60-000-(a) 272-(b)	Revaluation Reserve To Depreciation on Fixed Assets	Dr. Cr.	3,000	3,000	Journal book, Ledger and Fixed Asset

(a) Insert Detailed Codes of Account as applicable.

(b) Insert Minor and Detailed Codes of Account as applicable.

- (iv) **Recording of disposal of assets revalued:** In case the assets revalued have been disposed of or written off, the revaluation reserve, if any, relating to those assets shall also be reversed.

- (b) **Loss/Profit on Revaluation:**

The concerned fixed asset may be transferred at a loss or profit in comparison to its written down value, as provided in Table below which shall be calculated by applying the rate of depreciation (prescribed for the asset class) to the cost of fixed asset sold. The cost of fixed asset sold shall be obtained from Register of Immovable Property (GEN-30).

Table: Computation of Profit or Loss on Disposal of Fixed Asset

Serial Number	Particulars	Profit scenario Amount (₹)
A	Original Cost of Fixed Asset	5,000
B	Add:- Cost of improvement/ addition	2,500
C	Total cost of Fixed Asset (a + b)	7,500
D	Less:- Depreciation provided from the year of acquisition till the previous financial year	3,500
E	Less:- Depreciation provided for the current financial year till the month of disposal	200
F	Total Depreciation provided on the Fixed Asset Disposed (d+e)	3,700
G	Written down Value of the Fixed Asset at the time of transfer (c-f)	3,800
H	Less:- Disposal value realized	6,000
I	Profit or (loss) on transfer of Fixed Asset (h -g)	2,200

6.25 Investment from asset replacement bank account**6.25.1 Accounting Procedure:**

The accounting procedures to be followed, the accounting entries to be recorded and accounting records to be updated in respect of investments of such funds are similar to those followed in respect of investments. They relate to investments, maturity of investment, recording of interest, profit/loss on sale/maturity of investments, etc. These have been described in Chapter of Investments.

6.26 Valuation of Fixed Assets in Special Cases

6.26.1 In the case of fixed assets acquired on hire purchase terms, although legal ownership does not vest in the Municipality, such assets are recorded at their cash value, which, if not readily available, is calculated by assuming an appropriate rate of interest. They are shown in the balance sheet with an appropriate narration to indicate that the enterprise does not have full ownership thereof.

6.26.2 Where a Municipality owns fixed assets jointly with others (otherwise than as a partner in a firm), the extent of its share in such assets, and the proportion in the original cost, accumulated depreciation and written down value are stated in the balance sheet. Alternatively, the pro rata cost of such jointly owned assets is grouped together with similar fully owned assets. Details of such jointly owned assets are indicated separately in the fixed assets register.

6.26.3 Where several assets are purchased for a consolidated price, the consideration is apportioned to the various assets on a fair basis as determined by competent values.

6.26.4 Assets involved in Public Private Partnership (PPP) based on BOT: At the end of Public Private Partnership (PPP) contract period, if the assets have significant residual value and ownership gets transferred or assumed by the Municipality, they shall be considered as Municipality owned assets. The arrangements at the end of the contract term will provide guidance on whether the assets shall be classified as Municipality owned asset and amount to be capitalized.

6.27 Treatment of certain type of assets under dispute/litigation

All the fixed assets accounted in the books of Municipality 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 shall be given in these statements.

6.28 Assets in Register not yet physically identified

The details of 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. However, the assets which were/ are not traced within a specific period of time, shall be written off as defined in para 6.11. The Haryana Municipal Act, 1973 (24 of 1973) and the Haryana Municipal Corporation Act 1994 (16 of 1994) provide authorization for write off. Accounts branch shall pass the following entry for recording of write off: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
270-40-000- 411-(a)	Assets written off– Fixed Accumulated Depreciation	Dr. Dr.	2,000 3,000		Journal and Ledger
410-(a)	To Fixed Assets	Cr.		5,000	

(a) Insert Minor and Detailed Head Codes of Account as applicable.

6.29 Period end procedures

- (a) **Recording of liability for fixed assets purchased for which payment has not been made:** At period end, the concerned branch shall ensure that bills in respect of all the fixed assets received before the last date of the accounting period are processed and sent to the Accounts Branch for accounting and payment within 15 days from the end of the accounting period. Based on the bills received, the Accounts Branch shall pass the same entry described in para. 6.18 (b) above.
- (b) **Provision for Depreciation:** Provision for depreciation on fixed assets shall be calculated for the full year and accounted on pro-rata basis at the period ends. For example, if the total depreciation for full year is (₹ 1,000), the depreciation provision for the current year for the 3 (three) months ended 30th June shall be (₹ 250). 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. For fixed assets purchased in terms of any financial assistance or grant received or the cost of which is met from funds set aside in a Special Fund, period-end entries as described under “Grants” and under “Special Funds” respectively, shall be recorded.

6.30 Internal controls

The following internal controls shall be observed by the Municipality:

- (a) At the time of award of new contract, the concerned branch shall ensure the availability of adequate budget allocation after considering all commitments made against that budget allocation before purchasing any new fixed asset.
- (b) The Head of the Accounts Branch shall carry out quarterly reconciliation of the balance as per the Deposit Register maintained at the concerned branch with the Deposit Ledger accounts.
- (c) The Head of the Accounts Branch shall have a system of conducting physical verification of fixed assets throughout the year so that each fixed asset is verified at least once during the year. Any discrepancies with the Fixed Assets Register shall be reconciled.
- (d) The Head of the Accounts Branch shall ensure that the amount set aside in the Asset Replacement Bank Account consequent to depreciation provision made, is utilized only for the purpose of purchase or acquisition of fixed asset for which depreciation has been provided.
- (e) Before releasing payment to the supplier, the Head of the Accounts Branch shall ensure that the fixed assets acquired are recorded in the Register of Immovable Properties. Further, it shall be ensured that the Payment Order provides reference of the Register of Immovable Properties where the entry for receipt of fixed assets is recorded.
- (f) At the time of computing depreciation provision for the period, the Head of the Accounts Branch shall ensure that the accumulated depreciation (including current period's depreciation provision) provided on any fixed asset does not exceed its cost of acquisition.
- (g) Accounts In-Charge of Municipality may specify appropriate MIS reports for monitoring.
- (h) All Reconciliation Statements shall be certified by the Head of the Accounts Branch.

6.31 Presentation in financial statements

The various heads of account used for the accounting of fixed assets shall be reflected in the financial statements or the Schedules attached to the Financial Statements of the Municipality. All such financial statements and Schedules shall be affixed with signature/seal of authorized officer.

The Schedules of Income and Expenditure Statement in respect of fixed assets are provided in the Part-II of this Account Code. The Balance Sheet abstract in respect of Fixed Assets is also provided in the Part-II of this Account Code.

6.32 Additional disclosures to the Schedule

6.32.1 Value of fixed assets under dispute or litigation shall be provided. The status of the legal case as at the reporting date of the financial statements shall also be mentioned.

6.32.2 The details and value of assets, which are not yet physically identified/traced, shall be disclosed separately.

6.32.3 Details and value of assets under leases and hire purchase needs to be disclosed as a note.

Notes: -

- (i) Gross Block means cost of acquisition of fixed asset. Opening Balance in Gross Block as on the first day of the year represents the closing balance of the previous year. For instance, the opening balance as on 1st April 2024 shall be equal to the closing asset balance as on 31st March 2024.
- (ii) Land includes areas used for the purpose of public places such as parks, squares, gardens, lakes, museums, libraries, go downs etc.
- (iii) Buildings include office and works buildings, commercial buildings, residential buildings, school and college buildings, hospital building, public buildings temporary structures and sheds, etc.
- (iv) Roads and bridges include roads and streets, pavements, pathways, bridges, culverts and subways.
- (v) Sewerage and drainage include sewerage lines, storm water drainage lines and other similar drainage system.
- (vi) Waterworks include water storage tank, water wells, bore wells, Water pumping station, Water transmission and distribution system, etc.
- (vii) No depreciation is to be charged on "Land".

CHAPTER-7
PROPERTY AND OTHER TAXES

7.1 Introduction

Property Tax is the primary source of income of all Municipalities. Property tax is levied on residential, commercial, industrial and institutional properties with vacant plots. Property tax is collected from the citizens and organizations, which own and occupies the properties. In respect of property tax on State or Central Government departments or undertakings, the property tax is received from the State or Central Government, as the case may be, and in respect of Government undertakings, Property tax is derived directly from such undertakings or the State or Central Government.

This chapter contains the accounting system for Property and other Taxes related transactions.

7.2 Classification of Municipal tax

(A.) Property and other Municipal Tax may comprise of the following; namely: -

- (i) Tax on land and buildings;
- (ii) Tax on Water
- (iii) Tax on Sewerage;
- (iv) Sanitation tax
- (v) Lighting fee
- (vi) Education Cess;
- (vii) Motor Vehicle tax
- (viii) Tax on Animals
- (ix) Electricity tax
- (x) Professional tax
- (xi) Permission Fee
- (xii) Pilgrimage fee
- (xiii) Development Charges;
- (xiv) Street Tax;
- (xv) Fire Tax;
- (xvi) Health Tax;
- (xvii) Dog/Pet Tax;
- (xviii) Tree fee;
- (xix) Any other tax, toll, fee, charges, duty or cess if applicable.

(B.) In addition to the taxes referred above, the following may be collected by the Municipalities, namely:-

- (i) Property Transfer Charges, if applicable .
- (ii) Notice Fee, warrant fee surcharge, other fees and interest and penalties charged for delays and defaults made by the taxpayers.

(C.) Taxes, as referred above, shall be collected as per provisions contained in the Act or rules made thereunder. The calculation of tax shall be made at the rates and procedure as prescribed by the Government from time to time.

7.3 Appointment and duties of Zonal Taxation Officer (Z.T.O), Tax Superintendent, Tax Inspectors, any officer authorised by Chief Municipal Officer etc:

7.3.1 Every Municipality in which any tax in the nature of a toll is imposed, shall employ a Zonal Taxation Officer or Tax Superintendent as the case may be and may appoint one or more Assistant Zonal Taxation Officer or Tax Superintendents as the case may be and such number of tax inspectors, tax clerks and tax collectors, as may be necessary for the assessment and collection of such tax, provided

that nothing in this rule shall be deemed to prevent the Municipality from appointing anybody to discharge the duties of Zonal Taxation Officer or tax superintendent as the case may be, the secretary or assistant secretary or to discharge the duties of Assistant Zonal Taxation Officer or Tax Superintendents as the case may be, Tax Inspectors, Tax Clerks or Tax Collectors or any other employees of the Municipality. The appointment of above officials shall be in accordance with the Haryana Municipal Service Rules 2010, as amended from time to time, or any other applicable rules or regulations in vogue.

7.3.2 The Zonal Taxation Officer or Tax Superintendent as the case may be, in addition to any other duties imposed upon him by these rules shall be responsible generally for the assessment and collection of all taxes and such additional fees and dues as the Municipality may direct and for the proper discharge of their duties by Assistant Zonal Taxation Officer or Tax Superintendent as the case may be, Tax Inspectors, Tax Clerks and Tax Collectors.

7.3.3 The Assistant Zonal Taxation Officer or Tax Superintendent as the case may be, shall exercise such functions and duties, as may be entrusted to him by the Municipality.

7.3.4 The Tax Inspectors, in addition to any other duties imposed upon them by these rules, shall be responsible for the proper discharge of their duties by the Tax Clerks and Tax Collectors attached to their respective circles, and it shall be their duty to see that all persons liable to a tax by reason of their residence or ownership or occupancy of property within their respective circles are assessed for payment of such tax, and to report to the Zonal Taxation Officer or Tax Superintendent as the case may be all cases in which such persons have escaped assessment or have been under-assessed and all changes of ownership or occupation of property, new construction or alterations of buildings or fresh acquisitions of animals or vehicles affecting the liability of such persons to taxation.

7.4 Treatment of Tax on Land and Building:

7.4.1 In a Municipality in which a tax is imposed upon the buildings and lands, the Zonal Taxation Officer or Tax Superintendent or any officer authorised by Chief Municipal Officer, as the case may be shall as soon as may be, after the date on which the tax comes into force cause to be entered in column 1 to 15 of the detail of tax on Lands and Buildings Register in form TS-1 (the specimen of which is given in Part-II of this Accounts Code) particulars of all buildings or lands liable for tax, together with the name and addresses of the owners or occupiers and the amount of tax payable thereon.

7.4.2 Zonal Taxation Officer or Tax superintendent or any officer authorised by Chief Municipal Officer as the case may shall collect tax on Lands and Buildings in Form TS-2 (Part-II) by the declaration made by the owner/ occupier/assesses on the form TS-2 (Part-I) (specimen of which is given in Part-II of this Accounts Code).

7.4.3 Every owner or occupier of any property (building or land) in a Municipality shall be liable to pay the property tax and shall self-assess the tax as notified under clause (a) of Section 87 of the Haryana Municipal Corporation Act, 1994 (16 of 1994) and Section 69 of the Haryana Municipal Act, 1973 (24 of 1973). He shall be liable to file a declaration on the form TS-2 (Part-I) (the specimen of which is given in Part-II of this Accounts Code).

7.4.4 Zonal Taxation Officer or Tax superintendent or any officer authorised by Chief Municipal Officer as the case may be, may at any time verify the facts mentioned in the declaration made by the owner/ occupier. In cases any variation is found, the owner or occupier of land or building, as the case may be, shall be liable to pay the penalty equal to the amount of tax evaded subject to a minimum of rupees one hundred as prescribed in the Act.

7.5 Guidelines for the calculation of Property Tax

Property tax on land and building shall be calculated as per methodology notified by Urban Local Bodies Department, Haryana. The calculation of property tax shall be made at the prevailing rates as notified by the Government from time to time.

7.6 Preparation of Tax Registers in other cases:

In a Municipality in which any tax other than a property tax upon buildings or land or a tax in the nature of a toll is imposed, the Zonal Taxation Officer or Tax Superintendent or any officer **authorised** by Chief Municipal Officer as the case may be shall, as soon as may be, after the date on which the tax comes into force, cause to be prepared a register in Form TS-3 (the specimen of which is given in Part-II of this Account Code) of persons liable for payment of the tax and for this purpose may, if duly authorized by the Municipality in this behalf, under the provisions of sub-section (1) of section 88 of the Haryana Municipal Corporation Act, 1994, issue to any person a Demand in Form TS-4 (the specimen of which is given in Part-II of this Account Code) for such information, as may be necessary, in order to ascertain whether such person is liable to pay the tax.

7.7 Posting of Tax Demand and Collection

To prevent confusion, the Tax on Lands and Buildings, Tax Demand and Collection Register (Form TS-5, Part-I), (the specimen of which is given in Part-II of this Account Code) shall be prepared by the Zonal Taxation Officer or Tax Superintendent or any officer **authorised** by Chief Municipal Officer as the case may be.

7.8 Correction of Assessment and Tax Demand and Collection

7.8.1 When an amendment is made in an assessment list under the provisions of the Act, or if the amount of any tax is reduced under the provisions of the Act, or any person or class of persons or any property or description of property is exempted under the provisions of, or if the Assessment or levy of any tax is canceled or modified as a result of an appeal under provisions of the Act, the necessary corrections shall be made in red ink in the Detail of tax on Lands and Buildings Register (Form TS-1) or the Tax Demand and Collection Register (Form TS-5 Part-I), and a note shall be made in the "Remarks" column of each register giving the authority and grievance number for the correction.

7.8.2 When any person is exempted from the payment of a tax under the provision of the Act. No correction shall be made in the Tax Demand and Collection Register (Form TS-5) unless the authority for the remission and the amount of tax in respect of which such remission if granted is duly entered in the Tax Demand and Collection Register Form (TS-5).

7.9 Opening of fresh Demand and Collection Register

At the beginning of each year, a fresh Tax Demand and Collection Register shall be opened in which shall first be entered the names of all assesses against whom arrears are shown as due on account of the previous years in column 7 and 8 of the Tax Demand and Collection Register (Form TS-5) of the previous year, together with the amount of such arrears, after which the entries relating to the demand of the current year shall be posted, the word "arrears" being written in red ink in the "Remarks" column against the name of any person in the list of the current year whose names is also entered in the list of persons from whom arrears are due. The updated demand shall be made available on the online portal of the municipality.

7.10 Issue and Collection of taxes through Tax Collectors

7.10.1 In Municipalities in which staff of Tax Collectors is maintained, the Zonal Taxation Officer or Tax Superintendent (as the case may) may distribute the assessment notice as per Form TS-6 (the specimen of which is given in Part-II of this Code), if required for collection to the Tax Collectors, details of the bills distributed being first entered in columns 1 to 3 of a Tax Bill- Book to be maintained in respect of each tax in Form TS-7 (the specimen of which is given in Part-II of this Accounts Code), and the signature of each Tax Collector being taken at the time of the distribution of the bills.

7.10.2 Every Tax Collector to whom bills are distributed shall present the bills to the assessee for payment, and on receipt of the amount shall make an entry of the payment in a Collection Challan in Form TS-8 and issue a receipt in Form GEN-8 (the specimen of which is given in Part-II of this Accounts Code) to the person who makes the payment, provided that, if any assessee to whom a bill is presented wishes to make payment thereof direct at the office of the Zonal Taxation Officer or Tax Superintendent, as the case may be, the bill shall be handed over to him after an acknowledgment of receipt of the bill taken from him on the counterfoil of the bill.

7.10.3 Every Tax Collector shall remit his collections daily at the office of the Zonal Taxation Officer or Tax Superintendent as the case may be where his Collection Challan (Form T.S. 8) shall be totaled; and if the total agrees with the cash produced, the Challan shall be signed by the Tax Superintendent and a receipt for the amount shall be given to the Tax Collector in a receipt book in Form TS-9 (the specimen of which is given in Part-II of this Accounts Code) to be kept in his possession.

7.10.4 The Tax clerks in-charge of the Tax Demand and Collection Register (Form TS-5 Part I), after checking the realizations shown in the Challan (Form TS-8) with the counterfoils of the bills paid, and having initialled the counterfoils, shall post each item from the Challan into its proper place in the register and shall then file the Challans in a guard file to be kept for the purposes of audit.

7.10.5 After the realizations have been posted in the Tax Demand and Collection Register (Form TS-5), columns 5 to 8 of the Bill-book (Form TS-7) shall be posted by or under the direct supervision of the Zonal Taxation Officer or Tax Superintendent as the case may be, the letter 'P' and the date of payment being entered in columns 5 against each bill paid, while if the Zonal Taxation Officer or Tax Superintendent as the case may be decides for any reason not to re-issue a bill returned unpaid the letter 'C' and the date of cancellation shall be entered in column 5 and the bill and its counterfoil shall be enfacéd 'cancelled' over the signature of the Zonal Taxation Officer or Tax Superintendent as the case may be, who shall take such steps with regard to the cancellation as may be within his powers or report the matter to the Municipality for orders with regard to the action taken in either case being

noted in column 8 of the Bill Book (Form TS-7); in the case of bills retained by assesses for direct payment at the office of the Zonal Taxation Officer (Z.T.O) or Tax Superintendent as the case may be, the letter 'D' and the date of presentation of the bill shall be entered in column 5 of the bill-book.

- 7.10.6 At the end of each month, the outstanding bills in each Bill- book shall be verified with the bills actually in the hands of the Tax Collector, and the Zonal Taxation Officer (Z.T.O) or Tax Superintendent shall sign a certificate of verification as the case may be on the Bill book of each Tax Collector in the following form: -

“Certified that out of bills for sum amounting to ` _____, issued to Tax Collector _____, bills for ` _____ have been paid or cancelled, or retained by assesses and bills for the balance, ` _____, remain with the Tax Collector and have been verified by me.”

- 7.10.7 When the period on account of which the tax was due has expired, each Bill-book shall be formally closed and balanced over the signature of the Zonal Taxation Officer (Z.T.O) or Tax Superintendent as the case may be, the outstanding bills being verified with those in the hands of the Tax Collector and brought forward in detail on a fresh page.

7.11 Direct payment of bills for tax

An assessee wishing to make payment of bill in Form TS-6 shall take or send by hand or by post the amount of the bill in money or by cheque/demand draft and digital payments to the office of the Zonal Taxation Officer (Z.T.O) or Tax Superintendent or any officer assigned by Chief Municipal Officer (as the case may) and a receipt in Form Gen. 8 shall be issued for the amount received and the receipt shall be posted in the Tax Demand and Collection Register (Form TS-5); and if the bill is one which was presented by a Tax Collector and retained by the assessee, a note shall subsequently be made in red ink against the relevant entry in the Bill book of Tax Collector concerned.

7.12 Progressive Total

Separate books of bills in Form TS-6 shall be used in respect of each tax in force, and progressive daily totals of amounts received shall be filled in on the counterfoils of the forms as issued.

7.13 Recovery of arrears of tax through Collector or Magistrate

When the arrears of any tax are recovered through the Collector or a Magistrate under the provisions of the Act, a remark to this effect shall be made in the Tax Demand and Collection Register (Form TS-5) and the amount of any notice, fee or costs recovered shall be shown as a 'Deduct' entry against the cost of the collection of the tax.

7.14 Submission of Tax Collection Progress Statement

To enable the Municipality to watch the progress of collections of taxes, Tax Collection Progress Statements in Form TS-10 and TS-10A (the specimens of which are given in Part-II of this Account Code), shall be laid before the Municipality once a quarter and, if the Commissioner/ District Municipal Commissioner so directs, a copy of the statement shall be forwarded to him.

The forms in TS-10A shall be prepared separately for each year for which un-recovered demand is outstanding. Similar progress statements shall be prepared and laid before the Municipality for all other municipal dues, such as rents of buildings, lands etc., license fee rent and fee, for the occupation of public lands under the bye-laws dealing with such occupations demands for the services rendered by municipal agency including the sale of sullage water, market rents, charges for the sale of water, charges for the demolition of dangerous and unsanctioned buildings, education, medical and veterinary fees and demands in connection with municipal gardens and arboriculture etc.

Provided that if any arrears of demand are due from any member or official of the Municipality, the name of such personnel shall be shown separately in the statement and the amount due from such person shall also be shown against his name.

Provided further that when an arrear has been outstanding for more than three months, the Authority of the Municipality shall proceed against the defaulter.

7.15 Action due to non-payment of property tax: If any sum due on account of tax/fee payable under the act, it shall be recovered together with the cost of recovery by all or any of the following process.

- Declaration under arrear of land revenue
- By distraint and sale of defaulter's moveable property.
- By attachment and sale of defaulter's immoveable property.
- In case of taxes on land and building by the attachment of rent due in respect of property.
- By a suite.
- By sealing of the premises

7.16 Attachment and sale of defaulter's immoveable property

The Municipality may start the auctioning process of attached properties if the owners still fail to clear dues within stipulated time in notice. In case of auction the following treatment shall be done for sales proceed:

Particulars	Treatment in books of accounts
1. Amount Attributed to Property Tax	Booked as property tax receipt
2. Recovery Expenses	Recovery Revenue
3. Excess, if any	Refunded to the owner

7.17 Accounting Policies for Property Tax and Other Taxes:

(a) Property tax and other taxes

- (i) revenue in respect of Property and Other Taxes shall be recognized in the period in which they become due, and demands are ascertainable;
- (ii) in case of new or changes in assessments, the tax shall be accrued in the month in which the demand is served;
- (iii) interest element and penalties, if any, in demand shall be reckoned only on the collection;
- (iv) revenue in respect of Notice Fee, Warrant Fee, and Other Fees charged shall be recognized when the bills for the same are raised;
- (v) revenue in respect of Property Transfer Charges shall be recognized on actual receipt;
- (vi) collections to be made on behalf of State Government, i.e., Fire tax, Labour Cess, State Education Cess, Employment Guarantee Cess and Library Cess etc. if included in the Property tax demand shall be reckoned together with Property tax demand and credited to a control account called "State Government Levies in Taxes- Control Account"; However, service charge shall be levied on the concerned department.
- (vii) the liability towards dues to the State Government for collections on its behalf shall be recognized as and when they are collected;
- (viii) revenue in respect of Rebate from State Government for collection made on their behalf shall be recognized at the rates prescribed by the State Government at the time of creating the liability to the State Government;
- (ix) while making provision for receivables as stated above, the relevant proportion 'State Govt. Cesses/levies in Property Tax-s - Control account' shall also be provided by debiting to a separate account;
- (x) any additional provision for demand outstanding net on overall basis required to be made during the year shall be recognized as the expenditure of the current year and any excess provision written back during the year shall be recognized 'as other income' of the Municipality for the current year;
- (xi) refunds of taxes for the current year shall be adjusted against the income, and, if pertains to previous years, then it shall be treated as prior period item;
- (xii) write-offs of taxes shall be adjusted against the provisions made and to that extent recoverable and 'State Government dues control' account balance gets reduced;
- (xiii) any subsequent collection or recovery of 'Receivables for Property Taxes which were already written off' shall be recognized as a 'Prior Period Income';
- (xiv) demands raised with retrospective effect shall be treated as prior period income to the extent it pertains to earlier years;
- (xv) part-payments received in respect of Property/ Home, and Other Tax levies shall be adjusted against the demand without any rebate if due;
- (xvi) wherever self-assessment of taxes is prevalent, income shall be accrued based on records available with the Municipality when it becomes due as per the provisions of the Haryana Municipal Acts. Further changes arising out of self-assessment shall be treated as 'Change in

Demand' and shall be accounted for accordingly.

(b) Accounting for other taxes forming part of the property tax

- (i) Water supply and drainage tax and any other tax if accrued along with property tax – general purpose every half year in respect of the demand outstanding beyond two (2) years, provision shall be made in the Demand, based on the following provisioning norms:
 - Outstanding for more than 2 years but not exceeding 3 years: 25%
 - Outstanding more than 3 years but not exceeding 4 years: 50% (additional 25%)
 - Outstanding more than 4 years but not exceeding 5 years: 75% (additional 25%)
 - Outstanding for more than 5 years: 100% (additional 25%);
- (ii) Any additional provision for demand outstanding (net on an overall basis) required to be maintained as at the end of the year shall be recognized as expenditure and any excess provision written back shall be treated as income of the Municipality.
- (iii) Refunds, remissions of taxes for the current year shall be adjusted against the income and, if, pertains to previous years will be treated as prior period items.
- (iv) Any subsequent collection or recovery of receivables for water supply and drainage tax and elementary education tax which was already written off shall be recognized as a 'Prior period item.'

7.18 Tax Bills:

A Summary Statement of Bills raised shall be prepared area/ward-wise and tax- head-wise, in Form P and OT-1 on a monthly basis within 7 days from the end of the previous month. This forms the base for accounting, and the following entry shall be passed:

(a) Recording of demand raised on existing assessments:

Code of Account	Accounting Entry	Dr/ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-10-000-(a)	Receivable for Property Taxes (Year.....)	Dr	7,70,000		Journal Book and Ledger
110-01-000-01	To Property Tax – Residential	Cr		2,00,000	
110-01-000-02	To Property Tax – Commercial	Cr		3,00,000	
140-16-000-(a)	To Water Charge	Cr		50,000	
110-03-000-01	To Sewerage Tax	Cr		50,000	
110-04-000-01	To Conservancy Tax	Cr		50,000	
110-05-000-01	To Lighting Tax	Cr		50,000	
431-91-000-01	To State Government Cesses/levies in Property Taxes – Control account	Cr		70,000	

(a) Insert Detailed Head Code of Account as applicable.

Notes: -

- (i) The postings in the Ledger Account of 'Receivables' for Property Tax' Account and Revenue accounts shall be carried out.
- (ii) It is a normal practice for the Municipalities to include the arrears of the tax dues while issuing the fresh demand. Entries in respect of the arrears shall have already been recorded in the earlier years. The above entry to be passed is only in respect of the current year demand.
- (iii) Cesses/Levies collected on behalf of State Government together with property tax demand shall be reckoned and credited to control account, "State Govt. Cesses/ levies in Property Tax-s - Control account". However, the liability to the State Government arises only upon collection. The treatment of this is discussed subsequently

(b) Recording of demand raised in case of new assessments: -

In the case of new assessments, the demand shall be raised for a period earlier to the financial year in which the assessment is made. In such case, the demand shall be split according to the period to which it relates, and income related to earlier period be accounted as prior period income as provided below: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-10-000-(a)	Receivables for Property Taxes –Private Properties	Dr	4,400		Journal Book and Ledger
110-01-000-01	To Property Tax – Residential	Cr		2,000	
280-10-000-(a)	To Prior period Income	Cr		2,000	
431-91-000-01	To State Govt. Cesses/ levies in Property Taxes – Control Account	Cr		400	

* Specify the heads of each income for which demand is raised.

** Specify the name of the cess.

(a) Insert Detailed Head Code of Account as applicable.

Notes: The demand raised is for two assessment periods for ₹ 2,200 each of which ₹ 200 is towards State cess.

(c) Recording of change in assessments:

Any demand raised earlier may change by court order/ by order of Commissioner/ District Municipal Commissioner or by any other competent authority. This may either lead to an increase or decrease in demand amount. A summary statement of all changes in demand raised shall be prepared in Form P and OT- 2 on a monthly basis within 7 days from the end of the previous month. This forms the base for accounting, and the following entry shall be passed: -

- (i) In case the revised demand is more than what was recorded earlier, then, the entry to be passed is the same as the accounting of existing demand, for the difference amount.
- (ii) In case the revised demand is less than what was recorded earlier, the entry passed earlier has to be reversed for the difference. The reversal shall be reflected in the current year revenue in case the revision in demand relates to the current year, and in any other case, the reversal shall be accounted as prior period expenses. The refund amount shall be adjusted against receivables if the demand is outstanding. The accounting entry for the same is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
110-90-000-(a)	Tax Refund property and other taxes.	Dr.	500		Journal Book and Ledger
280-50-000-(a)	Prior period expenses refund of Taxes	Dr.	500		
431-91-000-(a)	State Govt. Cesses/levies in taxes control account.	Dr.	100		
431-10-000-(a)	To Receivables for property taxes (Year...)	Cr.		1,100	

* Specify the heads of each income for which demand is raised.

** Specify the name of the cess.

(a) Insert Detailed Head Codes of Account as applicable.

- (iii) If the demand is already paid, it will either be taken as credit and adjusted against future payments or will be paid to the taxpayer as refund depending on the governing principle of the municipalities. The amounts of refunds shall be credited to the account Advance Collection of Revenues' with account

code 350-41-(a) (instead of 431-10-(a) as indicated in the above entry when it is to be adjusted against future payments. If it is to be refunded, then it shall be credited to the Refunds payable account with account code 350-40-(a)

Self-Assessment: -

Self-Assessment of taxes is 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 municipalities in the assessment records. On the due date, a summary statement of bills raised shall be prepared by the Tax Branch as provided earlier and income shall be accrued as in the normal case. However, on submission of self-assessment forms, upon scrutiny and approval as per the rules and regulations laid down for this purpose, it shall be recorded in the books of accounts. The effect of this may either lead to an increase or decrease in demand. The accounting procedure to be adopted shall be the same as the change in assessment.

7.19 Collection of Taxes

The procedure for an accounting of collections is described below:

- (a) **Recording of tax collections** based on Summary of Daily Collection (Form GEN-12) received from the various Collecting Offices/centers, the Accounts branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a) 431-80-000-(a)	Bank Account* To Receivables Control accounts-property taxes	Dr. Cr.	5,10,000	5,10,000	Cash Book and Ledger

* Specify the name of the Bank and account number.

- (a) Insert Detailed Head Codes of Account as applicable.

- (b) The Summary of daily collection (Form GEN-12) does not provide the details in respect of the year-wise head-wise collections made in respect of Property and Other Taxes. Hence, the total amount collected shall be credited to “Receivables Control Accounts– - Property Taxes” Account. The collection made shall be further segregated into year- wise and head-wise collection on a monthly basis.

- (c) **Recording of the break-up of collections:**

A Summary Statement of Year-wise/ Head-wise Collection of Property and Other Taxes in Form P and OT-3 on a monthly basis shall be prepared and sent to the Accounts Branch to record the details of the collection. Interest on delayed payment shall be charged to the taxpayer by relevant provisions. Interest shall be recognized as income only on collection. To record the break-up of year-wise recovery of collection amount tax received in advance and to record the interest income; the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr. / Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-80-000-01	Receivables control accounts– Property taxes	Dr.	5,10,000		Journal Book and Ledger
431-10-000-(a)	To Receivables for property taxes (Year....)	Cr.		4,40,000	
431-10-000-(a)	To Receivable for property taxes (Year...)	Cr.		55,000	
350-41-000-(a)	To Advance collection of Revenues property taxes*	Cr.		11,000	
171-80-000-(a)	To Other interests receivables	Cr.		1,000	
140-20-000-(a)	To Penalties and fines	Cr.		3,000	

* Adjustment of tax collected in advance is discussed separately under section ‘Adjustment of Tax Received in Advance’ below.’

- (a) Insert Detailed Head Codes of Account as applicable.

7.20 Recognition of liability and payment of specific State Government dues

- (a) **Recording of liability to State Government and rebate income earned, if applicable:** The specific head-wise liability in respect of the amount collected on behalf of the State Government shall be recognized on a collection based on the Summary Statement of Year-wise and Head-wise Collection of Property and Other Taxes (Form P and OT-3). Further, the Municipality shall be entitled to a rebate for the collections made on behalf of the State Government. It shall be accounted for as income on the creation of specific head wise liability. To record the liability and income, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-91-000-(a)	State Government Cesses/levies in\ Property taxes control account*	Dr.	45,000		Journal Book and Ledger
350-30-000-(a)	To Government dues payable*	Cr.		40,500	
140-70-000-(a)	To Service/administrative charges-Rebate from State Government	Cr.		4,500	

* Specify the name of the cess.

- (a) Insert detailed Head Codes of Account as applicable.

- (b) **Recording of payment made to State Government:** - Payment Order (Form GEN-14) is made for remittance of payment of collections made on behalf of the State Government. Based on the payment order, the following entry shall be made to record the payment order:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-30-000-(a)	Government Dues payable cess*	Dr.	40,500		Cash Book and Ledger
450-21-000-(a)	To Bank Account**	Cr.		40,500	

*Specify the name of the cess.

** Specify the name of the Bank and account number.

- (a) Insert detailed Head Codes of Account as applicable.

- (c) **Recording of Discount allowed:**

The Municipality shall provide for a discount on property and other taxes for payment within a certain period if allowed by its rules. Discount allowed shall be reckoned along with the details of collection and be recorded from the Summary Statement of Year-wise and Head-wise Collection of Property and Other Taxes. To record the discount allowed during the period, the following accounting entry is to be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
240-80-000-(a)	Other Finance Expenses Discount on early payment	Dr.	100		Journal Book and Ledger
431-10-000-(a)	To Receivables for Property Taxes (Year)	Cr.		100	

- (d) **Recording of Rebate allowed:**

In case, a rebate is allowed on payment of Property Tax, if allowed by its rules, rebate allowed shall be reckoned along with the details of collection and be recorded from the Summary Statement of Year-wise

and Head-wise Collection of Property and Other Taxes. To record the rebate allowed during the period, the following accounting entry is to be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
240-80-000-03	Rebate on Property Tax Receivable A/c	Dr.	100		Journal Book and Ledger
431-10-000-(a)	To Receivables for Property Taxes (Year)	Cr.		100	

(a) Insert Detailed Head Code of account as applicable.

7.21 Notice Fee, Warrant Fee, Other Fees, and Penalties:

Notices of demand surcharge and warrants shall be issued, and penalties shall be charged as per the relevant provisions.

Recording of demand raised: - A Summary Statement of Notice Fee, Warrant Fee and Other Fees in Form P and OT-1 shall be prepared on a monthly basis. The following entry shall be passed to record the demand raised:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-10-000-(a)	Receivables for property taxes (Year)	Dr.	600		Journal Book and Ledger
140-40-000-(a)	To Other fees Notice fees	Cr.		300	
140-40-000-(a)	To Other fees Warrant fee	Cr.		300	

(a) Insert Detailed Head Code of Account as applicable.

7.22 Refunds and Remissions

All refunds and remissions arising under eligible circumstances as provided in the Act and regulations governing the revenues shall be duly recorded in the Demand registers maintained, and the details of the same shall also be communicated to the Accounts Branch. It is to be noted that refund/ remission on account of the reasons referred above are generally granted for the tax amounts only and the portion of any other levy/cess in the original demand is not refunded/exempted. The reversal shall be reflected in the current year revenue in case the revision in demand relates to the current year, and in any other case, the reversal shall be accounted as prior period expenses.

Recording of refunds/remissions payable:

A Summary Statement of Refunds and Remissions in Form P and OT-4 (specimen provided in Part-II of this Code) on a monthly basis shall be prepared. Refunds/Remissions of a prior period shall be identified separately from the current period based on which the Accounts Branch shall pass the following entry: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
110-90-001-(a)	Tax remission and refunds property Taxes	Dr.	300		Journal Book and Ledger
280-50-000-(a)	Prior period expenses Refund of taxes –Property taxes	Dr.	200		
350-40-000-(a)	To Refunds payable-Taxes*	Cr.		500	

* Refunds/remissions arising on account of change in provisions shall be either passed for 'Payment' (Refund payable account) or credited to the account 'Advance collection of Revenues' (under the account code 350-41-(a)) by the principles of the municipalities.

(a) Insert Detailed Head Code of Account as applicable.

Recording of payment refunds/remissions granted: - The Accounts Branch shall prepare a Payment Order (Form GEN-14) in respect of the refunds and communicate the details of refunds made to the Tax Branch for

updating the Register of Demand and other registers. To record payment of refunds/remissions granted, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-40-000-(a) 450-21-000-(a)	Refunds payable ± Taxes To Bank account*	Dr. Cr.	500	500	Cash Book and Ledger

* Specify the name of the Bank and Account number.

(a) Insert Detailed Head Code of Account as applicable.

7.23 Payment for Properties Occupied by State Govt instead of General Tax and Education Cess:

Recording of demand raised: - In case separate provisions under the law for charging property tax on properties occupied by State Government, a Summary Statement of Bills Raised (Form PandOT-1) in this regard be prepared in the same way as in case of other properties based on which following accounting entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-10-000-(a) 110-01-000-(a)	Receivables for property Taxes (Year) To Property Taxes-Service Charges	Dr. Cr.	1,000	1,000	Journal Book and Ledger

(a) Insert Detailed Head Code of Account as applicable.

The procedure for collection and accounting of sums received from the State Government in this regard shall be the same as discussed for Property and Other Taxes collected otherwise.

Recording of write-offs: - If for any reason, it is decided by the Municipality to write-off property and other taxes, which was earlier treated as an income, the write off shall be adjusted against the provision made, and the following entry shall be passed based on the summary statement of write off in form PandOT-5 (specimen has been provided in Part-II of this Code):

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
432-10-000-(a)	Provision for O/standing property Taxes	Dr.	1,100		Journal Book and Ledger
431-91-000-(a)	State Government Cesses/levies in Property taxes Control account*	Dr.	100		
431-10-000-(a)	To Receivables for property taxes (Year)	Cr.		1,100	
432-91-000(a)	To State Government cess/levies in Property taxes provision account	Cr.		100	

(a) Insert detailed Head Codes of Account as applicable.

Recording of subsequent collection/ recovery of 'Receivables of Property and Other Taxes' written off: In case a 'Receivable of Property and Other taxes' already written off were recovered/collected during the year, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr. Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-80-000-(a)	Receivable control account Property taxes	Dr.	1,100		Journal Book and Ledger
280-30-000-(a)	To Recovery of revenues written off property taxes	Cr.		1000	
350-30-000-(a)	To Government Dues payable- Cess	Cr.		100	

* Specify the name of the cess.

(a) Insert Detailed Head Codes of Account as applicable.

7.24 Transfer of amount outstanding in respect of arrears from specific year-wise account to general account:

The arrears of Property and Other Taxes shall be carried forward year-wise, i.e., in "Receivables for Property Taxes (Year ¼)" account up to five years. On completion of the fifth year, the amount outstanding in the specific year-wise receivable account shall be transferred to a general arrears account, i.e., "Receivables for Property Taxes (Others)" Account. For example, the tax receivable in respect of the demand raised during the accounting year 2020-21 shall be carried forward in "Receivables for Property Taxes (2021)" Account up to the year ending March 31, 2021. On March 31, 2021, the balance outstanding in this account shall be transferred to "Receivables for Property Taxes (Others)" Account.

Recording of transfer of arrears to general account: - To record this transfer, the Accounts Branch shall pass the following entry: -

Code of Account	Accounting Entry	Dr. / Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-10-000-(a)	Receivables for property taxes (Others)	Dr.	10,000		Journal Book and Ledger
431-10-000-(a)	To Receivable for property taxes (Year)	Cr.		10,000	

(a) Insert Detailed Head Code of account as applicable.

7.25 Adjustment of Tax Received In Advance:

The Tax Branch shall intimate the Accounts Branch of the advance adjusted against the subsequent demand raised through the Summary Statement of Bills Raised (in Form P and OT-1) and the procedure for recording these entries is outlined below: -

- (i) **Recording of subsequent demand raised:** - To record the demand raised for tax, the Accounts Branch shall pass the same entry as in the case of existing assessments.
- (ii) **Recording of adjustment of advance:** - To record the adjustment of tax received in advance, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-41-000-(a)	Advance collection of revenues property Taxes	Dr.	1,000		Journal Book and Ledger
431-10-000-(a)	To Receivables for property taxes (Year)	Cr.		1,000	

(a) Insert Detailed Head Code of Account as Applicable.

- (iii) **Recovery of property and other taxes through legal proceedings:** Expenditure incurred in respect of attachment and sale of the properties of the defaulter shall be recorded as cost incurred on recovery, and the accounting entry is as follows: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
220-51-000-(a)	Legal expenses cost of recovery tax revenues	Dr.	300		Cash Book and Ledger
450-21-000-(a)	To Bank account*	Cr.		300	

* Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

(iv) **Collections on Sale of Attached Property:** From the Summary of Daily Collection (Form GEN-12) received from the various Collection Offices and Collection centers, the following entry shall be passed: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a) 350-90-000-(a)	Bank Account* To Sale proceeds attached properties	Dr. Cr.	5,00,000	5,00,000	Cash Book and Ledger

* Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

The Tax Branch shall send the details of the adjustment of the amount collected to the Accounts Branch. Based on the intimation received from the Tax Branch, to record the adjustment of the amount collected on the sale of attached property, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-90-000-(a) 431-80-000-(a)	Sale proceeds – attached properties To Receivable control accounts Property taxes	Dr. Cr.	5,00,000	1,00,000	Journal Book and Ledger
350-30-000-(a)	To Government dues payable Court attachments	Cr.		50,000	
350-40-000-(a)	To Refund payable –attached Properties	Cr.		3,50,000	

(a) Insert Detailed Head Code of Account as applicable.

The Tax Branch shall prepare the Payment Orders (Form GEN-14) in respect of the amounts payable after the sale of the attached property and send it to the Accounts Branch for payment. On making the payment, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-30-000-(a)	Government dues payable court attachments	Dr.	50,000		Cash Book and Ledger
350-40-000-(a)	Refunds payable – attached properties	Dr.	3,50,000		
450-21-000-(a)	To Bank account*	Cr.		4,00,000	

* Specify the name of the Bank and account number.

(a) Insert Detailed Head Codes of Account as applicable.

The amount to be credited to the receivable Control Accounts - Property Taxes' shall include the amount receivable in respect of tax as well as the expenditure incurred in respect of the recovery from the taxpayer. The entries for adjustment of collection against year-wise receivable and recognition of specific liabilities for the collection of State Government dues shall be recorded by the Summary Statement of Year-wise Head-wise Collection of Property and Other Taxes which has been mentioned above.

To record the receipt of cost of recovery, Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-80-000-(a) 220-51-000-(a)	Receivable control Accounts-property taxes To Legal expenses-cost of recovery of tax revenues	Dr. Cr	20,000	20,000	Journal Book and Ledger

(b) Insert Detailed Head Code of Account as applicable.

7.26 Property Transfer Charges

The Municipality may charge fees for the transfer of property. The revenue for the Property Transfer Charges levied shall be recognized as collection.

Recording of the collection – From the Summary of Daily Collection (Form GEN-12) received from the various Collection Offices and Collection centers, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a) 431-80-000-(a)	Bank Account* To Receivables control Accounts-property taxes	Dr. Cr.	300	300	Cash Book and Ledger

* Specify the name of the Bank and account number.

(a) Insert Detailed Head Code of Account as applicable.

Recording of specific income in respect of Property Transfer Charges: Based on the Summary Statement of Year-wise and Head-wise Collection of Property and Other Taxes in PandOT-3 received from the Tax Branch, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-80-000-(a) 140-40-000-(a)	Receivable Control accounts-property taxes Other fees property transfer charges	Dr. Cr.	300	300	Journal Book and Ledger

(a) Insert Detailed Head Codes of Account as applicable.

7.27 Internal controls:

The Municipality shall observe the following internal controls in respect of Property and Other Taxes related transactions, namely:

- (i) The Tax Branch shall ensure that Bills / Demands are raised on a quarterly/half yearly/yearly as prescribed basis for Property and Other Taxes.
- (ii) The Head of the Accounts Branch shall ensure that taxes are accrued in the month in which it is due and journalization of all the demands/bills raised for property and other taxes before accounting for the collection.
- (iii) The Head of the Accounts Branch and the Head of the Tax Branch shall reconcile the balance at the beginning of the accounting year in respect of the year-wise Property and Other Tax Receivables (as appearing in the Balance Sheet of the previous year) with the year-wise total of the arrears recorded in the Demand Register.
- (iv) A quarterly reconciliation shall be carried out by the Head of the Accounts Branch and the Head of the Tax Branch in respect of the amount collected and the year-wise amount outstanding between the balances in the Ledger Accounts be maintained at the Accounts Branch and the Demand Register be maintained at the Tax Branch.
- (v) The officers designated by the Municipality for operating the Designated Property Tax Bank Account(s) shall coordinate with the banks on a daily basis and ascertain the status of the cheques/drafts deposited by them.
- (vi) The Tax Branch shall ensure that the Receipt / Summary of daily collection (GEN-12) prepared, provides a reference to the Tax Collection Register.
- (vii) Write-off of Property Tax receivables shall be based on specific procedures and authorization levels. The State Government/ Municipality shall lay down the level of seniority of officers and the amounts, which they shall be competent to write-off.
- (viii) The Chief Municipal Officer shall specify such appropriate calendar of returns /reports for monitoring.
- (ix) The Head of the Accounts Branch shall certify all Reconciliation Statements.

7.28 Treatment of Part Payment Received from Property Taxpayer:

Whenever any part payment is received from the property taxpayer, the amount will be primarily adjusted against the interest. Any surplus amount after adjustment of interest will be credited to fire tax and finally the last surplus will be adjusted against the principal amount of property tax due.

7.29 Presentation In Financial Statements:

The various heads of account used for the accounting of Property and Other Taxes related transactions shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the municipalities. All these Financial Statements and Schedules shall be affixed with signature and seal of designated authorities.

The provision against the outstanding property tax receivable is to be disclosed under the major head "Accumulated Provisions" as a separate line item in the Balance Sheet below the 'Sundry Debtors.' The various Schedules (I-1, I-1(a), I-4, I-8, I-9, I-11, I-13, I-16, I-18, B-9, B-15 and B-17) of the Income and Expenditure Statement in respect of Property and Other Taxes are given in Part-II of the Code.

CHAPTER-8
WATER SUPPLY

8.1 Introduction

Municipalities have an obligation to make reasonable and adequate provision for the management and maintenance of all municipal water works and the construction or acquisition of new works necessary for sufficient supply of water for public and private purposes.

Municipalities are entitled to charge the users for the provision of these services. The charges for the water supply are recovered as a Tax along with the Property Tax, based on the Assessment Value of the property or as a charge based on measurement or at a fixed amount or both, as decided by the Government from time to time.

8.2 Components of Revenue in relation to Water Supply

The following are the revenue sources in relation to water supply, namely:

- Water Tax;
- Sewerage Tax;
- Water supply Charges (Water Rate);
- Sewerage Charges;
- Meter Rent for Water Supply;
- Connection/reconnection and disconnection Charges for Water Supply and Sewerage;
- Water Tanker Charges;
- Road Damage Recovery Charges;
- Interest, surcharge or Recovery Charges.

8.3 Accounting Principles

The following accounting principles shall govern the recording, accounting and treatment of transactions relating to Water Supply and Sewerage, namely:

- (i) Revenue in respect of Water Tax, Water supply Charges, Water Meter Rent, Sewerage Tax and Sewerage Charges, shall be recognized in the period in which they become due. It is to be noted that the Water Charges, Sewerage Charges and the related taxes may also be included in the bill raised for property tax or by raising a separate bill;
- (ii) Revenue in respect of Notice Fee, Warrant Fee and Other Fees shall be recognized when the bills for the same are raised;
- (iii) Revenue in respect of Connection Charges for Water Supply and Sewerage shall be recognized on actual receipt;
- (iv) Revenue in respect of Water Tanker Charges, Road Damage Recovery Charges and Penalties shall be recognized on actual receipt;
- (v) In respect of the demand outstanding beyond two (2) years, provision shall be made to the extent of income of the Municipality as follows, namely:
 - (a) If Water Charges and Sewerage Charges demand are raised separately, the taxes and charges shall be provided as follows:
 - Outstanding for more than 2 years but not exceeding 3 years: 50%
 - Outstanding for more than 3 years: 100% (additional 50%)
- (vi) Any additional provision for demand outstanding (net on overall basis) required to be made during the year shall be recognized as expenditure and any excess provision written back during the year shall be recognized as income of the Municipality;
- (vii) Refunds and remissions of taxes for the current year shall be adjusted against the income and if pertain to previous years, then it shall be treated as prior period item;
- (viii) Write-off in respect of water supply income shall be adjusted against the provisions made and to that extent, recoverable gets reduced. Any subsequent collection or recovery of Receivables of 'Water Supply Income' which were already written off shall be recognized as a 'Prior Period Income'.

8.4 Forms of water rate chargeable

Water rate chargeable under the applicable provision of the Act and may be taken in the form of lump sum charges or as per applicable rate varying with the number of taps or the size of ferrule or both and payable in advance or charges varying with the amount of water consumed,

provided that in Municipality in which Water Charges has been imposed, a water rate only in form of a charge varying with the amount of water consumed shall be charged.

8.5 Register of Water and Sewerage Connections to be maintained

In a Municipality in which a water rate is charged under the applicable provision of the Act, a register of water connections shall be maintained in form W-1 and WS-1 respectively and the information necessary for the posting of the register be supplied by the Water – Work Engineer as soon as a connection is sanctioned and opened.

8.6 Water-Rate Demand and Collection Register

From the Register of Water Connections (Form W-1) shall be posted in columns 1 to 12 of a Water-rate Demand and Collection Register in Form W-2 and WS-2 respectively provided that when the water-rate takes the form of a charge varying with the amount of water consumed, the entries in column 6-8 shall be made on receipt in each month from the Water Work Engineer of the meter – reading of connections.

8.7 Miscellaneous Demand in Connection with Water-Supply to be entered in Water-rate Demand and Collection Register

Miscellaneous demands in connection with the supply of water, such as demands on account of the rent of meters, fees for opening connections, on the cost of fittings, repairs and renewals shall also be entered in Columns 13 to 16 of the Water-rate Demand and Collection Register (Form W-2 and WS-2).

8.8 Levy of Water Rate

In Municipality, where the water-rate is levied according to the actual consumption of water, the reading of the meter provided in the consumer's premises shall be recorded in Form W-2A.

8.9 Issue of bills for water-rate etc., and collection of dues-

Bills for the collection of water- rate and miscellaneous demands connected with the water supply shall be issued in Form W-3 and WS-3 and payment thereof shall be made either directly at the office from which they are issued or, in large Municipalities where special staff is deputed for the collection of such dues.

8.10 Plan of mains and pipes to be maintained-

In a Municipality in which there is a piped water-supply with connections in private houses, the Municipality shall cause to prepare and to be kept up to date a plan showing the location and size of all mains and pipes and the dates on which they were laid.

The following incomes in respect of Water Supply shall be accounted on actual receipt basis:

- Connection Charges for Water Supply/Pipeline Service Charges;
- Water Tanker Charges;
- Road Damage Recovery Charges; and
- Penalties levied in respect of Water Supply related matters.

The Collection Offices and Collection Centers authorized to collect the above incomes shall prepare a Summary of Daily Collection (Form GEN-12) and send it to the Water Supply Branch and the Accounts Branch.

8.11 Raising of demand: A Summary Statement of Bills raised shall be prepared ward-wise and income head-wise, in Form WS-1 on a monthly basis within 7 days from the end of the previous month. These forms the base for accounting and the following entry shall be passed:

Code of Account	Accounting Entry	Dr/ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6

431-30-000-(a)	Receivable for Fees and User Charge–Water Supply (Year...)	Dr.	11,000		Journal Book and Ledger
140-50-000-(a)	To User Charges-Water Supply	Cr.		8,000	
140-50-000-(a)	To User Charges-Sewerage	Cr.		1,000	
140-50-000-(a)	To User Charges-Meter Charges	Cr.		1,500	
140-(b)	To Others*	Cr.		500	

* Specify the heads of each income for which bill is raised.

(a) Insert Detailed Head Codes of Account as applicable.

(b) Insert Minor Head Codes of Account as applicable.

It is a normal practice for the Municipality to enter the arrears of the Water Supply Income due while issuing the fresh demand. Entries in respect of the arrears shall have already been recorded earlier. The above entry shall, therefore, be passed only in respect of the current demand.

8.12 Collection of Water Supply Income

The procedure for accounting of collections is described below:

(A.) **Recording of Water Supply collections:** Based on the Summary of Daily Collection (Form GEN-12) received from various Collecting Offices/ centers, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	Bank Account*	Dr.	1,500		Cash Book and Ledger
431-80-000-(a)	To Receivables Control Account –Water Supply	Cr.		1,500	

* Specify name of the Bank and Account Number.

(a) Insert Detailed Head Codes of Account as applicable.

(B.) The Summary of Daily collection (Form GEN-12) does not provide the details in respect of the year-wise and head-wise collections made in respect of Water Supply. Hence, the total amount collected shall be credited to “Consolidated Receivables of Water Supply Income” Account. The collection made shall be segregated into year-wise and head-wise collection on a monthly basis and maintained as ‘Summary statement of year-wise and head-wise collection of water and related taxes’ in Form WS-2.

(C.) **Recording of break-up of collections:** - A Summary statement of year-wise/ head-wise collection of water and related taxes in Form W-2 as explained above shall be prepared on a monthly basis and sent to the Accounts Branch to record the details of collections. To record the break-up of collections into year-wise recovery and to record income received in advance, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6

431-80-000-(a)	Receivables Control Account-Water Supply	Dr.	1,000		Journal Book and Ledger
431-30-000-(a)	To Receivables for Fees and User Charges Water Supply (Year...)	Cr.		700	
43130-000-(a)	To Receivables of Fees and User Charges Water Supply (Year...)	Cr.		250	
350-41-000-(a)	To Advance Collection of Revenues-Water Supply*	Cr.		50	

* Adjustment of water supply income collected in advance is discussed separately under Section 'Adjustment of Water Supply Income Received in Advance' below.

(a) Insert Detailed Head Codes of Account as applicable.

8.13 Notice fee, warrant fee and other fees:

Notices of demand, surcharge, interest and warrants shall be issued, and other fees shall be charged as per the relevant provisions.

Recording of demand raised:

A Summary Statement of Notice Fee, Warrant Fee and Other Fees in Form WS-1 shall be prepared on a monthly basis and sent to the Accounts Branch. The following entry shall be passed to record the demand raised:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-30-000-(a)	Receivables for Fees and User Charges Water Supply (Year)	Dr.	500		Journal Book and Ledger
140-40-000(a)	To Other Fees Notice Fee	Cr.		300	
140-40-000(a)	To Other Fees Warrant Fee	Cr.		200	

(a) Insert Detailed Head Codes of Account as applicable.

8.14 Refunds and remissions

All refunds and remissions granted shall be duly recorded in the Demand Registers maintained in form GEN - 20 and the details of the same shall also be communicated to the Accounts Branch.

Recording of refunds/remissions payable: A Summary Statement of Refunds and Remissions in Form WS-3 shall be prepared on a monthly basis. Refunds/Remissions pertaining to prior period shall be identified separately from the current period, based on which, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
140-90-001-(a)	Fees Remission and Refund Water Supply	Dr.	25		Journal Book and Ledger
280-60-000-(a)	Prior Period Expenses Refund of Other Revenues Water Supply	Dr.	25		
350-40-000-(a)	To Refund Payable Water Supply	Cr.		50	

* Refunds/Remissions arising on account of change in the applicable rules shall be either passed for 'Payment' (refund payable account) or credited to the 'Advance Collection of Revenues' (under the account code 350-41-

(a) in accordance with the accounting principles of the Municipality.
(a) Insert Detailed Head Codes of Account as applicable.

Recording of payment of refunds/remissions granted: - The Accounts Branch shall prepare a Payment Order (Form GEN-14) in respect of the refunds and communicate the details of refunds/remissions made to the Water Supply Department for updating the Register of Demand and other registers. To record refunds/remissions payment, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-40-000-(a)	Refunds Payable-Water Supply	Dr.	50		Cash Book and Ledger
450-21-000-(a)	To Bank Account*	Cr.		50	

* Specify name of the Bank and account number.

(a) Insert Detailed Head Codes of Account as applicable.

8.15 Provision for unrealized revenue receivables:

(a) **Recording of provision for unrealized Water Charges Income:** As explained in Para 10.3 (v), the provisioning policy for unrealized Water supply income shall be dependent on the basis of its charge. For example, the demand for Water Charges which was raised separately and outstanding beyond two (2) years shall be provided for as per provisioning norms given below:

- Outstanding for more than 2 years but not exceeding 3 years: 50%
- Outstanding for more than 3 years: 100% (additional 50%)

For example, provision for the year ended March 31, 2021 is as under:

- 50% of outstanding Receivables of Water Supply Income for the year ended March 31, 2019
- 100% of outstanding Receivables of Water Supply Income for the year ended March 31, 2018 and before.

This process has to be carried over at every Period-end: - The amount required to be provided as per provisioning norms stated above, shall be compared with the balance lying in the "Provision for Outstanding Fees and User Charges -Water Supply Account". If the amount to be provided is more than the balance, then additional provision shall be made for the difference amount. If the amount to be provided is less than the balance, it reflects that the amounts provided for, have been collected and the provision made towards that shall be written back.

(b) Additional provision or reversal of excess provision for the current period shall be calculated similar to computations explained in Tables given under Chapter 7 (Property and Other Taxes).

(c) For making the provision, the following entry shall be passed by the Accounts Branch:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
270-10-000-(a)	Provision for Doubtful Receivables Fees and User Charges	Dr.	1,500		Journal Book and Ledger
432-30-000-(a)	To Provision for outstanding Fees and User Charges Water Supply	Cr.		1,500	

(a) Insert Detailed Head Codes of Account as applicable.

The effect of the above entry shall be as follows:

- Provision for Doubtful Receivables Fees and User Charges -Water Supply shall be shown as an expense under the Schedule "Provisions and Write-offs".
- Provision for Outstanding Fees and User Charges -Water Supply shall be shown as a deduction from Receivables for Fees and User Charges -Water Supply (Others) in the Balance Sheet.

(d) **To write back the provision** made earlier, the following entry shall be passed.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
432-30-000-(a)	Provision for outstanding Fee and User Charges Water Supply To Excess provision written back Water Supply	Dr.	500		Journal Book and Ledger
180-60-000-(a)		Cr.		500	

(a) Insert Detailed Code of Account as applicable.

- (e) **Recording of Write-offs:** - If for any reason, it is decided by the Municipality to write-off any Water Supply Income dues, which were earlier treated as an income, the details of the write off have to be entered in the 'Statement of Write 'ff' by the respective departments in Form WS-4. This form has to be prepared on a monthly basis and forwarded to the Accounts Branch and based on which, the write off shall be adjusted against the provision made and the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
432-30-000-(a)	Provision for outstanding Fee and User Charges Water Supply To Receivables for fee and User charges Water Supply(year)	Dr.	25		Journal Book and Ledger
431-30-000-(a)		Cr.		25	

(a) Insert Detailed Head Code of Account as applicable.

- (f) **Recording of subsequent collection/ recovery of 'Receivables of Water Supply Income' Written off:** In case of a 'Receivable of Water Supply Income' already written off were recovered/collected during the year, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-80-000-(a)	Receivables Control Account Water Supply To Recoveries of revenues written off water supply	Dr.	1,000		Journal Book and Ledger
280-30-000-(a)		Cr.		1,000	

(a) Insert Detailed Head Code of Account as applicable.

8.16 Transfer of amount outstanding in respect of arrears from specific year-wise account to general account: -

The arrears of water supply income shall be carried forward year-wise, i.e., in "Receivables of Water Supply Income (Year^{1/4})" account up to three years. On completion of the third year, the amount outstanding in the specific year-wise receivable account shall be transferred to a general arrears account, i.e., "Receivables of Water Supply Income (Others)" Account. For example, the water supply income receivable in respect of the demand raised during the accounting year 2019-20 shall be carried forward in "Receivables of Water Supply Income (2020)" Account up to the year ending March 31, 2022. On March 31, 2022, the balance outstanding in this account shall be transferred to "General Arrears Account".

Recording of transfer of arrears to general account:

To record this transfer, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-30-000-(a)	Receivables for Fees and User Charges Water Supply (Others)	Dr.	2,000		Journal Book and Ledger
431-30-000-(a)	To Receivables for Fees and User Charges Water Supply (Year)	Cr.		2,000	

(a) Insert Detailed Head Codes of account as applicable.

8.17 Treatment of water supply income received in advance:

The Water Supply Department shall intimate the Accounts Branch of the advance adjusted against the subsequent demand raised by the Water Supply Department through the Summary Statement of Bills Raised (Form GEN-22).

(a) **Recording of subsequent demand raised:** To record the demand raised for water supply, the Accounts Branch shall pass the same entry as in the case of original demand.

(b) **Recording of adjustment of advance:** To record the adjustment of water supply income received in advance, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-41-000-(a)	Advance Collection of Revenues Water Supply	Dr.	50		Journal Book and Ledger
431-30-000-(a)	To Receivables for Fees and User Charges Water Supply (Year)	Cr.		50	

(a) Insert Detailed Codes of account as applicable.

8.18 Recovery of water supply income through legal proceedings

The transactions in respect of Recovery of Property and Other Taxes have been described in Chapter 7: Property and Other Taxes, reference to which is invited. The transactions relating to Recovery of Water Supply Income shall be accounted in similar manner.

8.19 List of Incomes to be accounted for on actual receipt basis:

The following incomes in respect of Water Supply shall be accounted on actual receipt basis:

- Connection Charges for Water Supply;
- Water Tanker Charges;
- Road Damage Recovery Charges; and
- Penalties levied in respect of Water Supply related matters.

The Collection Offices and Collection Centers authorized to collect the above incomes shall prepare a Summary of Daily Collection (Form GEN-12) and send it to the Water Supply Department and the Accounts Branch.

Recording of collection:

On the basis of the Summary of Daily Collection (Form GEN-12) received from the various Collection Offices and Collection Centers, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6

450-21-000-(a)	Bank Account*	Dr.	100		Cash Book and Ledger
140-40-000-(a)	To Other fees Connection Charges	Cr.		50	
140-50-000-(a)	To User charges – Water Tanker	Cr.		30	
140-70-000-(a)	To Service/ Administrative Charges	Cr.		10	
140-20-000-(a)	Road Damage recovery To Penalties and fines	Cr.		10	

* Specify name of the Bank and account number

(a) Insert the Detailed Head Codes of account as applicable.

8.20 Deposits For Water Supply Connection

The Water Supply Department shall receive deposits towards Water Connection, Water Meter, Water Tankers, etc. The Collection Offices and Collection centres authorized to collect Water Deposits shall prepare a Summary of Daily collection (Form GEN-12) and send it to the Water Supply Department and the Accounts Branch.

Recording of collection- The Accounts Branch shall pass the following entry on the basis of the Summary of Daily Collection (Form GEN-12) received from the various Collection Offices and Collection Centres:

Code of Account	Accounting Entry	Dr. / Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	Bank Account	Dr.	100		Cash Book and Ledger
140-16-000(a)					
340-20-000-(a)	To Deposit Revenues–Water Supply	Cr.		100	

* Specify name of the Bank and account number.

(a) Insert Detailed Head Codes of Account as applicable.

Recording of adjustment of deposits: The Water Supply Department shall send details of deposits adjusted in the Summary Statement of Deposits Adjusted (Form GEN-19) to the Accounts Branch on a monthly basis. To record the adjustment of Water Deposit, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-20-000-(a)	Deposit Revenues Water Supply	Dr.	25		Journal Book and Ledger
431-30-000-(a)	To Receivables for Fees and User Charges– water Supply (Year)	Cr.		25	

(a) Insert Detailed Codes of Account as applicable

Recording of refund of deposit: The deposits shall be refunded as per the rules prescribed in this regard. A Payment Order (Form GEN- 14) shall be prepared by the Water Supply Department for the deposits to be refunded. On refund of Water Deposit, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-20-000-(a)	Deposit Revenues Water Supply	Dr.	50		Cash Book and Ledger
450-21-000-(a)	To Bank Account*	Cr.		50	

* Specify name of the Bank and account number.

(a) Insert Detailed Codes of Account as applicable.

Recording of income in respect of lapsed deposit: Deposits not claimed within the period as laid down by the Municipality, from the date they are due for payment, shall lapse and shall not be repayable to the party. At the end of the accounting year, the Water Supply Department shall prepare a list of such lapsed deposits.

Expenditure on water works: The accounting for expenditures pertaining to Water Supply Department shall be similar to that Municipal Works (for expenditure incurred through awarding of contracts to outside parties for carrying out certain activities such as laying of new pipelines, construction of pump houses, repairs related to water supply, etc.), (for expenditure incurred on purchase of stores such as TCL Powder, Chlorine Gas, etc.) And Other Revenue Expenditures (in respect of all other expenditures pertaining to water supply related activities such as operation and maintenance charges, electricity charges, bulk water purchase charges, etc.) And fixed assets (in respect of the fixed assets purchased), references to which are invited.

8.21 Internal Controls:

The following internal controls shall be observed by the Municipality in respect of Water Supply related transactions: -

- The Head of the Accounts Branch and the Head of the Water Supply Department shall reconcile the balance at the beginning of the accounting year in respect of the year- wise Water Supply Income receivable (as appearing in the Balance Sheet of the previous year) with the year-wise total of the arrears recorded in the Demand Register.
- A quarterly reconciliation shall be carried out by the Head of the Accounts Branch and the Head of the Water Supply Department in respect of the amount collected and the year-wise amount outstanding between the balances in the Ledger Accounts maintained at the Accounts Branch and the Demand Register maintained at the Water Supply Department.
- A quarterly reconciliation shall be carried out by the Head of the Accounts Branch and the Head of the Water Supply Department in respect of the deposits outstanding, between the balances in the Ledger Accounts maintained at the Accounts Branch and the Deposit Register maintained at the Water Supply Department.
- The officers designated by the Municipality for operating the Designated Water Supply Bank Account shall co-ordinate with the banks on a daily basis and ascertain the status of the cheques/drafts deposited by them.
- The Water Supply Department shall ensure that the Receipt / Summary of Daily Collection prepared, provides reference to the Water Supply Income Collection Register.
- The Chief Municipal Officer/Head of the Municipality shall specify such calendar of returns/ reports for monitoring, as considered appropriate.
- All Reconciliation Statements shall be certified by the Head of the Accounts Branch.

8.22 Presentation in the financial statements:

The various heads of account used for the accounting of Water Supply related transactions shall be reflected in the financial statements or in the Schedules attached to the financial statements of the Municipality. All such financial statements and Schedules shall be affixed with signature and seal of designated authorities.

The provision against the outstanding Water Charge receivable is to be disclosed under the major head "Accumulated Provisions" as a separate line item in the Balance Sheet below the 'Sundry Debtors'.

SCHEDULES

The various Schedules (I-4, I-9, I-11, I-16, I-18, B-7, B-9, B-15 and B-17) of the Income and Expenditure Statement in respect of Water Supply Income are presented in Part-II of this Account Code.

CHAPTER-9**LICENSES****9.1 Introduction**

License is one of the sources of income of Municipality. Municipality receives the income as License fees. The chapter focuses on the License granted by Municipality. The chapter contains the Licenses issued by municipalities, License Issue procedure, Accounting Principles, Renewal of Licenses, Appointment and duties of Licensing Officer and Maintenance of License Register.

License means permit given by the municipalities for doing specific Trade or Business and valid for doing the activity which are otherwise forbidden by law. Licenses are valid for a specified period and require Renewal after the expiry of the specified period. In particular, a license may be issued by authorities, to allow an activity that shall otherwise be forbidden. It may require paying a fee and/or proving a capability. The requirement may also serve to keep the authorities informed on a type of activity, and to give them the opportunity to set conditions and limitations.’’

License fee means fee paid to the Municipality for the privilege of being licensed to do something.

Municipality generally Issues the following Licenses:

- Trade Licenses
- License for Erection of Mobile Tower.
- Business License as prescribed
- License for right of way
- Licenses for Infrastructure Assets
- License for Private markets and slaughterhouses.
- License for installation of stallages
- Licenses for hawking articles etc
- License for Eating houses etc
- License for circuses and places of public amusement

Trade License is a certificate/document which grants permission to carry on the particular trade or business for which it is issued. It does not confer ownership of property or permission for any other activity than for which it is issued.

9.2 Appointment and Duties of Licensing Officer and Licensing Inspectors:

- 9.2.1 The Municipality shall, in all cases in which provision is made not for the appointment of a licensing officer/officials in bye-laws regulating the grant of licenses, designate one of its officer/officials as licensing officer and also designate such license inspectors and license clerks, as may be necessary.
- 9.2.2 A Licensing Officer, in addition to any other duties, imposed upon him by applicable Act/Code/rules/by-laws of licenses and for the proper discharge of their duties by License Inspectors and License Clerk.
- 9.2.3 License Inspectors, in addition to any other duties, imposed upon them, by applicable Code/Act/rules/by-laws, shall be responsible for reporting to the Licensing Officer all cases in which person’s resident in their respective circles has failed to apply for or to obtain licenses required to be taken out.

9.3 Application and Issue of License:

- 9.3.1 Every person required to take out a license under the provisions of the Act or of any bye-laws made there under or desiring to take out a license issuable under any such provision, shall apply for a license to the Licensing Officer.
- 9.3.2 On receipt of an application under sub-para (1), the Licensing Officer shall cause the details of the application to be entered in columns 1 to 4 of a Register of License Applications to be maintained in Form L-1, (the specimen of which is given in the Forms and Format section of this Account Code) and if he is himself empowered to dispose of the application shall, after such enquiry, if any, as may be necessary, record his order sanctioning or refusing the issue of a license in columns 8 and 9 of the Register, or if his application has been disposed of by such authority shall record the order of such authority in columns 8 and 9 of the Register.
- When any application for a license is refused, the reasons for such refusal shall be communicated to the applicant and shall be recorded briefly in column 9 of the Register of License Applications (Form L-1).
 - When an application for a license has been sanctioned, the file shall be sent to accounts branch for verification and approval.

- After approval from Accounts Branch, the applicant shall be called upon to pay the prescribed fee, if any, and on receipt of the amount of the fee, if any, and not otherwise, the Licensing Officer shall cause a license to be issued in the prescribed form and shall enter the details of the license in a Register of Licenses to be maintained for and shall enter the details of the license in a Register of Licenses to be maintained in Form L-2 (the specimen of which is given in the Forms and Format section of this Account Code). Separate parts or volumes of which shall be set apart for each kind of license and so arranged that the names of licensees shall be grouped alphabetically, provided that if an applicant fails to pay the prescribed fee within (7) Seven days from the date on which intimation is sent to him that his application has been sanctioned, no license shall be issued to him except in pursuance of a fresh application and his original application shall be deemed to have been refused.

9.4 General provisions as to period, forms, renewals, etc. of licenses:

- 9.4.1 License shall be issued for such periods as prescribed.
- 9.4.2 Every license issued shall, unless any other form is prescribed under the bye-laws regulating the grant of the license, be in Form L-3, (the specimen of which are given in the Forms and Format section of this Account Code) according to the nature of the license, and on the reverse of every license shall be printed the conditions on which it is granted, and such conditions shall contain a provision that the license may, at any time, after due notice has been given to the licensee, be cancelled for the breach of any condition on which it was granted and that in the event of such cancellation, the licensee shall not be entitled to any refund of any portion of the license fee.

9.5 Check of Register of licenses:

At the end of each month, the Licensing Officer shall examine the Register of Licenses (Form L-2) and shall take such action, as may be within his powers, with regard to every person whose license may have expired up to that date, and if after enquiry, it appears that any person whose license has expired or any other person requires a license for which he has not applied or after his application has been refused is guilty of a breach or any provision of the Act or of any bye-laws made there under, by reason of not having a license, he shall report the case to the authority empowered to sanction prosecution in such case.

The license fees charged for granting license under various sections of the Haryana Municipal Act, 1973, the Haryana Municipal Corporation Act, 1994, and the Municipal Rules through by laws on the analogy of rental income, license fees shall also be accrued based on raising a demand in Form 'OTH-1'. Accounting entries in respect of Demand and Collection are detailed below. However, in respect of notice fees, refunds, adjustment of advances and deposits, provisions, write off and transfer outstanding from specific year to general account, reference is invited to entries explained under the chapter "Property Tax and Other Taxes".

9.5.1 Recording of entries relating to demands raised:

The demand raised for income shall be recognized as an income for the Municipality and correspondingly, as a receivable. Accordingly, based on the Summary Statement of Bills Raised (Form OTH-1) received from the respective departments, the Accounts Branch shall pass the following entry: -

Code of Accounts	Accounting Entry	Dr./ Cr.	Debit amount (₹)	Credit amount (₹)	Books to be entered into
1	2	3	4	5	6
431-30-000-(a)	Receivable for fees and User charges-License Fees (*Year...)	Dr.	20,000		Journal Book and Ledger
140-11-000-(a)	To Licensing Fees-Trade	Cr.		20,000	

(a) Insert detailed Head Codes of Account as applicable.

9.5.2 Recording of Refund of License Fees:

In case the License fee received is less than what was recorded earlier, the entry passed earlier has to be reversed for the difference. The reversal shall be reflected in the current year revenue in case the revision in demand relates to the current year and in any other case, the reversal shall be accounted as prior period expenses. The refund amount shall be adjusted against receivables if the demand is outstanding. The accounting entry for the same is as follows: -

Code of Accounts	Accounting Entry	Dr./Cr.	Debit amount (₹)	Credit amount (₹)	Books to be entered into
1	2	3	4	5	6
431-30-000-(a)	Receivable for fees and User Charges-License Fees (*Year...) Prior period Expenses-Refund of License Fees	Dr.	20,000		Journal Book and Ledger
140-11-000-(a)	To Receivable for Fees and User Charges-License Fees	Cr.		20,000	

9.5.3 It is a normal practice for the Municipality to enter the arrears of the dues while issuing the fresh demand. Entries in respect of the arrears shall have already been recorded earlier. The above entry shall be passed only in respect of the current demand of other incomes.

9.6 Collection of accrued incomes:

The following shall be the procedure for accounting of the collections made in respect of accrued incomes:

- (a) **Recording of income collections:** To record the income based on the Summary of Daily Collections (Form GEN-12) received from the various Collection Offices and Collection Centres, the Accounts Branch shall pass the following entry:

Code of Accounts	Accounting Entry	Dr./Cr.	Debit amount (₹)	Credit amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	Bank Account	Dr.	15,000		Cash Book and Ledger
431-80-000-(a)	To Receivable control account-License Fees	Cr.		15,000	

*Specify name of the Bank and account number.

- (a) Insert detailed Head Codes of Account as applicable.
- (b) For other incomes to be accounted on accrual basis, the Summary of Daily Collection (Form GEN-12) does not provide the break-up of the collections into arrears collected, collections received in advance and collection made in respect of the current year's demand. Hence, the total amount collected is credited to "Consolidated Receivables of License Fees" Account which shall be segregated on a monthly basis.
- (c) **Recording of break-up of collections:** A Summary Statement of Year-wise/Head-wise collection of various other incomes in Form OTH-2 (specimen provided in Part-II of this Code) shall be prepared on a monthly basis by the respective departments and sent to the Accounts Branch to record the details of collection. To record the break-up of the collections made in respect of incomes accounted for on accrual basis, into current and arrears recovery and to record any income collected in advance, the Accounts Branch shall pass the following entry:

Code of Accounts	Accounting Entry	Dr./Cr.	Debit amount (₹)	Credit amount (₹)	Books to be entered into
1	2	3	4	5	6
431-80-000-(a)	Receivable control account-License Fees	Dr.	18,000		Cash Book and Ledger
431-30-000-(a)	To Receivable for Fees and User Charges	Cr.		15,000	
431-30-000-(a)	To Receivable for Fees and User charges	Cr.		2,000	
350-41-000-(a)	To Advance collection of Revenues-License Fees*	Cr.		1,000	

* Adjustment of income collected in advance is discussed separately under section 'Adjustment of other Incomes received in Advance'.

- (a) Insert detailed Head Codes of Account as applicable.

9.7 Refunds:

The refund of license fee shall be made in the same manner as refunds are made for Property Tax and Other Taxes in respective chapter of this Code.

CHAPTER-10**HEALTH AND SANITATION****10.1 Introduction**

The Health Department is primarily involved in operating the hospitals, dispensaries and maternity homes and in monitoring sanitation, solid waste management and other public health related activities, within the limits of the Municipality.

10.2 Sources of Income

The main sources of incomes earned by the Health Department are as follows:

A. Fees and User Charges.

- From Medical Institutions
- Registration Fees for Patients
- Recovery of Cost of Medicines
- Examination Charges [X -Rays, Tests, Ultra-Sound, etc.]
- Ambulance Charges
- Funeral/Hearse Van Services
- License fees from Butchers and Traders of Meat
- Meat and Poultry Trade Licensing Fees, etc.
- Composition charges

B. Income from Solid Waste Management

- Sale of Garbage/Manure
- User fee from door-to-door collection, generator etc
- Income from processing of solid waste
- Income from sale of by products
- Income from recyclables sold to authorized agency
- Income from electricity generated from solid waste

10.3 Expenses

Besides incurring the usual administrative expenses such as establishment expenses, printing, stationery, office expenses, etc., the Health Department incurs expenses related to its Health and Sanitation functions. Following is an illustrative list of the expenses incurred in respect of the Health Department:

(A.) Sanitation related expenses**(i) Solid Waste Management related expenses**

- City cleaning and sweeping
- Garbage clearance
- Dumping ground maintenance
- Tipping Fee
- Transportation fee
- Processing Fee

(ii) Repairs and Maintenance – Solid Waste Management related expenses

- Dustbin repairs and maintenance
- Cattle-shed maintenance
- Crematorium operation and maintenance

(iii) Used Water Treatment Related Expenses- Waste Water and Sewage Treatment Plant for discarded/ wastewater released from Health Institutions may be established.**(iv) Own Programs****(v) Consumption of Health Stores Solid Waste Management, etc.**

- Purchase of cleaning material
- Insecticides and pesticides
- Insecticides and pesticide spraying
- Purchase of disinfectant, PPE KIT, Mask, Gloves, Face shield and any other item for safety of employee or citizen.

(B.) Hospitals and Dispensaries related expenses

- Medical related expenses,
- Testing and inspection fees,
- Repairs and Maintenance – Medical/Health related assets,
- Consumption of Medical Stores, etc.

(C.) Public Health programme/scheme related expenses

- (i) Health Program related expenses,
 - Family welfare expenses
 - Pulse polio vaccination expenses
 - School children health program related expenses
 - HIV/AIDS awareness expenses, etc.
- (ii) Awareness Programme,
 - Awareness through Print Media
 - Awareness through Electronic Media
 - Hoarding for Awareness
 - Cultural Events
 - Others

10.4 Accounting principles

The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to health and sanitation:

- (A.) Revenue in respect of the following shall be recognized on actual receipt: -
 - (i) Hospital fees, maternity homes fees, diagnostic center fees and dispensaries fees;
 - (ii) Hospital training fees;
 - (iii) Rent and/or hire charges in respect of ambulance, hearse, suction unit, meat van and road roller;
 - (iv) Sale of fertilizers and waste, sale of animals and sale of scrap.
- (B.) Revenue in respect of Trade License Fees shall be accrued in the year to which it pertains and where the demand is raised based on applicable Acts.
- (C.) Revenue in respect of rent of equipment provided to the contractors, deducted from their bills, shall be recognized as and when the deductions are made.
- (D.) All revenue expenditures incurred shall be recognized on admission of the bills for payment by the Municipality.
- (E.) Provision shall be made at the year-end for all bills received up to a cutoff date 30th April of the next financial year). However, the State Government, depending on practicality and materiality involved shall decide on this.

10.5 Accounting for income and other receipts:**10.5.1 Medical Fees: -**

The procedure to be followed for the collection and accounting of medical fees shall be as follows:

- (a) The collection in respect of the medical fees shall be made at the respective units (i.e. Hospitals, Dispensaries, Maternity Homes, etc.). A Receipt (Form GEN-8) or pre-denominated tokens shall be issued to the person making the payment at the respective units.
- (b) The amount collected by the units shall be deposited in a Designated Bank Account or forwarded to the Ward Office or to the Accounts Branch.
- (c) The procedures for cash/cheque collection, remittance and/or deposit have been described in Chapter - General Accounting Procedures, reference to which is invited. These procedures shall be followed for Health and Sanitation related transactions.
- (d) **Recording of collection of medical fees:** On the basis of the Summary of Daily Collection (Form GEN-12) received from the various entities, i.e., Units, Ward Offices, Health Department, etc., the Accounts Branch shall pass the following entry, namely:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	Bank Account*	Dr.	10,000		Cash Book and Ledger
140-(b)	To _____ Charges**	Cr.		10,000	

* Specify name of the Bank and account number.

(a) Insert Detailed codes of account as applicable.

(b) Insert Minor and Detailed Codes of account as applicable.

Note: The postings in the Ledger Account of “_ Charges” Account shall be carried out as indicated in Chapter 1 and 2 – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there shall be no entry in the Journal Book.

10.5.2 Hospital Training Fees:

Hospital training fees are charges from medical colleges for granting internship facilities to their students in the hospitals owned by the Municipality. The procedure followed for collection of hospital training fees shall be the same as described above for the collection of medical fees.

10.5.3 Other Incomes:

The other incomes pertaining to the health and sanitation related activities such as ambulance rent, suction unit rent, dumping ground charges, etc., shall be accounted for in the manner as has been described under Section “Accounting for Other Incomes to be accounted on Actual Receipt Basis” in Chapter of Rentals, Fees, and Other Incomes.

10.6 Expenditures pertaining to health and sanitation

The accounting for expenditures pertaining to hospitals, dispensaries, sanitation, scavenging, etc., shall be similar to that described in Chapter of Municipal Works (for expenditure incurred through awarding of contracts to outside parties for carrying out certain activities), Para 30.4 **Stores** (for expenditure incurred on purchase of stores such as medicines, insecticides, pesticides, etc.) and Para 18.11 Other Revenue Expenses in respect of all other expenditures pertaining to health and sanitation related activities.

At the period-end, the Health Department shall ensure that all the bills received in respect of expenses incurred before the last date of the accounting period, are processed and forwarded to the Accounts Branch for accounting by 30th April of the next financial year if the accounting period is a financial year and in other cases, in 15 days from the end of the accounting period.

10.7 Internal control

The following internal controls shall be observed by the Municipality in respect of health and sanitation related transactions:

- (a) A quarterly reconciliation shall be carried out by the Head of the Accounts Branch and the Head of the Health Function in respect of the amount collected under the various heads based on the balances standing in the Functional Income Subsidiary Ledger (Form GEN-33) in respect of Fees and User Charges and Sale and Hire Charges relating to Health Function maintained at the Accounts Branch and the Collection Register (Form GEN-11) maintained at the Health Department.
- (b) The officers designated by the Municipality for operating the Designated Hospital Bank Account shall co-ordinate with the banks on a daily basis and ascertain the status of the cheques deposited by them.
- (c) The Head of the Accounts Branch shall ensure budget availability with respect to the expenditure incurred at the time of accruing of the expenditure.
- (d) The Head of the Accounts Branch shall ensure that all the bills/invoices were journalized before release of the payments.
- (e) The Chief Municipal Officer/Head of the Municipality shall specify such calendar of returns /reports for monitoring, as considered appropriate.
All Reconciliation Statements shall be certified by the Head of the Accounts Branch and verified by the Municipal Resident Auditor.

10.8 Presentation in the financial statement

The various heads of accounts used for the accounting of Health and Sanitation related transactions shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the Municipality. All such Financial Statements and Schedules shall be affixed with signature and seal of designated authorities.

The Schedules (I-4, I-5, I-12 and I-14) of Income and Expenditure Statement in respect of Health and Sanitation related income and expenses are presented in Part-II.

CHAPTER-11
ASSIGNED REVENUE

11.1 Introduction

The chapter Assigned Revenues is aimed at making aware of the basic accounting principles and procedure for recording transactions relating to Assigned Revenues and familiarizing with accounting treatment for Assigned Revenues. This chapter contains the recommended accounting system for transactions relating to Assigned Revenues and Shared Taxes.

11.2 Meaning of Assigned Revenue

Assigned revenues are usually in the nature of a share in the revenues of the state government, to compensate for certain losses in revenue and arrangement of resources of the Municipality. The ratio of the share in revenues is determined on the basis of the revenues collected by Municipality and the recommendations of the State Finance Commissions and devolution of funds to Municipality.

11.3 Accounting Principles:

Assigned revenues like Entertainment Tax and Duty/Surcharge on transfer of Immovable properties shall be accounted during the year only upon actual collection. However, at year-end alone, these shall be treated as accrued if sanction order (or proceedings) is passed and the amount is ascertained.

Based on the review of recoverable position of the 'Receivables of Assigned Revenues', the amount of outstanding assigned revenues to be provided or written off shall be ascertained and accounted accordingly on obtaining the relevant approval.

The following are the Minor Heads under Major Head 120 - Assigned revenues

Minor Head Code	Minor Head Description
1	2
10	Taxes and Duties Collected by Others
20	Compensation in Lieu of Taxes/duties
30	Compensation in lieu of Concessions

In these revenues, the demands may not be ascertained in advance. Hence, the actual receipts are taken as income.

11.4 List of Assigned Revenue includes

- Stamp Duty Share
- Motor/Vehicle Tax
- Fee on Transfer of Property
- Entertainment Tax
- State Share of GST
- Cess on GST etc.;
- Permission Fee
- Electricity Consumption Charges, User Charges
- Other Taxes / Charges as recommended by the Government from time to time

11.5 Accounting Records and Procedure

Details of assigned revenues received shall be entered in the receipt register (Form Gen-9) maintained at the Accounts Branch and deposited into the main bank account and also a receipt (Form GEN-8) shall be issued to the state government.

11.6 Recording of receipt of Assigned Revenue/Shared Taxes

Details of assigned revenues/shared taxes received shall be entered in the collection register (Form GEN-11) and memorandum of collections (Form GEN-12) deposited into the main bank account and also a receipt (Form GEN-8) shall be issued to the Government.

The accounting procedures for recording of various types of assigned revenues are given below:

11.6.1. Stamp Duty Share

Stamp Duty is a duty levied on the legal recognition of certain documents.

(a) Recording of Receipt of Stamp Duty Share

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account *	Dr.	10,000		Cash Book and Ledger
120-10-000-01	To Taxes and Duties collected by others-Stamp Duty Share	Cr.		10,000	

*Specify the name of Bank Account and Number.

(b) **Recording of accruing of Stamp Duty Share:**

At the end of the accounting period, the Accounts Branch shall verify whether any proceedings or sanction order is passed and for which money is not received as at the end of the accounting period. The amount of such receivable as quantified in the proceedings or sanction order shall be accrued as income of the Municipality. The Accounts Branch shall pass the following entry.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-50-000-08	Receivable from Government- Stamp Duty Share	Dr.	5,000		Journal Book and Ledger
120-10-000-01	To Taxes and Duties collected by others-Stamp Duty Share	Cr.		5,000	

(c) **Recording of receipt of Accrued Stamp Duty Share**

At the time of receipt of amounts against the accrued revenues of the earlier period, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account*	Dr.	500		Cash Book and Ledger
431-50-000-08	To Receivable from Government-Stamp Duty Share	Cr.		500	

*Specify the Name of The Bank Account and Number.

(d) **Recording of Reversal of Stamp Duty Share:**

At the end of the period end, the Accounts Branch shall verify whether any accrued Stamp Duty Share revenue has been collected during the period and credited to income account. If so, the accrued income shall be reversed, and the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
120-10-000-01	Taxes and duties collected by others-Stamp Duty Share	Dr.	500		Journal Book and Ledger
431-50-000-08	To Receivable from Government- Stamp Duty Share	Cr.		500	

(e) **Recording of write off of outstanding Stamp Duty Share:**

The Accounts Branch as at the end of each year, review the outstanding assigned revenue receivable. The Municipality based on its review of the recoverability may consider either making a provision or writing off. The accounting entries in respect of the above are as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
270-30-000-04	Revenue Written off-Stamp Duty Share	Dr.	500		Journal Book and Ledger
431-50-000-08	To Receivable from Government-Stamp Duty Share	Cr.		500	

11.6.2. Motor Vehicle Tax, if applicable

It is a legal requirement to have motor vehicle tax if you want to drive your vehicle in a public place. Motor vehicle tax is a charge imposed by the Government on some motor vehicles.

(a) Recording of Receipt of Motor Vehicle Tax

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account *	Dr.	500		Cash Book and Ledger
120-10-000-02	To Taxes and Duties collected by others-Motor Vehicle Tax	Cr.		500	

*Specify the Name of the Bank Account and Number.

(b) Recording of accruing of Motor Vehicle Tax:

At the end of the accounting period, the Accounts Branch shall verify whether any proceedings or sanction order is passed and for which money is not received as at the end of the accounting period. The amount of such receivable as quantified in the proceedings or sanction order shall be accrued as income of the Municipality. The Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-50-000-09	Receivable from Government-Motor Vehicle Tax	Dr.	500		Cash Book and Ledger
120-10-000-02	To Taxes and Duties collected by others-Motor Vehicle Tax	Cr.		500	

(c) Recording of receipt of Accrued Motor Vehicle Tax:

At the time of receipt of amounts against the accrued revenues of the earlier period, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account*	Dr.	500		Cash Book and Ledger
431-50-000-09	To Receivable from Government-Motor Vehicle Tax	Cr.		500	

* Specify the name of the Bank Account and Number.

(d) Recording of reversal for Accrued Motor Vehicle Tax:

At the end of the period end, the Accounts Branch shall verify whether any accrued Motor Vehicle Tax has been collected during the period and credited to income account. If so, the accrued income shall be reversed and the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
120-10-000-02	Taxes and duties collected by others-Motor <u>Vehicle</u> Tax	Dr.	500		Cash Book and Ledger
431-50-000-09	To Receivable from Government-Motor <u>Vehicle</u> Tax	Cr.		500	

(e) Recording of write off of outstanding Motor Vehicle Tax:

The Accounts Branch as at the end of each year, review the outstanding assigned revenue receivable. The Municipality based on its review of the recoverability may consider either making a provision or writing off. The accounting entries in respect of the above are as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount(₹)	Credit Amount(₹)	Books to be entered into
1	2	3	4	5	6
270-30-000-04	Revenue Written off-Motor <u>Vehicle</u> Tax	Dr.	500		Cash Book and Ledger
431-50-000-09	To Receivable from Government-Motor <u>Vehicle</u> tax	Cr.		500	

11.6.3. Municipal Tax on Electricity

Recording of Receipt of Municipal Tax on Electricity

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account *	Dr.	500		Cash Book and Ledger
120-10-000-07	To Taxes and Duties collected by others-Municipal Tax on Electricity	Cr.		500	

*Specify the Bank Name and Account No.

(a) Recording of accruing of Municipal Tax on Electricity:

At the end of the accounting period, the Accounts Branch shall verify whether any proceedings or sanction order is passed and for which money is not received as at the end of the accounting period. The amount of such receivable as quantified in the proceedings or sanction order shall be accrued as income of the Municipality.

The Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-50-000-10	Receivable from Government-Municipal Tax on Electricity	Dr.	500		Cash Book and Ledger
120-10-000-07	To Taxes and Duties collected by others-Municipal Tax on Electricity	Cr.		500	

(b) Recording of receipt of Accrued Municipal Tax on Electricity:

At the time of receipt of amounts against the accrued revenues of the earlier period, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account*	Dr.	500		Cash Book and Ledger
431-50-000-10	To Receivable from Government-Municipal Tax on Electricity	Cr.		500	

* Specify the name of the Bank Account and Number.

(c) Recording of reversal for Accrued Municipal Tax on Electricity:

At the end of the period end, the Accounts Branch shall verify whether any accrued Electricity charges has been collected during the period and credited to income account. If so, the accrued income shall be reversed, and the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
120-10-000-07	Taxes and duties collected by others-Municipal Tax on Electricity	Dr.	500		Cash Book and Ledger
431-50-000-10	To Receivable from Government-Municipal Tax on Electricity	Cr.		500	

(d) Recording of write off of outstanding Municipal Tax on Electricity:

The Accounts Branch as at the end of each year, review the outstanding assigned revenue receivable. The Municipality based on its review of the recoverability may consider either making a provision or writing off. The accounting entries in respect of the above are as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
270-30-000-04	Revenue Written off-Municipal Tax on Electricity	Dr.	500		Cash Book and Ledger
431-50-000-10	To Receivable from Government-Municipal Tax on Electricity	Cr.		500	

11.6.4. Fee on Transfer of Property

Transfer tax is a tax on the passing of title to property from one person (or entity) to another.

In a narrow legal sense, a transfer tax is essentially a transaction fee imposed on the transfer of title to property.

(a) Recording of Receipt of Fee on Transfer of property

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account *	Dr.	500		Cash Book and Ledger
120-10-000-03	To Taxes and Duties collected by others-Fee on Transfer of property	Cr.		500	

* Specify the name of the Bank Account and Number.

(b) Recording of accruing of Fee on transfer of property:

At the end of the accounting period, the Accounts Branch shall verify whether any proceedings or sanction order is passed and for which money is not received as at the end of the accounting period. The amount of such receivable as quantified in the proceedings or sanction order shall be accrued as income of the Municipality. The Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-50-000-05	Receivable from Government- Fee on Transfer of Property	Dr.	500		Cash Book and Ledger
120-10-000-03	To Taxes and Duties collected by others-Fee on Transfer of Property	Cr.		500	

(c) Recording of receipt of Accrued Fee on Transfer of Property:

At the time of receipt of amounts against the accrued revenues of the earlier period, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account*	Dr.	500		Cash Book and Ledger
431-50-000-05	To Receivable from Government-Fee on Transfer of Property	Cr.		500	

* Specify the name of the Bank Account and Number.

(d) Recording of reversal for Accrued Fee on Transfer of Property:

At the period end, Accounts Branch shall verify whether any accrued Fee on Transfer of property has been collected during the period and credited to income account. If so, the accrued income shall be reversed, and the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
120-10-000-03	Taxes and duties collected by others-Fee on Transfer of Property	Dr.	500		Cash Book and Ledger
431-50-000-05	To Receivable from Government-Fee on Transfer of Property	Cr.		500	

(e) Recording of write off of outstanding Fee on Transfer of Property:

The Accounts Branch as at the end of each year, review the outstanding assigned revenue receivable. The Municipality based on its review of the recoverability may consider either making a provision or writing off. The accounting entries in respect of the above are as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
270-30-000-04	Revenue Written off-Fee on Transfer of Property	Dr.	500		Cash Book and Ledger
431-50-000-05	To Receivable from Government-Fee on Transfer of Property	Cr.		500	

11.6.5. Entertainment Tax

Entertainment tax is a tax imposed by the government of Haryana as per the Haryana Municipal Entertainment Duty Act, 2019 on feature films getting a wide release in India and is reduced from gross collections. Entertainment tax is levied on cinema, video shows, cable T.V. operators, amusement, recreation parlors, exhibition, performance, pageant and game/sports and horse races.

(a) Recording of Receipt of Entertainment Tax

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account *	Dr.	500		Cash Book and Ledger
120-10-000-04	To Taxes and Duties collected by others-Entertainment Tax	Cr.		500	

* Specify the name of bank and account number.

(b) Recording of accruing of Entertainment Tax:

At the end of the accounting period, the Accounts Branch shall verify whether any proceedings or sanction order is passed and for which money is not received as at the end of the accounting period. The amount of such receivable as quantified in the proceedings or sanction order shall be accrued as income of the Municipality. The Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-50-000-06	Receivable from Government-Entertainment Tax	Dr.	500		Cash Book and Ledger
120-10-000-04	To Taxes and Duties collected by others-Entertainment Tax	Cr.		500	

(c) Recording of receipt of Accrued Entertainment Tax:

At the time of receipt of amounts against the accrued revenues of the earlier period, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02 431-50-000-06	Bank Account* To Receivable from Government- Entertainment Tax	Dr. Cr.	500	500	Cash Book and Ledger

* Specify the name of the Bank Account and Number.

(d) Recording of reversal for Accrued Entertainment tax:

At the end of the period end, the Accounts Branch shall verify whether any accrued Entertainment tax has been collected during the period and credited to income account. If so, the accrued income shall be reversed, and the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
120-10-000-04 431-50-000-06	Taxes and duties collected by others-Entertainment Tax To Receivable from Government- Entertainment Tax	Dr. Cr.	500	500	Cash Book and Ledger

(e) Recording of write off of outstanding Entertainment Tax:

The Accounts Branch as at the end of each year, review the outstanding assigned revenue receivable. The Municipality based on its review of the recoverability may consider either making a provision or writing off. The accounting entries in respect of the above are as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
270-30-000-04 431-50-000-06	Revenue Written off-Entertainment tax To Receivable from Government- Entertainment Tax	Dr. Cr.	500	500	Cash Book and Ledger

11.6.6. Cess on GST**Recording of Receipt of Cess on GST**

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02 120-10-000-06	Bank Account * To Taxes and Duties collected by others-Cess on GST	Dr. Cr.	500	500	Cash Book and Ledger

* Specify Name of the Bank and Account Number.

11.7 Recording of accruing of Cess on GST:

At the end of the accounting period, the Accounts Branch shall verify whether any proceedings or sanction order is passed and for which money is not received as at the end of the accounting period. The amount of such receivable as quantified in the proceedings or sanction order shall be accrued as income of the Municipality. The Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-50-000-07	Receivable from Government-Cess on GST	Dr.	500		Cash Book and Ledger
120-10-000-06	To Taxes and Duties collected by others-Cess on GST	Cr.		500	

11.8 Recording of receipt of Accrued Cess on GST:

At the time of receipt of amounts against the accrued revenues of the earlier period, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account*	Dr.	500		Cash Book and Ledger
431-50-000-07	To Receivable from Government-Cess on GST	Cr.		500	

* Specify the name of the Bank Account and Number.

11.9 Reversal for Accrued Cess on GST:

At the end of the period end, the Accounts Branch shall verify whether any accrued Cess on GST has been collected during the period and credited to income account. If so, the accrued income shall be reversed, and the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
120-10-000-06	Taxes and duties collected by others-Cess on GST	Dr.	500		Cash Book and Ledger
431-50-000-07	To Receivable from Government-Cess on GST	Cr.		500	

11.10 Recording of write off of outstanding Cess on GST:

The Accounts Branch as at the end of each year, review the outstanding assigned revenue receivable. The Municipality based on its review of the recoverability may consider either making a provision or writing off. The accounting entries in respect of the above are as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
270-30-000-04	Revenue Written off-Cess on GST	Dr.	500		Cash

431-50-000-07	To Receivable from Government-Cess on GST	Cr.		500	Book and Ledger
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11.11 Period end procedures:

At the period end, it shall be ensured that all the Receivables of Assigned revenues be reviewed and write off if considered necessary be made. Further, the Accounts Branch shall also ensure that the necessary reversal entries are made for assigned revenues received in the current accounting period, which were accrued in the previous period. The Chief Municipal Officer/ Head of the Municipality shall specify such appropriate calendar of returns /reports for monitoring.

11.12 Presentation in financial statements

The various heads of account used for the accounting of Assigned revenues related transactions shall be reflected in the Financial Statements or in the Schedules attached to the Financial Statements of the Municipality. All such Financial Statements and schedules shall be affixed with signature and seal of designated authorities. The Schedule of the Income and Expenditure Statement in respect of Assigned Revenue is provided in Part-II of this Account Code.

CHAPTER-12**INCOME FROM CATTLE POUNDS****12.1 Introduction**

This chapter contains the recommended accounting system for transactions relating to Income from Cattle pounds.

12.2 Pounds Register **12.2.1** Every Municipality shall maintain a separate register for Cattle pounds.

12.2.2 On the admission of an animal to a pound, the pound keeper shall fill up columns 1 to 8 of a pound register to be maintained in Form P-1 (the specimen of which is given in Part-II of this Account Code) taking the signature or thumb-mark of the person impounding the animal in column 7, and shall then issue a receipt for the impounded animal in Form P-2 (the specimen of which is given Part-II of this Account Code).

12.2.3 If more than one animal is admitted at a time, each animal shall be entered on a separate line in the pound register (Form P-1).

12.3 Procedure on release of animals from pound: -

12.3.1 When the owner of an impounded animal or his representative appears to demand the release of his animals, the pound-keeper shall make the necessary entries in columns 9 to 17 of the Pound Register (Form P-1) and fill up a release pass with its counterfoil in Form P-3 (the specimen of which is given in Part-II of this Account Code): he shall then demand the fines and charges due on account of the impounded animal and on their receipt shall take the signature or thumb-mark of some person who may identify the person claiming the animal as the owner thereof or his agent in column 21, and shall then release the impounded animal.

12.3.2 The progressive total of the sums received shall be entered at the foot of each counterfoil of the release passes at the time when the counterfoil is filled up and the pass issued, and the entering of the totals shall not be deferred till the end of the day.

12.4 Sales Supervision: -

When a pound is directly managed by the Municipality, every sale of impounded animals shall be conducted under the direct supervision of the Chief Municipal Officer, or any other officer authorised by him.

12.5 Pound keeper to attend sale unless exempted: -

The pound keeper shall attend every sale of impounded animals unless exempted from such attendance by general or special order of the Municipality on the ground that his absence shall prejudice his other duties: he shall take with him his pound register and his counterfoil book of receipts for the purchasers of impounded animals sold to be kept in Form P-4 (the specimen of which is given in Part-II of this Account Code).

12.6 Sale proceeds to be remitted to the bank and memorandum to be sent to pound-keeper if not present at sale. -

When under the provisions of sub-para 12.5, the pound-keeper does not attend a sale, the officer conducting the sale shall give to the purchaser of impounded animals, a receipt in Form P-4 and shall remit to the bank with a challan the amount of the sale-proceeds, if any, and shall send to the pound keeper- the two foils of the challan received back from the branch duly signed to be dealt with as provided for in sub-para 12.11; Form P-3 and Form P-1:

Provided that if the animals sold have been impounded otherwise than under Chapter 3 of the Cattle Trespass Act, 1871 (Central Act 1 of 1871), the officer conducting the sale shall not remit the amount in respect of such animals to the bank but shall send it to the pound keeper, together with the memorandum specified in clause (b) of this para.

12.7 Receipt to be issued to purchaser of animals:

When impounded animals are sold, the pound-keeper shall, if he has attended the sale, enter the details of the sale in the pound register (Form P-1) and give to the purchaser of such animals a receipt in Form P-4.

12.8 Memorandum showing Disposal of Proceeds of sale:

When impounded animals have been sold under the authority of section 14 or section 16 of the Cattle Trespass Act, 1871 (Central Act 1 of 1871), the account to be delivered to the owner, as required by the latter section, shall be drawn up by the pound-keeper in the form of a memorandum in Form P-5 (the specimen of which is given in Part-II of this Account Code), and the receipt prescribed by the final clause of that section shall be taken in the last column of the counterfoil.

12.9 Remittance of Net Sale Proceeds to Court

When impounded animals sold under the authority of Section 14 or Section 16 of the Cattle Trespass Act, 1871(Central Act 1 of 1871), the pound- keeper shall fill up a memorandum in the manner prescribed in para 12.7; but the sale proceeds, after deduction of the fines leviable, the expenses of feeding and watering and the expenses of sale, if any, shall be made over to the court or officers under whose authority the sale was ordered, e.g. an impounded animal is sold for ₹ 2000 and a sum of ₹ 250 was spent on fodder etc. on food and care of impounded animal. On receipt of voucher Accounts Branch will make the following journal entries in the books of accounts:

Code of Account	Particulars	Dr/ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
For incurring exp on fodder					
230-80-000-06	Fodder for animal	Dr	250		Journal, Cash Book and Ledger
450-21-000-02	To Bank Account*	Cr		250	
For recording Sale proceeds					
450-21-000-02	Bank Account*	Dr	2,000		Journal, Cash Book and Ledger
150-30-000-02	To Sale of Impounded Animal	Cr		1,750	
230-80-000-06	To Fodder for animal A/c			250	
For transferring sale proceeds to liability account					
150-30-000-02	Sale of Impounded Animal	Dr	1,750		Journal, Cash Book and Ledger
350-90-004-01	To Attached Properties	Cr		1,750	
For remittance of amount to Court					
350-90-004-01	Attached Properties	Dr	1,750		Journal, Cash Book and Ledger
450-21-000-02	To Bank Account*	Cr		1,750	

*Specify the name of bank and account number

12.10 Received on behalf of Municipality to be entered on counterfoils of release passes:

The pound-keeper shall, immediately on receipt, add to the last progressive total entered in the counterfoil of release pass (Form P-3), all sums received by him on behalf of the Municipality on account of impounded cattle sold and the amounts remitted direct to the bank account by the officer conducting the sale in accordance with the provisions of para 12.5.

Note: — The balance of the purchase money shall be noted separately in red ink below the progressive total and carried forward till the collections are remitted to the bank.

12.11 Remittance of pound collections to Municipality's bank account: -

12.11.1 At such times as may be fixed by the Municipality, but at least once a week, the pound- keeper shall remit his collections to the Municipality's bank account, counterfoil of the pay-in-slip duly signed and stamped by the bank will be kept as evidence of remittance having been made. and the copy shall be sent to the Secretary to enable him to enter the amount in the General Cash book.

12.11.2 The challan submitted under sub-para (1) shall specify-

- Net sale-proceeds of unclaimed cattle;
- Other receipts.

12.11.3 The collections shall be accounted for by the Municipality in its monthly account (Form G-4) under head "Suspense" and credited to the state revenues under the head preserved for it by the Government, at the expiry of three months after deducting the amount paid, if any, to the owner of impounded cattle under Section 17 of the Cattle Trespass Act, 1871(Central Act 1 of 1871).

Explanation: The amount shown under this head shall be the sums entered in column 18 of Form P-1 as 'Surplus credited to the account'.

12.12 Claims for sale-proceeds of unclaimed animals:

12.12.1 When a claim is preferred under Section 17 of the Cattle Trespass Act, 1871 (Central Act 1 of 1871), to any sum credited as the net sale- proceeds of unclaimed cattle, the original credit shall be traced in the Pound Register and if on investigation, the claim is established, amount repayable shall be paid under the written orders of the President or of a Vice- President, and the payment shall be brought to account direct in the General Cash book (Form Gen-1); the fact of the payment, and the number and date of the payment voucher shall be noted in the remarks column of the pound register against the entry of the original credit.

12.12.2 No claim for refund of the sale-proceeds or part thereof in respect of unclaimed animals shall be entertained if it is not preferred within six months from the date of deposit of the sale-proceeds.

12.12.3 When an investigation into a claim has not been undertaken by the Municipality, it shall, at the request of the Municipality, be made through the district magistrate.

12.13 Accounting of feed expenditure in case cattle is lost or died:

In case impounded cattle is lost, a primary FIR will be lodged in the police station and after expiry of stipulated time, cattle will be treated as dead and accounts branch shall transfer the feed exp to Bad Debts A/c by passing the following journal entry in the books of accounts:

280-80-000-01	Other Exp-Bad Debts A/c	Dr	xxx		Journal, Cash Book and Ledger
230-80-000-06	To Fodder for animal	Cr		xxx	

In any case, feed exp is recovered in future; accounts branch shall pass the following journal entry:

180-80-000-06	Other Exp-Bad Debts A/c	Dr	xxx		Journal, Cash Book and Ledger
230-80-000-06	To Fodder for animal	Cr		xxx	

12.14 Inspection of pounds:

A pound directly managed by the Municipality shall be open to inspection by any member of the Municipality or of the District or Audit Staff, and so far as possible, it shall be inspected once a quarter and the result of the inspection shall be recorded in an inspection book to be kept up at the pound, and any irregularity in its accounts shall at once be brought to the notice of the President or the Chief Municipal Officer, where such an officer has been appointed.

12.15 Maintenance of Pound Ledger

A Pound ledger shall be maintained in the account's office of the Municipality in Form P-6 (the specimen of which is given in Part-II of this Account Code), a separate page being assigned to each pound, in which shall be shown all expenditure on each pound and all income received from each pound. At the end, the said statement shall be compiled by the Secretary and laid before the Municipality showing the net loss or gain to the Municipality during the year from each pound.

12.16 Community Involvement for Transparency:

Encouraging community involvement and awareness regarding pound operations is crucial. Public notification of impounding procedures, sale events and avenues for feedback or complaints shall be included to foster transparency and accountability.

12.17 Training and Capacity Building:

Provision for training and capacity building of pound keepers and staff on animal handling, financial management and legal compliance is necessary to ensure professionalism and efficiency in pound operations.

12.18 Data Management and Analysis:

While emphasizing record-keeping, provisions for data analysis and utilization shall be included. Analyzing trends in impounding, sales and revenue generation activities may be relevant in decision-making and help in identifying areas for improvement or optimization.

CHAPTER-13**INCOME OF THE MUNICIPALITIES****13.1 Introduction**

Municipal revenues come from several sources - tax and non-tax sources, state assignments and devolutions, central and state grants including those from Central Finance Commission (CFC) and State Finance Commission (SFC) SFC scheme funds, etc. This chapter contains the recommended accounting system, the appropriate accounting policies and disclosure for transactions relating to taxation and revenue income of Urban Local Bodies (Municipalities) in Haryana.

13.2 Taxation Powers of Municipalities

The Haryana Municipal Act, 1973 (24 of 1973) and the Haryana Municipal Corporation Act, 1994 (16 of 194) empowers the Municipalities to impose taxes, tolls, fees, duty or cess etc. in their respective jurisdiction by following dues procedure with the approval of the Government.

13.3 Other/Non-Tax Revenue of Municipalities

The Municipalities mobilize revenues from different non-tax sources including water charges, fees and user charges, development charges, teh- bazari, interest, building permission fee, rent, hiring charges, leasing amounts, etc.

13.4 Maintenance of Register for Immovable Property

13.4.1 The municipality shall maintain separate Registers of Immovable Property in Form Gen-30 (to be read with Para 4.4), in which shall be entered details of all immovable property/all the trees within the jurisdiction, of the Municipality (excluding forest areas attaining a girth of about one feet XIII inches), in two volumes – in Volume I in which there shall be entered all property vested in or owned or leased by the Municipality, and in Volume II, all Nazul or other property of Government placed under the management of the Municipality.

13.4.2 In volume I of the register, property leased by the Municipality shall be entered separately from property vested in or owned by the Municipality.

13.4.3 In volume II of the register, the property shall be entered under one or more headings-

- Lands with buildings attached,
- Buildings sites, or
- Other plots.
- And each piece of property shall be entered on a separate page with a plan of the property on the opposite page.

The Municipality shall periodically and not less than once a year cause the Register of Immovable Property to be examined and the examining officer or member shall certify the record to be correct; Volume II of the register shall also be compared annually with the Code register maintained by the Municipality.

13.5 Maintenance of Register of Encroachment on Immovable Property

The Municipality shall maintain a register of encroachment on immovable property in Form R-1A (the specimen of which is given in Part-II of this Account Code) in which shall be entered the details of all encroachments which may come or are brought to the notice of the Municipality. Two volumes of the register shall be maintained in Volume I in which there shall be entered all property vested in or owned or leased by the Municipality, and in Volume II, all Nazul and other property of Government placed under the management of the Municipality.

13.6 Garden Accounts:

- (i) In a Municipality in which the Municipality possesses a garden from which an annual normal income of five hundred rupees or more is realized by the sale of garden produce to private customers, the officer in charge of the garden shall maintain a Garden Order Book in Form R-8 (the specimen of which is given in Part-II of this Account Code) in two parts, in the first of which shall be entered all standing orders for garden produce from regular customers and in the second, all casual orders received from time to time and not accompanied by the price of the produce ordered and when any produce is supplied which is not paid for in advance or at the time an entry shall be made in the account of the purchasers in a Garden Ledger to be maintained in Form R-9 (the specimen of which is given in Part-II of this Account Code) and such ledger shall be closed and accounts rendered once a month.
- (ii) The officer in charge of the garden shall maintain a Garden Cash Book in Form R-10 (the specimen of which is given in Part-II of this Account Code) in which shall be entered as it occurs, every

payment received for produce supplied and the amounts so received shall, at such intervals, as the Municipality may determine, be remitted to the municipal office and shall not be used for expenditure, for which the officer in charge of the garden shall be given a Permanent Advance from which payments shall be made.

13.7 Other Revenues

Municipalities derive substantial portions of their revenue from Property and other taxes, Water Charges and Grants. In addition, they also have certain additional sources of revenue like Rentals from Municipal Properties, Advertisement Taxes, License Fees, etc. This chapter contains the recommended accounting procedures for transactions related to such Incomes.

Some of the Incomes under these categories that may arise to Municipalities are listed below:

- Crematorium Charges;
- Burial Ground Charges;
- Parking Fees;
- Fees for Pay and Use Toilets;
- Interest on late payment
- Penalty on late payment
- Slaughtering Fees;
- Library Fees;
- Fire Extinguishing Service Charges;
- Sale and Hire Charges, for example,
 - ❖ Sale of Scrap;
- Sale of Forms and Documents;
 - ❖ Sale of Tender Forms;
 - ❖ Hire Charges of Road Rollers;
 - ❖ Hire Charges of Tools and Equipment;
 - ❖ Sale of garbage/Manure;
 - ❖ Sale of Trees,
 - ❖ Sale of Fruits;
 - ❖ Sale of Grass;
 - ❖ Sale of Nursery Plants;
 - ❖ Sale of Flowers; etc.

The aspects relating to Incomes to be accounted on actual receipt basis include:

- Collections
- Refunds

Major Heads of Revenue Income Accounts

Major Head of account starts with '1' denotes Revenue Income and based on the nature of Revenue Income, Major Heads are classified into following:

Major Head Code	Major Head Description
1	2
110	Tax Revenue
120	Assigned Revenue and Compensation
130	Rental Income from Municipal properties
140	Fees and User Charges
150	Sale and Hire Charges
160	Revenue Grants, Contributions and Subsidies
170	Income from Investment
171	Interest Earned
180	Other Income

Accrual basis of accounting system shall be followed for most of the above income sources. However, at the outset, where demand under any income head cannot be ascertained owing to absence of a definite and authentic basis for ascertaining income due, such incomes may be accounted for on collection basis. Over a period of time, accrual may be adopted depending on the capability of the system in determining amounts due thereunder.

13.8 Accrual Basis of Accounting for Revenue Income

Accrual basis of accounting attempts to record the financial effects of the transactions and other events of an enterprise in the period in which they occur rather than recording them in the period(s) in which cash is received. In accrual basis of accounting, revenue incomes are reflected in the accounts in the period in which they accrue.

The goal of accrual basis of accounting is to relate the accomplishments (measured in the form of revenues) and the efforts i.e., Service delivery (measured in terms of costs). The reported net income measures an organization's performance during a period rather than merely listing its cash receipts and payments.

13.9 Pre-requisite for recognition of revenue on accrual basis**13.9.1 Revenue shall be Measurable.**

Revenue is recognised if it is measurable at the time of sale or the rendering of service or the use of resources of the enterprise by others.

13.9.2 Revenue shall be Determinable.

For recognition of revenue, the consideration receivable from the sale of goods or from the rendering of services or from the use of resources of organization by others, is reasonably determinable. When such consideration is not determinable within reasonable limits, the recognition of revenue shall be postponed.

13.9.3 Reasonable Certainty in Realisation

Income shall be recognised on accrual basis only when there is no significant uncertainty regarding the amount and the ultimate collection of such income.

13.9.4 Incomes for which demand is raised shall be accounted on accrual basis. These include the following (indicative):

- i. Rental Income from Municipal Properties, for example
 - Rent from Markets/Shopping Complexes;
 - Rent from Office Buildings;
 - Rent from Guest Houses;
 - Rent from Auditorium, Art Galleries;
 - Rent/Lease from Parking Zones; etc.
- ii. Trade License Fees
- iii. Advertisement Charges/Rights
- iv. Profession Tax.

13.9.5 The various aspects relating to incomes to be accounted on accrual basis include:

- Entry in the Demand Register
- Raising of Bills
- Collection of dues
- Refunds, Remissions and write offs.

13.10 Accounting Principles

The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Other Incomes:

- (i) Revenue in respect of Advertisement rights shall be accrued either based on Demand or based on the contract.
- (ii) Revenue in respect of Trade License Fees shall be accrued in the year to which it pertains and where the Demand is raised based on applicable Acts of the state.
- (iii) Revenues in respect of Profession Tax on Organizations/entities shall be accrued in the year to which it pertains where the demand is raised based on applicable Acts of the state.
- (iv) Revenues in respect of rents from properties shall be accrued based on terms of agreement.
- (v) The Other Income, in respect of which demand is ascertainable and shall be raised in regular course of operations of the Municipality, shall be recognised in the period in which they become due, i.e., when the bills are raised.
- (vi) The Other Incomes, which are of an uncertain nature or for which the amount is not ascertainable or where demand is not raised in regular course of operations of the Municipality, shall be recognised on actual receipt.
- (vii) Revenue in respect Notice Fee, Warrant Fee, Other Fees shall be recognised when the bills for the same are raised.

- (viii) Interest element and Penalties, if any, in demand shall be reckoned only on collection.
- (ix) In respect of the demand outstanding beyond two (2) years, provision shall be made to the extent of income of Municipality based on the following provisioning norms:
 - Outstanding for more than 2 years but not exceeding 3 years: 50%
 - Outstanding for more than 3 years: 100% (additional 50%)
- (x) Any additional provision for demand outstanding required to be made during the year shall be recognised as expenditure and any excess provision written back during the year shall be recognised as income of the Municipality.
- (xi) Refunds, remissions of Rents, Fees and Other Incomes for the current year shall be adjusted against the income if pertain to previous years then it shall be treated as prior period item.
- (xii) Write offs of Other Incomes shall be adjusted against the provisions made and to that extent recoverable gets reduced.
- (xiii) Any subsequent collection or recovery of 'Receivables of Rental, Fees and Other Incomes' which were already written off shall be recognized as a 'Prior Period Income'.

13.11 Accounting Records and Procedures:

This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Rental, Fees and Other Incomes. For the purpose of accounting of other incomes there are certain forms, registers etc. which are specified to certain type of other incomes e.g. Summary Statement of Year wise Head wise Collection of Rents or similar incomes (Form OTH-1). This Forms OTH-1 to OTH-3 are given in the Part-II of this Account Code.

13.12 Accounting for incomes to be accounted on Actual receipt basis Collection:

13.12.1 Collection Based Accounting of Income

Incomes, which are not ascertainable in advance, have to be recognized on collection basis. In respect of collection of release-based incomes, such as assigned revenues, fees and user charges, income will be recognised as and when it is received.

13.12.2 Tax Revenue

Tax is a legally imposed levy for having certain properties or profession. These are in general nature and tax payer shall not have right to ask for the exact utilization (benefits) of his tax payment. Taxes levied and administered by the Municipalities shall be classified under the following minor heads.

List of Minor heads under Major Head 110 - Tax Revenue

Minor Head Code	Minor Head Description
1	2
01	Property Tax
03	Sewerage Tax
04	Conservancy Tax/Latrine Tax
05	Lighting Tax
06	Education Tax
07	Vehicle Tax
08	Tax on Animal
09	Electricity Tax
10	Professional Tax
12	Pilgrimage Tax
13	Show Tax
14	Tax on Boat
15	Tax on Dogs
16	Fire Tax
17	Sanitation Tax
18	General Tax
19	Development Tax
20	Duty on transfer of immovable property if not collected on assigned revenue basis
21	Tax on driving licenses
51	Octroi and Toll
52	Charges on collection of Cess
80	Other Tax

90	Tax Remissions and Refunds
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The procedure for Receipt of Revenue in the Nature of Assigned revenue is discussed in Chapter Assigned Revenue. Following shall be the procedure for accounting of the collections made in respect of these Incomes:

Recording of income

To record the income in respect of these incomes accounted on actual receipt basis, based on the Summary of Daily Collection (Form GEN 12) received from the various Collection Offices and Collection Centers, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02 140-(b) 150-(b)	Bank Account* To____(Fees and User) charges To____(Sale and Hire) charges	Dr. Cr. Cr.	10,000	7,000 3,000	Cash Book and Ledger

* Specify name of the Bank and account number.

(b) Insert Minor and Detailed Codes as applicable.

Note: The postings in the Ledger (Form GEN-3) of "Bank" Account and "User Charges" Account shall be carried out as indicated in Chapter-General Accounting Procedures. The postings in the Ledger shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book (Form GEN-2).

13.13 Receipt of Incomes in Advance

In cases where the Incomes that are accounted 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, if a sum of Rs 1,000/ has been received in advance for Service Charges. On receipt, the amount shall be recorded as Fees and User Charges. To record the income, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02 140-(a)	Bank Account* To____(Fees and User) charges**	Dr. Cr.	1,000	1,000	Cash Book and Ledger

* Specify name of the Bank and account number.

(a) Insert Minor and Detailed Codes of Account as applicable.

In case the service is not provided and the customer demands a refund of the amount paid by him in advance. To record the refund, the Accounts Branch shall pass the following entry on payment of the refund:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
140-(b) 450-21-000-(a)	Refund____(Fees and User) charges* To Bank Account*	Dr. Cr.	1,000	1,000	Cash Book and Ledger

* Specify name of the Bank and account number.

(a) Insert Detailed Head Codes of Account as applicable.

(b) Insert Minor and Detailed Head Codes of Account as applicable.

13.14 Deposits

In respect of certain Incomes (including incomes accounted for on accrual basis), a deposit is taken at the time of receiving the application for providing the services/goods, e.g., Rent Deposit, etc. The

accounting for the different transactions in respect of deposits received in respect of incomes, have been discussed below, using the example of Rent Deposit.

Recording of receipt of deposits

On receipt of deposit, the same shall be treated as a liability. To record the receipt of Rent Deposit, say of Rs 10,000/, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account*	Dr.	10,000		Cash Book and Ledger
340-20-000-03	To Deposit Revenues-Rent	Cr.		10,000	

* Specify Name of the Bank and account number.

Recording of adjustment of deposits

The Municipality may adjust the deposits received against the cost of the services rendered by it to the customer. On adjustment of deposits, the respective departments shall send the details of deposits adjusted in the Summary Statement of Deposits Adjusted (GEN 19) to the Accounts Branch on monthly basis. If Rent Deposit of Rs 5,000/ has been adjusted against Rent Income, to record the adjustment of deposits, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-20-000-03	Deposit Revenues-Rent	Dr.	5,000		Journal Book and Ledger
130-(a)	To Rental Income from Municipal Properties	Cr.		5,000	

(a) Insert minor code and detailed codes as applicable.

Recording of refund of deposits

The deposits shall be refunded when an application is made for it as per the rules prescribed for the same. A Payment Order (GEN – 14) shall be prepared by the respective departments for the refund of the deposits. On refund of the balance Rent Deposit of Rs 5,000, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-20-000-03	Deposit Revenues-Rent	Dr.	5,000		Cash Book and Ledger
450-21-000-02	To Bank Account*	Cr.		5,000	

* Specify name of the Bank and account number.

Recording of income in respect 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 recognise the income, on obtaining the approval of the Authorised Officer, the Accounts Branch shall pass the following entry (assuming Rent Deposit of Rs 1,000 has lapsed):

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-20-000-03	Deposit Revenues-Rent	Dr.	1,000		Journal Book, Ledger and Deposit Register
180-11-000-04	To Lapsed Deposit-Rent	Cr.		1,000	

Similar entries as above shall be passed for recording the various transactions in receipt of other deposits for example deposits relating to License Fees and Advertisement Taxes.

13.15 Rentals, Fees and Other Incomes

Based on their nature, all revenue receipts shall be accounted either on Accrual based accounting or Cash based accounting.

The essential features of accrual basis of accounting shall be applied to see whether the particular revenue to be accounted on accrual basis.

The essential requirements for the recognition of revenue under accrual basis of accounting are:

- Revenue shall be Measurable
- Revenue shall be Determinable

The incomes in which the demand is ascertainable and may be raised in regular course of operations, shall be recognized in the period in which they become due.

13.16 Accounting for incomes to be accounted on accrual basis

The accounting for the various aspects relating to Incomes accounted on accrual basis have been discussed below in respect of Rent, License Fees, and Permission Fee: -

Rental Income

- Rent from Markets/ Shopping Complexes
- Rent from Office Buildings
- Rent from Guest Houses
- Rent from Auditorium, Art Galleries
- Rent / lease from Parking Zones

Demand Raised

In respect of the demand raised, the Accounts Branch shall do the following:

Recording of demand raised:

The demand raised for Incomes shall be recognised as an income for the Municipality and correspondingly as a current asset. Accordingly, based on the Summary Statement of Bills Raised (Form OTH-1) received from the respective departments, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-40-000-(a)	Receivable from Other Sources- Rent (Year...) **	Dr.	20,000		Journal Book and Ledger
130-(b)	To Rental Income from Municipal Properties	Cr.		20,000	

(a) Insert detailed Head Codes of Account as applicable.

(b) Insert Minor and detailed Head Codes of Account as applicable.

It is a normal practice for the Municipality to enter the arrears of the dues while issuing the fresh demand. Entries in respect of the arrears shall have already been recorded earlier. The above entry shall be passed only in respect of the current demand of Other Incomes. The rental incomes earned out of shopping complexes, markets, office buildings, etc. shall be entered in the relevant fixed assets register for e.g. Register of Immovable Properties in form GEN-30 or in Register of Moveable Properties in form GEN-31. The registers shall be updated periodically as per the provisions and rules of the Act governing the Municipalities.

Collection of accrued incomes

The following shall be the procedure for accounting of the collections made in respect of accrued Incomes:

Recording of Income collections:

To record the income based on the Summary of Daily Collections (Form GEN-12) received from the various Collection Offices and Collection Centers, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account*	Dr.	15,000		Cash Book and Ledger
431-80-000-06	To Receivable Control Account-Rent	Cr.		15,000	

* Specify Name of the Bank and account number.

(a) Insert detailed Head Codes of Account as applicable.

For Other Incomes to be accounted on accrual basis, the Summary of Daily Collection (Form GEN-12) does not provide the breakup of collections into arrears collected, collections received in advance and collection made in respect of the current year's demand. Hence, the total amount collected is credited to "Consolidated Receivables of Rent" Account which shall be segregated on a monthly basis.

Recording of breakup of collections:

A Summary Statement of Year wise/ Head wise Collection of various other incomes in Form OTH-2 shall be prepared on a monthly basis by the respective departments and sent to the Accounts Branch to record the details of collection. To record the breakup of the collections made in respect of Incomes accounted for on accrual basis, into current and arrears recovery and to record any income collected in advance, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-80-000-06	Receivable Control Account-Rent	Dr.	18,000		Journal Book and Ledger
431-40-000-(a)	To Receivable from Other Sources-Rent (Year...)	Cr.		15,000	
431-40-000-(a)	To Receivable from Other Sources-Rent (Year...)	Cr.		2,000	
350-41-000-(a)	To Advance Collection of Revenue-Rent*	Cr.		1,000	

*Adjustment of income collected in advance is discussed separately advance is discussed separate under section Adjustment of other Incomes received in Advance'.

(a) Insert detailed Head Codes of Account as applicable.

13.17.1 Notice Fee, Warrant Fee and Other Fees

Notices of demand and warrants shall be issued and other fees may be charged as per the relevant provisions.

Recording of demand raised:

A Summary Statement of Notice Fee, Warrant Fee and Other Fees Charged in Form GEN-24 shall be prepared on a monthly basis and sent to the Accounts Branch.

For recording the demand raised in respect of Notice Fee, Warrant Fee and Other fees charged for Fees charged for rent not received, on the basis of the Summary Statement of Notice Fee, Warrant Fee and Other Fees Charged received from the respective departments, the Accounts Branch shall pass the same entry as explained in Chapter Property and Other Taxes.

Refunds and Remissions

All refunds and remissions arising on account of certain changes or amendments of the provisions or acts governing the revenues shall be duly recorded in the Demand Registers maintained and the details of the same shall also be communicated to the Accounts Branch.

Recording of refunds/remissions payable:

A Summary Statement of Refunds and Remissions in Form OTH-3 shall be prepared on a monthly basis. Refunds / Remissions pertaining to prior period shall be identified separately from the current period based on which the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
130-90-000-(a)	Rent Remission and Refund	Dr.	500		Journal Book and Ledger
280-60-000-(a)	Prior Period Expenses Refund of other revenues-Rent	Dr.	100		
350-40-000-06	To Refund Payable-Rent*	Cr.		600	

* Refunds/Remissions arising on account of change in the applicable rules shall be either passed for 'Payment' or credited to the account 'Advance Collection of Revenues Rent' (with account code 350-41-a) in accordance with the accounting principles of the Municipality.

(a) Insert detailed Head Codes of Account as applicable.

Recording of payment of refunds/remissions granted:

The Accounts Branch shall prepare a Payment Order (Form GEN-14) in respect of the refunds and communicate the details of refunds/remissions payments to the concerned departments for updating the Register of Demand and other registers. To record refunds made, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
350-40-000-06	Refund Payable-Rent	Dr.	500		Cash Book and Ledger
450-21-000-02	To Bank Account*	Cr.		500	

* Specify name of the Bank and account number.

Adjustment of Incomes received in advance

The respective departments shall intimate the Accounts Branch of the advance adjusted against the subsequent bills raised through the Summary Statement of Bills Raised (Form OTH-1).

(a) **Recording of subsequent demand raised in the normal course** to record the demand raised for rent, the Accounts Branch shall pass same entry as in the case of original demand.

(b) **Recording of adjustment of advance** To record the adjustment of Other Incomes received in advance, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-41-000-(a)	Advance collection of Revenue- Rent	Dr.	1,000		Journal Book and Ledger
431-40-000-(a)	To Receivable from other Sources-Rent (Year...)	Cr.		1,000	

(a) Insert detailed Head Codes of Account as applicable.

Deposits

The accounting in respect of receipt, adjustment, refund of deposits and recognizing income in respect of lapsed deposits for Incomes accounted on accrual basis shall be similar to that for Incomes accounted for on

actual receipt basis. The entry for adjustment of deposit for income to be accounted on accrual basis has been given below.

Recording of adjustment of deposits: The Municipality may adjust the deposits received against the cost of the services rendered by it to the customer. The respective departments shall send the details of deposits adjusted in the Summary Statement of Deposits Adjusted (Form GEN-19) to the Accounts Branch on monthly basis.

If Rent Deposit of ₹ 5,000/ has been adjusted against recovery of dues towards Rent Income, to record the adjustment of deposits, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-20-000-(a)	Deposit Revenue-Rent	Dr.	5,000		Journal Book and Ledger
431-40-000-(a)	To Receivable from other Sources-Rent (Year...)	Cr.		5,000	

(a) Insert detailed Head Codes of Account as applicable.

Provision for Unrealized Revenue Receivables

Recording of provision for unrealized income The demand outstanding beyond two (2) years shall be provided for as per provisioning norms given below:

- Outstanding for more than 2 years but not exceeding 3 years: 50%
- Outstanding for more than 3 years: 100% (additional 50%)

For example, provision for the year ended March 31, 2022 is as under:

(a) 50% of outstanding Receivables of Rent for the year ended March 31, 2020

(b) 100% of outstanding Receivables of Rent for the year ended March 31, 2019 and before.

Additional provision or reversal of excess provision for the current period shall be calculated similar to computations explained in Tables in Chapter for Property and Other Taxes. For making the provision, the following entry shall be passed by the Accounts Branch:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
270-10-000-(a)	Provision for Doubtful Receivable-Rent	Dr.	1,500		Journal Book and Ledger
432-40-000-(a)	To Provision for Outstanding Other Receivable -Rent	Cr.		1,500	

(a) Insert detailed Head Codes of Account as applicable.

The effect of the above entry will be as follows:

- (a) Provision for Doubtful Receivables Rent shall be shown as a separate item under the Major expense head 'Provisions and Write off;
- (b) Provision for Outstanding Other Receivables shall be shown as a deduction from Receivables from Other Sources Rent in the Balance Sheet.

To write back the provision made earlier, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
432-40-000-(a)	Provision for Other Outstanding Receivable -Rent	Dr.	500		Journal Book and Ledger
180-60-000-(a)	To Excess Provision Written back- Rent	Cr.		500	

(a) Insert detailed Head Codes of Account as applicable.

Write offs

Recording of Write offs If for any reason, it is decided by the Municipality to write off any Other Income dues, the details of the write off has to be entered in the 'Statement of Write off' by the respective departments in Form OTH-4. This form has to be prepared on a monthly basis and forwarded to the Accounts Branch and based on which, the write off shall be adjusted against the provision made and the following entry will be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
432-40-000-(a)	Provision for Other Outstanding Receivable -Rent	Dr.	500		Journal Book and Ledger
431-40-000-(a)	To Receivable from Other Sources-Rent	Cr.		500	

(a) Insert detailed Head Codes of Account as applicable.

Recording of subsequent collection/ recovery of 'Receivables of Rents/License Fees/Permission Fee written off: In case a 'Receivables of Rents/License Fees/ Permission Fee written off already were recovered/collected during the year, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-80-000-(a)	Receivable Control Account - Rent	Dr.	1,000		Journal Book and Ledger
280-30-000-(a)	To Prior Period Income- Recovery of Revenues Written Off-Rent	Cr.		1,000	

(a) Insert detailed Head Codes of Account as applicable.

Transfer of amount outstanding in respect of arrears from specific year wise account to general account

The arrears of Other Income shall be carried forward year wise, e.g., in "Receivables of Other Income (Year...)" account up to three years. On completion of the third year, the amount outstanding in the specific year wise receivable account shall be transferred to a general arrears account, i.e., "Receivables of Other Income (Others)" Account. For example, the rent receivable in respect of the demand raised during the accounting year 2020-21 shall be carried forward in "Receivables of Rent (2021)" Account up to the year ending March 31, 2021. On March 31, 2021, the balance outstanding in this account shall be transferred to "Receivables of Rent (Others)" Account.

Recording of transfer of arrears to general account to record this transfer, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-40-000-(a)	Receivable from Other Sources – Rent (Others)	Dr.	5,000		Journal Book and Ledger
431-40-000-(a)	To Receivable from other Sources- Rent (Year...)	Cr.		5,000	

(a) Insert detailed Head Codes of Account as applicable.

Recovery of other incomes through legal proceedings

The transactions in respect of Recovery of Property and Other Taxes have been described in Property and Other Taxes, reference to which is invited. The transactions relating to Recovery of Other Incomes shall be accounted in similar manner.

13.17.2 License Fees

The license fees charged for granting license to any trade, shops, markets etc. Similar to accruing of rental income, license fees shall also be accrued based on raising a demand in form OTH–1. Accounting entries in respect of Demand and Collection are detailed below.

However, in respect of notice fees, refunds, adjustment of advances and deposits, provisions, write off and transfer outstanding from specific year to general account, reference is invited to entries explained above in chapter-7 “Property and Other Taxes”.

Raising of demands

Recording of demand raised: The demand raised for Income shall be recognized as an income for the Municipality and correspondingly, as a receivable. Accordingly, based on the Summary Statement of Bills Raised (Form OTH –1) received from the respective departments, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-30-000-(a)	Receivable for fees and User charges–License Fee (Year)	Dr.	20,000		Journal Book and Ledger
140-11-000-(a)	To Licensing Fees-Trade	Cr.		20,000	

(a) Insert detailed Head Codes of Account as applicable.

It is a normal practice for the Municipality to enter the arrears of the dues while issuing the fresh demand. Entries in respect of the arrears shall have already been recorded earlier. The above entry shall be passed only in respect of the current demand of Other Incomes.

Collection of accrued incomes

The following shall be the procedure for accounting of the collections made in respect of accrued Incomes:

- (a) **Recording of Income collections:** To record the income based on the Summary of Daily Collections (Form GEN-12) received from the various Collection Offices and Collection centres, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	Bank Account*	Dr.	15,000		Cash Book and Ledger
431-80-000-(a)	To Receivables Control Account–License Fees	Cr.		15,000	

* Specify name of the Bank and account number.

(a) Insert detailed Head Codes of Account as applicable.

- (b) For Other Incomes to be accounted on accrual basis, the Summary of Daily Collection (Form GEN-12) does not provide the breakup of the collections into arrears collected, collections received in advance and collection made in respect of the current year's demand. Hence, the total amount collected is credited to "Consolidated Receivables of License Fees" Account which shall be segregated on a monthly basis.
- (c) **Recording of breakup of collections:** A Summary Statement of Year wise/ Head wise Collection of various other incomes in Form OTH-2 shall be prepared on a monthly basis by the respective departments and sent to the Accounts Branch to record the details of collection. To record the breakup of the collections made in respect of Incomes accounted for on accrual basis, into current and arrears recovery and to record any income collected in advance, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-80-000-(a)	Receivables Control Account-License Fee	Dr.	18,000		Journal Book and Ledger
431-30-000-(a)	To Receivable for Fees and User charges-License Fees (Year	Cr.		15,000	
431-30-000-(a)	To Receivable for Fees and User charges- License Fees (Year.....)	Cr.		2,000	
350-41-000-(a)	To Advance Collection of Revenues-License Fees*	Cr.		1,000	

* Adjustment of income collected in advance is discussed separately under section 'Adjustment of Other Incomes received in Advance'.

- (a) Insert detailed Head Codes of Account as applicable.

13.17.3 Permission Fees

The Permission Fees charged towards advertisement rights. Similar to accruing of rental income and license fees, Permission Fees shall also be accrued based on raising a demand in form OTH-1.

Demand Raised

Recording of demand raised: The demand raised for Permission Fees incomes shall be recognised as an income for the Municipality and correspondingly as a current asset. Accordingly, based on the Summary Statement of Bills Raised (Form OTH-1) received from the respective branches, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-30-000-(a)	Receivable for Fees and User Charges-Permission Fees (Year...)	Dr.	20,000		Journal Book and Ledger
140-17-000-(a)	To Permission Fees-(Advertisement)	Cr.		20,000	

- (a) Insert Detailed Head Codes of Account as applicable.

It is a normal practice for the Municipality to enter the arrears of the dues while issuing the fresh demand. Entries in respect of the arrears shall have already been recorded earlier. The above entry shall be passed only in respect of the current demand of Other Incomes.

Collection of accrued incomes

The following shall be the procedure for accounting of the collections made in respect of accrued Income:

- (a) **Recording of Income collections** To record the income based on the Summary of Daily Collections (Form GEN-12) received from the various Collection Offices and Collection Centers, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	Bank Account*	Dr.	15,000		Cash Book and Ledger
431-80-000-(a)	To Receivable Control Account- Permission Fees	Cr.		15,000	

* Specify name of the Bank and account number.

(a) Insert detailed Codes of Account as applicable.

- (b) For Other Incomes to be accounted on accrual basis, the Summary of Daily Collection (Form GEN-12) does not provide the breakup of the collections into arrears collected, collections received in advance and collection made in respect of the current year's demand. Hence, the total amount collected is credited to "Consolidated Receivables of Permission Fee" Account which shall be segregated on a monthly basis.

(c) **Recording of breakup of collections**

A Summary Statement of Year wise/ Head wise Collection of various other incomes in Form OTH2 shall be prepared on a monthly basis by the respective departments and sent to the Accounts Branch to record the details of collection. To record the breakup of the collections made in respect of Incomes accounted for on accrual basis, into current and arrears recovery and to record any income collected in advance, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-80-000-(a)	Receivable Control Account- Permission Fees	Dr.	18,000		Journal Book and Ledger
431-30-000-(a)	To Receivable for Fees and User Charges-Permission Fee (Year...)	Cr.		15,000	
431-30-000-(a)	To Receivable for Fees and User Charges-Permission Fees (Year...)	Cr.		2,000	
350-41-000-(a)	To Advance Collection of Revenues- Permission Fees	Cr.		1,000	

* Adjustment of income collected in advance is discussed separately under section 'Adjustment of Other Incomes received in Advance.'

(a) Insert detailed Codes of Account as applicable.

13.18 Internal controls

The following internal controls shall be observed by the Municipality in respect of transaction related to other Incomes:

- The Head of the Accounts Branch and the heads of the respective branch shall reconcile the balance at the beginning of the accounting year in respect of the Sundry Income Receivables Arrears (as appearing in the Balance Sheet of the previous year) with the year wise total of the arrears recorded in the Demand Registers.
- A quarterly reconciliation shall be carried out by the Head of the Accounts Branch and the head of the respective branch in respect of the amount collected and the arrears outstanding between the balances standing in the Ledger maintained at the Accounts Branch and the Demand Registers maintained at the respective branch.
- A monthly reconciliation shall be carried out by the Head of the Accounts Branch and the head of the respective branch in respect of the various deposits collected, between the balances standing in the Ledger maintained at the Accounts Branch and the Deposits Registers maintained at the respective branch.
- The head of the respective branch shall ensure that the Receipt/Challan for Remittance of Money prepared, provides reference to the Consolidated Collection Register.
- The Chief Municipal Officer shall specify such appropriate calendar of returns/reports for monitoring.
- All Reconciliation Statements shall be certified by the Head of the Accounts Branch.

13.19 Income from Investments

Municipalities invest surplus funds available with it as per Acts and the rules made thereunder. Accounting Standard - 9 issued by ICAI deals with the basis for recognition of revenue. Revenue arising from Interest / Dividend shall be recognized only when there is significant certainty as to measurability and collectability.

The interest revenue shall be recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

Dividends from investments in shares are recognized on actual receipt.

Recording of receipt of interest/dividend on investments from the Municipal Fund:

To record the receipt of interest/dividend on the Municipal Fund Investments, the Accounts Section shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	Bank Account*	Dr.	1,000		Cash Book and Ledger and Investment Register.
170-10-000-(a)	To Interest on Fixed Deposit with Scheduled Bank	Cr.		800	
170-20-000-(a)	To Dividend on Mutual Fund Investment	Cr.		200	

*Specify the Name of Bank Account and Number.

(a) Insert Detailed Head Code of Account as applicable.

Recording of receipt of interest / dividend on investments from the Special Funds and Grants:

Interest/dividend received on investments representing accretion to the Special Fund or Grant cannot be utilized for any purpose other than the purpose for which the Special Fund or Grant has been received. The Interest/Dividend shall be deposited in the respective Special Fund or Grant Bank Account.

Recording of interest/dividend received on Special Fund Investments:

To record the interest/dividend received on Special Fund Investments, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	Bank Account*	Dr.	1,000		Cash Book, Ledger, Investment Register and Special Fund Register.
311-10-000-(a)	To Road Fund	Cr.		1,000	

*Specify the Name of Bank Account and Number.

(a) Insert Detailed Head Code of Account as applicable.

Recording of interest/dividend received on Grant Investments:

To record the interest/dividend received on Grant Investments, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	Bank Account*	Dr.	1,000		Cash Book, Ledger, Investment Register and Grant Register.
320-20-000-(a)	To Grants contribution	Cr.		1,000	

*Specify the Name of Bank Account and Number.

(a) Insert Detailed Head Code of Account as applicable.

Interest earned on investments made from Special Funds and Grants shall be updated in the Investment Register along with Special Funds Register maintained in Form SF-1, Grants Register maintained in Form GEN-37.

13.20 Period-end Procedures

At period-end, interest shall be accrued on investments made from the date of last receipt of interest till the end of the accounting period. The accrual of interest shall include both interests due for receipt and interests not due for receipt. This may be explained with the help of an illustration.

Example: Assuming interest on Municipal Fund Investment of Rs One lakh is payable half yearly on 30th June and 31st December at 10% per annum, which implies that interest of ₹ 5,000 is receivable on 31st December 2020 of the current accounting year and ₹ 5,000 is receivable on 30th June 2021 of the next accounting year. However, interest for the period from the date of last receipt, i.e., 31st December 2020 to the end of the accounting year needs to be accounted in the books of account as interest is computed on the basis of time elapsed. Thus, ₹ 2,500 (10% on Rupees One lakh for 3 months), i.e., interest for the intervening period shall be recorded in the books of accounts. In the case interest due for half-year ended 31st December of ₹ 5,000 which is not received as of March i.e. Year end, it shall be accounted as 'Interests accrued and due' and the interest accrued for the three months period up to 31st March 2021 of ₹ 2,500 shall be accounted as 'Interest accrued but not due'. The entries for accounting of interest accrued and accrued but not due are explained below.

Recording of Interest accrued and accrued but not due on Municipal Fund Investments:

At period-end, to record the interest accrued on Municipal Fund Investments; the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-40-000-(a)	Interest accrued and due on Municipal Fund Investment	Dr.	5,000		Journal Book, Ledger and Investment Register.
170-10-000-(a)	To Interest on Fixed Deposit with Scheduled Bank	Cr.		5,000	

(a) Insert the Detailed Head Code of Account as applicable.

In the case where interest is accrued on the Special Funds or Grants for specific purpose, the accrued interest will be credited to that Fund itself.

Maturity/Disposal of Investment

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 depending on whether the amount received on disposal of investment is more or less than the cost of investment. 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 whereas, in case of Special Funds Investments or Grants Investments, the profit realized or loss incurred shall be adjusted in the Special Fund or Grant.

Internal controls

The Accounts Branch shall ensure that interest/dividend on investments is actually received as per the terms of the investments.

13.21 Fines

13.21.1 The arrears of municipal taxes or fines realized through courts are required to be collected by the Municipality. A monthly statement in Form R-11 but the amount of such arrears shall be brought to account when the General Cash Book is closed for the month even if no statement in Form R-11 (the specimen of which is given in part-II of this code) has been received in respect thereof, and when the statement is received, it shall be checked with the Pass Book and the General Cash Book.

13.22 Collection of ferry-tolls, saraj dues etc.-

13.22.1 A Municipality collecting ferry- tolls or fees for the use of a parao/sarai/rest house shall direct that such tolls or fees be collected by means of tickets in Form R-4 with the heading altered appropriately in each case, and the provisions of Rule relating to Collections of Tehbazari dues shall apply mutatis mutandis to the collection of such dues.

13.22.2 The collections from ferries shall be accounted for and credited to the Municipal Fund, at such times, as may be thought fit by the Municipality, but at least once a week, the municipal official responsible for collecting fee, shall remit his collections to the Bank, counterfoil of the

pay-in-slip duly signed and stamped by the bank will be kept as evidence of remittance having been made., and the copy shall be sent to the Secretary to enable him to enter the amount to his General Cash book.

13.22.3 The challan submitted under sub-para (2) shall specify the receipt from ferry-toll.

13.23 Miscellaneous demands

For demands not otherwise provided for in this Code, the Secretary shall maintain a Miscellaneous Demand and Collection Register in Form R-12 (the specimen of which is given in Forms and Format section of this Account Code) and the Provision of the Rule relating to Rent Demand and Collection Register shall apply mutatis mutandis to the maintenance of such Register and the collection of such demands.

13.24 Saving of Municipality's right to farm dues

Nothing contained in this Code shall be deemed to prevent any Municipality from leasing to any person the right to collect any rents, fees or other dues of the Municipality, and if in any case, such a lease is given, it shall be dealt with as a lease of immovable property in accordance with the provisions of this Code.

The Municipalities may let out the management and collection of income at cattle fairs.

13.25 Slaughter-house Fees

13.25.1 The fees leviable at a municipal slaughter-house shall be entered in a Schedule, of which a copy shall be pasted at the entrance to the slaughter house premises.

13.25.2 The Municipality shall appoint a muharrir or other officer for the collection of such fees, who shall be provided with a locked cash-box of which the key shall remain with the Secretary or some other responsible officer, as the Municipality may direct, and the muharrir or other officer so appointed shall immediately and without reservation, drop into his cash-box all fees received and while issuing tickets shall enter on the counterfoil of each ticket issued, the progressive total of fees received during the day.

13.25.3 If such fees are levied per head on the animals brought for slaughter, they shall be collected by means of tickets in Form R-7 (the specimen of which is given in Part-II of this Account Code) and if they are levied from each butcher using the slaughter-house, as payment for use of the slaughter-house, they shall be collected by means of tickets in Form R-4 with the heading changed to 'Slaughter- house Ticket' and tickets in Form 7 shall be available only for the animals specified therein and tickets in Form R-4 shall not be transferable and tickets in both forms shall be valid only for the day of issue and shall not be renewable.

13.25.4 At the end of the day, the clerk or other officer appointed for the collection of slaughter-house fees shall send his cash to the Secretary or other officer in accordance with the directions of the Municipality, and the Secretary or such other officer shall deal with the cash.

13.25.5 The Secretary or other inspecting officer appointed by Municipality in this behalf shall check the work of the muharrir or other officer appointed for the collection of fees by demanding from such butchers, as he may think fit, the tickets in Form R-7. or R-4 issued to them and such butchers shall produce such tickets on such demand, and after such examination, as he may think necessary, the inspecting officer shall fill up the coupons and detach them for the purpose of comparison with the counterfoils in the book of tickets and shall return the tickets to the butchers after initialling them and after the comparison has been made, shall drop the coupons in the cash-box of the muharrir or other officer.

13.26 Bills for collection of rents: -

13.26.1 Bills for the collection of rents of immovable property shall be issued in Form R-3 (the specimen of which is given in Part-II of this Account Code), any payment thereof shall be made either directly at the office from which they are issued, or, in large Municipalities where special staff is entertained for the collection of such dues, to a member of such staff.

13.26.2 Rules governing the collection of taxes shall apply mutatis mutandis to the collection of rents.

13.27 Rent Demand and Collection Register

13.27.1 The Lands Officer shall maintain a Rent Demand and Collection Register in Form R-2 in which shall be entered details of every rent or lease of any property entered in the Register of Immovable Property (Form Gen-30) as soon as it is sanctioned by the Municipality.

13.27.2 At the beginning of each year, fresh Rent Demand and Collection Register in Form R-2 (specimen has been provided in Part-II of this Code), shall be opened in which shall first be entered the names of all the tenants/lessees against whom arrears are shown as due on account of the previous year or years in column 4 of the register of the previous year together with the amount of such arrears, after which the entries relating to the demand of the current year

shall be posted, the word "arrears" being written in red ink in the "Remarks" column against the name of any person in the list of the current year whose name is also entered in the list of persons from whom arrears are due.

- 13.27.3 When in accordance with a resolution of the Municipality /order of the competent authority, the rate of rent/lease in any case is altered, the necessary correction shall be made in red ink in the Rent/lease Demand and Collection Register (Form R-2) (the specimen of which is given in Part-II of this Account Code), a note being made in the "Remarks" column giving the authority for the correction, and when any rent is exempted by the Municipality, no correction shall be made in the register, but the authority for the remission and the amount of the rent exempted shall be entered in the appropriate places in columns 45 and 46 of the register.

13.28 Sales of immovable property

When any property entered in the Register of Immovable Property (Form GEN-30) is sold, the necessary entry shall be made in column 18 of the register, and if the sale money is realized on the payment, the amount shall be brought to account direct in the General Cash book (Form Gen-2.), but if the sale money is to be paid by instalments, the transaction shall be entered in a separate portion of the Rent Demand and Collection Register (Form R-2), the instalments being treated as rent due at stated intervals.

- 13.28.1 Every Municipality to which any property of Government has been transferred for management, shall keep a pro-forma account of the income derived from such property including any grant received from Government in respect thereof and of the expenditure thereon, and shall be responsible for the annual repairs required for such property and for special repairs to the amount of the balance, if any, of income over expenditure since the property was transferred as shown in the Performa account.
- 13.28.2 No Municipality to whom any property of Government has been transferred for management shall cause any repairs or alterations to such property to be carried out in a style differing from that of the original work without the consent of the State Government.
- 13.28.3 No Municipality in whom any land of Government vests or to whom any land of Government has been transferred for management, shall cause or suffer any buildings of a permanent nature to be construed on such land, or shall cause or suffer such land to be diverted permanently from its existing use, without the consent of the State Government.

Format of statement of nazul property proposed to be sold in Municipality is given in Part-II of this Account Code.

13.29 Plots for temporary occupation to be scheduled and dues collected by Tehbazari Tickets:

The tehbazaari fee of only such plot be collected which have already been allotted in the prescribed format / receipt.

13.30 Land Officers and Rent Inspectors to check the work of Rent Collectors: -

It shall be the duty of the Rent Inspectors, if any, to check the work of Rent Collectors by making periodical rounds in the course of which they shall demand and examine the Tehbazari tickets of persons found in occupation of scheduled plots of land or portions of public streets, and in such cases, after such examination as they may think necessary, they shall fill up and tear off the coupons attached to the tickets and keep them for comparison with the counterfoils in the books of the Rent Collectors, and after such comparison, shall bring them to the notice of the Land Officer or the Secretary, as the case may be, who shall retain them till the subsequent audit of the accounts of the Municipality and may order them to be destroyed thereafter.

13.31 Fees at Fairs

- 13.31.1 When a Municipality collects fees for permission to set up shops or stalls at a fair, the fees shall be collected as if they were Tehbazari dues.
- 13.31.2 At conspicuous places, at every fair, where fees are collected, tables of the sanctioned rates shall be pasted in English and Vernaculars, together with notices requesting the public to demand a receipt from the official in charge for every payment made, in respect of the animal or animals sold or where a Municipality has so provided, such fees shall be collected by means of receipt in Form R-6 (the specimen is given in Part-II of this Account Code) which shall be written with an indelible pencil and prepared in triplicate by means of carbon paper, the second carbon copy being retained and the original along with the first carbon copy detached and handed over to the payer. The payer, on demand by an Inspector or any other person authorized in this behalf, shall produce for inspection, the original and the carbon copy of the receipt granted to him. Such officer shall then verify the entries in the original receipt with those in the carbon copy as well as the number of cattle, etc., and on satisfaction, shall sign the original receipt before returning it to the payer. The carbon copy, which shall be retained by the Inspecting Officer, shall, before it is finally filed, be also checked with the office copy of the receipt in Form R-6.

13.32 Presentation in Financial Statement

The various heads of account used for the accounting of Other Incomes related transactions shall be reflected in the Financial Statements or in the Schedules attached to the Financial Statements of the Municipality. All such Financial Statements and schedules shall be affixed with signature and seal of designated authorities.

The provision against the Outstanding Rental and Other Incomes receivable is to be disclosed under the major head Accumulated Provisions as a separate line item In the Balance Sheet below the 'Sundry Debtors'.

The Schedule (I-3, I-4, I-5, I-9, I-16, I-18, B-7, B-9, B-15 and B-17) of Income and Expenditure Statement in respect of Other Incomes are given in Part-II of this Account Code. The Balance Sheet Abstract in respect of the other Incomes is also given in the Part-II of this Account Code).

CHAPTER-14**GRANTS****14.1 Introduction**

Municipalities may be receiving grants from the State Government or Central Government or from other national and international agencies. These Grants may be received for creating assets in order to earn income there from or for providing infrastructure facilities in the municipal areas.

Government grants are assistance by government in cash or kind to an enterprise for past or future compliance with certain conditions. They exclude those forms of government assistance which may not reasonably have a value placed upon them and transactions with government which may not be distinguished from the normal trading transactions of the Municipality.

Here the term Government includes government, government agencies and similar bodies whether local, national or international.

This chapter contains the recommended accounting system for transactions relating to Grants received by the Municipality.

14.2 Approaches for grant:

There are two approaches for recognition of Grants in Accounts of Municipality:

14.2.1 Capital Approach**14.2.2 Income Approach**

‘Capital approach’, under which a grant is treated as part of shareholders’ funds or entity fund.

The ‘Income approach’, under which a grant is considered as income of the entity over one or more periods.

14.3 Nature of Grant:

Grants received by the Municipalities may be of a capital or revenue nature.

A **Capital Grant** is usually utilized for capital expenditure i.e, creation of a fixed asset (like purchase of land, building, equipment, facilities, etc.).

A **Revenue Grant**, on the other hand, is generally utilized for meeting recurring expenditure, the benefits of which usually expire within the accounting year in which it is incurred.

14.4 Purpose of Grant:

Grants may be received for General Purpose or a Specific Purpose.

- (a) **General Purpose Grants:** Grants received for general purposes are usually in the form of a lump-sum payment from the Government to facilitate meeting certain expenditure (usually revenue in nature) relating to the Urban Local Bodies activities. Examples of general grants may be grants received in compensation of toll or other revenue sources foregone by the Municipality.
- (b) **Specific Grants:** The Municipality also receive grants for carrying out specific projects/ schemes or for meeting specific expenditures. These may be Revenue or Capital in nature based on the purpose for which they are received. Certain Specific Grants may have both, capital and revenue components, e.g., grant for construction of new roads and subsequent repairs and maintenance of roads. Specific Grants may either be received in advance or as a reimbursement of the expenditure incurred by the Municipality. For the purposes of accounting treatment, State Finance Commission (SFC) Devolutions shall be considered as grants from the Government and accounted for accordingly.

When a Specific Grant is received in advance, the Municipality is required to submit a ‘**Utilization Certificate**’ in the manner, prescribed in the Grant Sanction Order.

The claim for grant receivable as a reimbursement of expenditure incurred is made by submitting “Statement of Expenditure” to the sponsoring agency at such intervals as prescribed in the Grant Sanction Order.

Some Specific Grants require opening of a Designated Bank Account from which all expenditures in respect of the grant are paid and/or maintenance of separate Books of Accounts.

The following is an illustrative list of Specific Grants that may be received by the Municipality:

- Revenue Grants for meeting expenditure incurred during the ordinary course of activities of the Municipality:
 - Dearness Allowance Expenditure Reimbursement Grant,
 - Grant for Chemicals used for Water Supply Works, etc.
- Revenue Grants for operating specific projects/schemes:
 - Census Grant,
 - Pulse Polio Grant,
 - Family Welfare Grant,
 - Tuberculosis Control Grant,

- Malaria Control Grant,
- Aids Awareness Grant,
- School Children Health Program Grant, etc.
- Capital Grants for meeting capital expenditures under specific projects/schemes:
 - Backward Classes Development Grant,
 - Integrated Urban Areas Development/Integrated Development of Small and Medium Towns Grant,
 - Public Toilets Construction grant, etc.

14.5 Special Condition for Grant:

- 14.5.1** When a Specific Grant is received in advance, the Municipality is required to submit a "Utilization Certificate" in the manner, prescribed in the Grant Sanction Order.
- 14.5.2** The claim for 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 intervals as specified in the Grant Sanction Order.
- 14.5.3** If the Grant Sanction Order stipulates opening of specific Bank Account for deposit and utilization of grants, the same shall be done.

14.6 Accounting Policies:

- 14.6.1** Government grants related to revenue shall be recognised on a systematic basis in the profit and loss statement over the periods necessary to match them with the related costs which they are intended to compensate. Mere receipt of a grant is not necessarily conclusive evidence that conditions attaching to the grant have been or shall be fulfilled.
- 14.6.2** Government grants shall not be recognised until there is reasonable assurance that (i) the Municipality shall comply with the conditions attached to them, and (ii) the grants will be received.
- 14.6.3** Grants towards revenue expenditure, received prior to the incurrence of the expenditure, shall be treated as a liability till such time that the expenditure is incurred.
- 14.6.4** Grants received and receivable in respect of specific revenue expenditure shall be recognised as income in the accounting period in which the corresponding revenue expenditure is charged to Income and Expenditure Account.
- 14.6.5** Specific Grants received towards capital expenditure shall be treated as a liability till such time that the fixed asset is constructed or acquired. On construction or acquisition of assets, the extent of amount of liability shall be treated as a capital receipt and shall be transferred from respective Grant Account to the capital Contribution.
- 14.6.6** Grants received as a nodal agency or as implementing agency for a specific purpose, which does not result in creation of assets with ownership rights of Municipality shall be treated as liability till such time it is used for the intended purpose. Upon completion of the scheme, the amount of accumulated expenditure shall be adjusted against the liability created when the grant was originally received and balance if any, shall be refunded to government.
- 14.6.7 Carrying Value of Fixed Assets:**
- The grant is shown as a deduction from the gross value of the asset concerned in arriving at its book value. The grant is thus recognised in the profit and loss statement over the useful life of a depreciable asset by way of a reduced depreciation charge.
 - Grants related to depreciable assets are treated as deferred income which is recognised in the profit and loss statement on a systematic and rational basis over the useful life of the asset. Such allocation to income is usually made over the periods and in the proportions in which depreciation on related assets is charged. Grants related to non-depreciable assets are credited to capital reserve under this method, as there is usually no charge to income in respect of such assets. However, if a grant related to a non-depreciable asset requires the fulfillment of certain obligations, the grant is credited to income over the same period over which the cost of meeting such obligations is charged to income. The deferred income is suitably disclosed in the balance sheet pending its apportionment to profit and loss account
- 14.6.8** Grants in the form of non-monetary assets (such as fixed assets given at a concessional rate) shall be accounted for on the basis of the acquisition cost. In case a non-monetary asset is received free of cost, the amount of grant will be the fair value of the asset received. The fair value may be determined based on a valuation certificate from a certified valuer.
- 14.6.9** Income on investments made from 'Specific Grants received in advance' shall be recognized and credited to the Specific Grant, whenever accrued. Profit/loss, if any, arising on disposal of investments made from the 'Specific Grant received in advance' shall also be recognized and credited/debited to the Specific Grant.

- 14.6.10** Government grants that are receivable as compensation for expenses or losses incurred in a previous accounting period or for the purpose of giving immediate financial support to the Municipalities, shall be recognised and disclosed in the Income and Expenditure A/c of the period in which they are receivable, as an extraordinary item if appropriate.
- 14.6.11** Government grants of the nature of corpus fund shall be credited to capital reserve and treated as a part of Corpus/Capitals' funds.
- 14.6.12** Government grants that become refundable shall be accounted for as an extraordinary item.
- 14.6.13** The amount refundable in respect of a grant related to revenue shall be applied first against any unamortized deferred credit remaining in respect of the grant. To the extent that the amount refundable exceeds any such deferred credit, or where no deferred credit exists, the amount shall be charged to Income and Expenditure Account (A/c).
- 14.6.14** The amount refundable in respect of a grant related to a specific fixed asset shall be recorded by increasing the book value of the asset or by reducing the capital reserve or the deferred income balance, as appropriate, by the amount refundable. In the first alternative, i.e., where the book value of the asset is increased, depreciation on the revised book value shall be provided prospectively over the residual useful life of the asset.

14.7 Accounting Records and Procedures

The Accounts Branch shall maintain a Grant Register in Form GEN-37 with separate registers for capital and revenue grants and separate pages for each grant for recording details of receipt of grant and expenditures incurred from it.

14.8 General/Revenue Grants

The amount of grant sanctioned by the Government shall be after deduction of certain charges/dues payable to the Government by the Municipality for example loan liabilities/interest on the loans from the Government/electricity charges payable etc. Therefore, recording of a grant received from the Government of ₹ 5,000 after deduction of 'Electricity charges payable' amounting to ₹ 10,000 and Interest on Short-term loan from the Government' amounting to ₹ 5,000 is explained as detailed below:

- (a) Recording of receipt of General Grant:** - Details of General grants received shall be entered in the Receipt Register (Form GEN-9) maintained at the Accounts Branch and deposited into the Main Bank Account. A receipt shall be issued in Form GEN-8 to the sponsoring agency. To record the receipt of grant, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-01	Bank Account*	Dr.	85,000		Cash Book, Ledger and Grant Register
160-10-000-(a)	To Revenue Grant	Cr.		85,000	

* Specify name of bank and Account number.

(a) Insert Detailed Code of account as applicable.

- (b) Recording of deductions made by the Government at the time of payment:** At the time of release, Government shall deduct from the grants the payments to be made by Municipality like Electricity Charges, Interest on Loans, Loan repayment etc. Municipality shall account for the gross amount of the grant as Income and book the relevant heads for the deductions made. As per the details of the deductions in the Government order sanctioning the grant, the Accounts Branch shall pass the following entry in its books:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
240-20-000-01	Interest on Loans from State Government	Dr.	5,000		Journal Book, Ledger, Loans Register and Grants Register
220-11-000-01	Office Maintenance– Electricity Charges	Dr.	10,000		
160-10-000-(a)	To Revenue Grant	Cr.		15,000	

(a) Insert Detailed Head Codes of Account as applicable.

Note: The postings in the Ledger (Form GEN-3) of “Main Bank” Account and “Grant Income” Account shall be carried out as indicated in General Accounting Procedures. The postings in the Ledger shall be similarly carried out in respect of all other accounting entries. Whenever, the cash or the bank account is involved, there shall be no entry in the Journal Book (Form GEN-2).

14.9 Specific Grants

Specific Grants shall either be received in advance or as a reimbursement of the expenditure already incurred. These shall be Revenue or Capital in nature, or a combination of both. The accounting entries for Specific Grant shall, depend on the nature of the receipt (in advance or as reimbursement) and the nature of the expenditure, which are expected to be incurred out of such grants (capital or revenue).

Specific Grants Received in Advance

Grants received in advance shall be deposited in their respective Designated Grant Bank Accounts and they shall be accounted for in the following manner:

Specific Grant in respect of Revenue Expenditure

The Specific Grants received in advance towards revenue expenditure shall be accounted as follows:

(a) **Recording of grant received in advance:** - The details of the Grant Sanction Order shall be recorded in the Grant Register (Form GEN-37). On receipt of the grant, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹) Illustrative Figure	Credit Amount (₹) Illustrative Figure	Books to be entered into
1	2	3	4	5	6
450-61-000-(a)	Designated Bank Account*	Dr.	1,00,000		Grant Cash Book, Ledger, Grant Register
320-(b)	To Grants for Specific Purposes	Cr.		1,00,000	

*Specify the name of the Bank and Account number.

(a) Insert Minor and Detailed Codes of Account as applicable.

(b) Insert Minor and Detailed Codes of Account as applicable.

Separate Cash Book (Form GEN-1) shall be maintained in respect of all grants. The details of the receipt of the grant shall be updated in the Grant Register (Form GEN-37).

(a) The accounting procedure to be followed in respect of revenue expenditure incurred against Specific Grants received in advance shall be the same as what is described in Municipal Works for repairs and maintenance expenses, Stores for stores purchased and Other Revenue Expenditures for other revenue expenditures.

(b) **Payment of advance to contractor/supplier in respect of a Specific Grant received in advance:** -Any advance made to a supplier/contractor in respect of a project/scheme to be carried out against a Specific

Grant received in advance, shall be payable from the Designated Grant Bank Account only and not from the Main Bank Account. The entry for this shall be the same as described in the section "Advance paid to contractors/suppliers".

- (c) Recording of liability on receipt of contractor/supplier bill:** - On receipt of processed bill in respect of material supplied or services rendered or works executed which is of a revenue nature, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
230-(b) 350-10-000-(a)	Expenditure To Creditors-Payables against Specific Grants	Dr. Cr.	20,000	12,000	Journal Book, Ledger and Grant Register.
340-10-000-(a)	To Security from Contractors/ Suppliers- Security Deposit Specific Grant	Cr.		2,000	
350-20-000-(a)	To Recoveries Payable-TDS from Specific Grant	Cr.		1,000	
350-20-000-(a)	To Recoveries Payable- Works Contract Tax from Specific Grant	Cr.		2,000	
460-40-000-(a)	To Advance to Suppliers/Contractors Specific Grants	Cr.		3,000	

(a) Insert Minor and Detailed Codes of Account as applicable.

(b) Insert Minor and Detailed Codes of Account as applicable.

The details of the expenditure shall be recorded in the Grant Register (Form GEN-37) under the respective Specific Grant.

- (d) Recording of payment to the contractor/supplier:** -

The payment to the contractor/supplier shall be made only from the respective Designated Grant Bank Account. On payment, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered in to
1	2	3	4	5	6
350-10-000-(a)	Creditors-Payable against Specific Grants	Dr.	12,000		Grant cash Book, Ledger, Grant Register
450-61-000-(a)	To Designated Bank Account*	Cr.		12,000	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Codes of Account as applicable.

- (e) Recording of payment for deductions made:** - The deductions made on behalf of the Government in point "h" above shall also be paid from the respective Designated Grant Bank Account. On payment of deductions made, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-20-000-(a)	Recoveries Payable TDS-Specific Grant	Dr.	1,000		Grant Cash Book, Ledger and Grant Register
350-20-000-(a)	Recoveries Payable-Works Contract Tax from Specific Grant	Dr.	2,000		
450-61-000-(a)	To Designated Bank Account*	Cr.		3,000	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Codes of Account as applicable.

(f) Recording of transfer of money from Designated Grant Bank Account to Main Bank Account on utilization of common stores: -

The amount equivalent to the cost of common stores utilized for the purpose of the Specific Grant shall be transferred from the respective Designated Grant Bank Account to Main Bank Account. Accounts Branch shall update the Grant Register (Form GEN-37) for the same and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account*	Dr.	1,000		Grant Cash Book and Grant Register
450-61-000-(a)	To Designated Bank Account*	Cr.		1,000	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

(g) Recognizing grant income in respect of revenue expenditure incurred under Specific Grants: -

At the end of each quarter, the Accounts Branch shall identify the revenue expenditure incurred under the Specific Grants received in advance (from the Grant Register). To record income against it, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
320-(b)	Grants for Specific Purposes	Dr.	21,000		Journal Book, Ledger and Grant Register
160-10-000-(a)	To Revenue Grant	Cr.		21,000	

(a) Insert Minor and Detailed Code of Account as Applicable.

(h) Capitalization on completion of the acquisition/construction: The funds utilised for capital expenditure will be transferred to the respective fixed asset account by debiting the Fixed Asset account and crediting the Capital Work in Progress (CWIP) Account.

(i) Transfer of amount to Capital Contribution: The portion utilized for capital expenditure shall be transferred to Capital Contribution, with separate cost center code for each scheme as and when the fixed asset is capitalized. The entry for the same is passed by debiting Scheme grant account and crediting the

Capital contribution account. The balance in the Scheme Account at the end of the year represents the unutilized scheme balance.

- (j) **Refund of unspent grant amount:** Certain specific grants might contain a condition that any amount lying unspent at the end of the scheme shall be refunded to the original donor. In such cases, on refund of such unspent amounts' entry shall be passed debiting the respective Scheme/Grant Liability Account and crediting the Scheme Bank Account.
- (k) **Investments made out of specific grants received in advance:** Investments made from Specific Grants received in advance shall be entered in a **Grants Register (GEN-37)** to be maintained. Income from such investments is not treated as part of the income of the Municipality but as part of the specific grants received to be utilized for the specific purpose. The accounting entries /procedures to be followed for investments of such moneys are:
- For Investment out of Scheme Account the entry is passed by debiting Other Investments account pertaining to that Scheme cost center and crediting General Bank account pertaining to that Scheme cost center.
 - For Receipt of Interest on Investment the entry passed by General Bank account pertaining to that Scheme cost center and crediting the Scheme account.
 - When Investments are disposed at a profit the entry is passed by debiting the Bank Account pertaining to that Scheme cost center and crediting other investments pertaining to the Scheme Cost center of that Scheme and Scheme Grant Account.

14.10 Advance paid to Contractor/Suppliers:

On payment of advance to contractors for work executed under a Specific Grant, the Accounts Branch shall pass the following entries:

- (a) **To record the advance sanctioned:** Suppose an advance of ₹ 20,000 is sanctioned to a contractor from which Rs 1,000 is deducted on account of income tax. On deduction, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
460-40-000-(a)	Advance to Suppliers and Contractors Specific Grant	Dr.	20,000		Journal Book, Ledger and Grant Register
350-20-000-(a)	To Recoveries Payable-TDS from specific grant	Cr.		1,000	
350-10-000-(a)	To Creditors-Contractors Advance Control Account Specific Grants	Cr.		19,000	

(a) Insert Detailed Codes of Account as applicable.

- (b) **For recording payment of advance:** - On payment of balance advance, i.e., Rs 19,000 from the respective Designated Grant Bank Account, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-10-000-(a)	Creditors-Contractors-Advance Control Account Specific Grants	Dr.	19,000		Grant Cash Book, Ledger and Grant Register
450-61-000-(a)	To Designated Bank Account*	Cr.		19,000	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

14.11 Earnest Money Deposit

Any amount received or paid on account of Earnest Money Deposit in respect of any contract executed under Specific Grant received in advance shall be deposited in or refunded from the respective Designated Grant Bank Account. The accounting procedure to be followed for this shall be the same as described in Municipal Works.

Recording of receipt of Earnest Money Deposit: - On receipt of Earnest Money Deposit, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-61-000-(a)	Designated Bank Account*	Dr.	1,000		Grant Cash Book, Ledger and Grant Register
340-10-000-(a)	To Advance from suppliers/ Contractors-EMD specific Grants	Cr.		1,000	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

Recording of refund of Earnest Money Deposit: - On refund of Earnest Money Deposit to the unsuccessful bidder, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-(a)	Advance from suppliers/ Contractors-EMD specific Grants	Dr.	1,000		Journal, Ledger and Grant Register
450-61-000-(a)	To Designated Bank Account*	Cr.		1,000	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

Conversion of Earnest Money Deposit to Security Deposit: - On receipt of intimation from the concerned department for conversion of Earnest Money Deposit of the successful bidder into Security Deposit payable/paid by him, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-(a)	Advance from Suppliers/ Contractors-EMD specific Grants	Dr.	100		Journal Book, Ledger and Grant Register
340-10-000-(a)	To Advance from Suppliers/ Contractors-Security Deposit Specific Grants	Cr.		100	

(a) Insert Detailed Head Codes of Account as applicable.

14.12 Security Deposit

Any amount received or paid on account of Security Deposit in respect of any contract executed under any Specific Grant shall be deposited in or refunded from the respective Designated Grant Bank Account. The accounting procedure to be followed in this respect shall be the same as described in Municipal Works.

Recording receipt of Security Deposit: - On receipt of Security Deposit, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr. / Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-61-000-(a)	Designated Bank Account*	Dr.	10,000		Grant Cash Book, Ledger and Grant Register
340-10-000-(a)	To Advance from Suppliers/ Contractors-Security Deposit specific grants	Cr.		10,000	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

Recording refund of Security Deposit: - The refund of the Security Deposit collected/deducted in respect of any Specific Grant received in advance shall be made from the respective Designated Grant Bank Account, and the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-(a)	Advance from Suppliers/ Contractors-Security Deposit specific grants	Dr.	12,000		Grant Cash Book, Ledger and Grant Register
450-61-000-(a)	To Designated Bank Account*	Cr.		12,000	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

Deductions made at the time of release of grants

At the time of release of grant, the Government or donor agency may deduct from grants the payments due by Municipalities like Electricity charges, Interest on loans, Loan instalments etc. In such a situation, grant is accounted at gross amount, and the deduction is debited to appropriate expense or loan account. The net amount received is debited to the appropriate 'Grant Bank Account'.

Grants received in kind

Grants received in kind and gifts, alienations or vested lands shall be accounted at the fair value of the asset received. The transaction shall be accounted by debiting the respective asset account and crediting the relevant grant/donation income account.

Grants receivable:

The Municipality might have information about the sanction of a particular grant. This may be based on a sanction order from the government.

The Municipality may also incur certain expenditure in anticipation of the grant based on such sanction order. In such cases, entries are passed to record the receivable towards grants by debiting the 'Specific Grant Receivable' account and crediting the specific grant liability account. When the amount of grant is

subsequently received, the entry is passed crediting the 'Specific Grant Receivable' account and debiting the respective bank account.

Specific Grant in respect of Capital Expenditure

Recording of grant received in advance: -

The details of the Grant Sanction Order shall be recorded in the Grant Register (Form GEN-37). On receipt of the grant, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-61-000-(a) 320-20-000-(a)	Designated Bank Account* To Grants for Specific purposes	Dr. Cr.	3,00,000	3,00,000	Grant Cash Book, Ledger and Grant Register

*Specify the name of the Bank and Account number.

(a) Insert Detailed Codes of Account as applicable.

Recording of receipt of bill for capital work-in-progress: -

On receipt of a progress bill in respect of capital works being executed under Specific Grants, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
412-(a) 350-10-000-(b)	Capital Work-in-Progress Specific Grants To Creditors-Payables against specific Grants	Dr. Cr.	2,00,000	2,00,000	Journal, Ledger and Grant Register

(a) Insert Minor and Detailed Codes of Account as applicable.

(b) Insert Detailed Head Code of Account as applicable.

Recording payment to contractors/suppliers: -

Payment in respect of any expenditure incurred for purchase, acquisition or construction of any fixed asset under any Specific Grant shall be made from the respective Designated Grant Bank Account. On payment, the Accounts Branch shall pass the following:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-10-000-(a) 450-61-000-(a)	Creditors-Payables against Specific Grant To Designated bank Account*	Dr. Cr.	2,00,000	2,00,000	Journal Book, Ledger and Grant Register

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

Recording of receipt of bill for acquisition of fixed assets: - On receipt of a bill in respect of acquisition/purchase of fixed assets under Specific Grants, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
410-(a) 350-10-000-(b)	Fixed Assets(Specify the name of the Asset) To Creditors-Payables against Specific Grants	Dr. Cr.	1,00,000	1,00,000	Journal Book, Ledger and Grant Register

(a) Insert Minor and Detailed Codes of Account as applicable.

(b) Insert Detailed Head Code of Account as Applicable.

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 Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
410-(a) 412-(a)	Fixed Assets (Specify the name of the Asset) To Capital work-in-progress _____Specific Grants	Dr. Cr.	2,00,000	2,00,000	Journal, Ledger and Grant Register

(a) Insert Minor and detail Code of Account as applicable.

Recording of transfer of Specific Grant to 'Capital Contribution' on capitalization: -

On capitalization of capital work-in-progress or on acquisition of any fixed assets under a Specific Grant, an amount equivalent to the amount of capital expenditure incurred and capitalized shall be transferred from the Specific Grant to the Capital Contribution. To record this transfer, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
320-(a) 312-10-000-(b)	Grants for specific purposes To Capital Contribution	Dr. Cr.	3,00,000	3,00,000	Journal Book, Ledger and Grant Register

(a) Insert Minor and Detailed Codes of Account as applicable.

(b) Insert Detailed Head Codes of Account as applicable.

The above entry shall be passed simultaneously along with the entry for purchase/acquisition or capitalization of the fixed assets.

14.13 Investment of Funds from Specific Grant received in advance

14.13.1 Investments made from Specific Grants received in advance shall be entered in a Grant Investment Register to be maintained in Form GEN-45. The accounting entries /procedures to be followed for investments of such moneys are similar to those followed in respect of other investments. They relate to investments, maturity of investment, recording of interest, profit/loss on sale/maturity of investments, etc.

14.13.2 Interest earned on investments, profit/loss on disposal of Investments, if any, shall be updated in the Grant Register (Form GEN-37) by the Accounts Branch.

14.14 Grants received by the Municipality as a Nodal Agency

Municipalities may receive grants as a nodal agency under certain schemes, wherein the expenditure of the schemes is for a set of beneficiaries. In some cases, the scheme expenditure is met by the Municipality directly out of such receipts. In other cases, amounts are paid to the beneficiaries who upon spending will produce the relevant expenditure / utilization statement. In both the cases, the expenditure incurred is not part of the Municipality expenditure and is treated as a current asset. At the end of the scheme, the current asset and grant liability accounts are set off to the extent of utilization.

- When the Municipality receives a Grant as a Nodal Agency entry will be passed by debiting Bank account pertaining to the Scheme Grants and crediting the Grants for specific purpose liability account.
- Liability on receipt of bill pertaining to expenditure out of the grants received as a Nodal agency is accounted by debiting specific grant expenses account and crediting the Income tax deductions, Royalty payable and Accounts payable account as appropriate.
- On payment the Accounts payable account is debited and Bank Account – Grants credited.
- For passing entry for transfer of scheme expenses on completion of Schemes the Grants for specific purpose account is debited and Specific Grant expenses credited.

14.15 Accounting of Grants received as nodal/ implementation agency

Municipality shall receive grants as a nodal agency under certain schemes, wherein the expenditure of the schemes is for a set of beneficiaries. In some cases, the scheme expenditure is met by the Municipality directly. In some other cases, they are paid to the beneficiary's group who upon spending shall produce the relevant expenditure / utilization statement.

- (a) **Recording of grant received:** -The details of the Grant Sanction Order shall be recorded in the Grant Register (Form GEN-37). On receipt of the Grant in advance, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-61-000-(a)	Designated Bank Account*	Dr.	3,00,000		Grant Cash Book, Ledger and Grant Register
320-(b)	To Grants for specific purposes	Cr.		3,00,000	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

(b) Insert Minor and Detailed Codes Account as applicable.

- (b) **Payment of advance to executing agency or beneficiary group:** -The Municipality 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 Branch will pass the following accounting entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
460-50-(a)	Advances for project-specific grants	Dr.	2,00,000		Grant cash Book, Ledger and Grant Register
450-61-(a)	To Designated bank account*	Cr.		2,00,000	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

- (c) **Recording of liability for 'Scheme expenses' on receipt of bill:** Municipality may receive the bills for payment either directly from the contractors or from the implementing agency. The expenses 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:-

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
460-80-000-(a)	Other Current Assets	Dr.	1,00,000		Journal Book And Ledger
350-10-000-(a)	Scheme expenses To Creditors-Payable against Scheme expenses	Cr.		80,000	
350-20-000-(a)	To recoveries payable TDS from-Scheme expenses			10,000	
460-50-000-(a)	To Advances for Project Specific grants	Cr.		10,000	
		Cr.			

(a) Insert Detailed Head Codes of Account as applicable.

(d) **Recording of payments made to contractor / implementing agency:** -The payment for the bills shall be made only from the respective designated grant bank account. The Accounts Branch shall pass the following entry on payment:

Code of Account	Accounting Entry	Dr. / Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-10-000-(a)	Creditors-Payable against Scheme expense	Dr.	80,000		Grant Cash Book, Ledger and Grant Register
450-61-000-(a)	To Designated Bank Account*	Cr.		80,000	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

(e) **Recording of payment for deductions made:** -The deductions made on behalf of the Government in above shall also be paid from the respective Designated Grant Bank Account.

(f) **Recording of transfer of money from Designated Grant Bank Account to Main Bank Account on utilization of common stores:** - The amount equivalent to the cost of common stores utilized for the purpose of the Specific Grant shall be transferred from the respective Designated Grant Bank Account to Main Bank Account before issue of any common stores. Accounts Branch shall update the Grant Register (Form GEN-37) for the same.

(g) **Recording of Transfer of Scheme expenses on completion of the scheme or at period end:** On completion of the scheme or at the period ends, the total amount of grant received for specific purpose as a nodal agency shall be adjusted to the extent of amounts utilized under the project. The accounting entry for such adjustment is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
320-(a) 460-80-000-(b)	Grants for specific purposes To other current Assets- scheme expenses	Dr. Cr.	3,00,000	3,00,000	Journal Book, Ledger and Grant Register

(a) Insert Minor and Detailed Head Codes of Account as applicable.

(b) Insert Detailed Head Codes of Account as applicable.

14.16 Repayment of unutilized Specific Grant received in advance

Recognition of liability for repayment of grant: - Specific grants are normally to be used within a period specified in the Grant Sanction order. Generally, the Specific grants shall be refunded in the following circumstances:

- On expiry of the period for utilization of the grant as per grant sanction order.
- The total amount utilized out of the grant is lesser than the amount of the grant received. For recognition of this liability, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
320-(a) 350-40-000-(b)	Grants for specific purposes To Refund payable -Grants	Dr. Cr.	10,000	10,000	Journal Book, Ledger and Grant Register

*Specify the name of the Bank and Account number.

(a) Insert Minor and Detailed Code Account as applicable.

(b) Insert Detailed Codes of Account as applicable.

Specific Grants Received as Reimbursement of Expenditure incurred by the municipality.

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

Code of Account	Accounting Entry	Dr. / Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-40-000-(a) 450-61-000-(a)	Refunds Payable To Designated Bank account*	Dr. Cr.	10,000	10,000	Grant Cash Book, Ledger and Grant Register

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

Specific Grant for revenue expenditure incurred during the ordinary course of activities of the municipality.

The grants receivable as reimbursement of revenue expenditures incurred during the ordinary course of activities of the Municipality, shall be accounted in the following manner: -

- (a) **Recognition of grant income on sanction of the grant:** - The details on receiving the Grant Sanction Order in respect of the specific grant where application/details of expenditure submitted earlier shall be recorded in the Grant Register (Form GEN-37).

To recognize the income, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-50-000-(a)	Receivable from Government-Grants	Dr.	50,000		Journal Book, Ledger and Grant Register
160-20-000-(a)	To Reimbursement of Expenses	Cr.		50,000	

(a) Insert Detailed Head Codes of Account as applicable.

- (b) **Recording of receipt of grant:** - On receipt of the grant, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	Bank Account	Dr.	45,000		Cash Book, Ledger and Grant Register
431-50-000-(a)	To Receivable from Government -Grants	Cr.		45,000	

(a) Insert Detailed Head Codes of Account as applicable.

14.17 Specific Grant for expenditure incurred under a specific project/scheme

Grants receivable as reimbursement of expenditure incurred under a specific project/scheme shall be accounted as follows: -

- (a) The project/scheme is usually sponsored/sanctioned by a sponsoring agency. The details of the Grant Sanction Order shall be recorded in the Grant Register (Form GEN-37).
- (b) The accounting entries/procedure to be followed for receipt of deposits, incurrence of expenditure, payment of contractor bills, payment of deductions made from the contractor bills, utilization of common stores, completion of the asset and capitalization of the asset, period end procedure for making provisions for unpaid bills, has been described in section related to Municipal Works, Stores, Other Revenue Expenditures and Fixed Assets.
- (c) The department incurring the expenditure shall specify the name of the grant in respect of which the expenditure has been incurred in the Payment Order (Form GEN-14). As and when any expenditure is recorded in the books of original entry, i.e., Cash Book (Form GEN-1) or Journal Book (Form GEN-2) as well as utilization of common stores, the Grant Register (Form GEN-37) shall also be updated correspondingly.
- (d) **Recording of grant income in respect of revenue expenditure incurred under the grant:** - The grant becomes receivable on incurrence of expenditure under the grant. At period-end, the Accounts Branch shall identify the revenue expenditure incurred and paid during the period from the Grant Register (Form GEN-37). To recognize the grant income in respect of the revenue expenditure incurred under the grants during the period, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-50-000-(a) 160-30-000-(a)	Receivable from Government-Grants To Contribution towards scheme	Dr. Cr.	10,000	10,000	Journal Book, Ledger and Grant Register

(a) Insert Detailed Head Codes of Account as applicable

(e) **Recording of receipt of grant:** - The concerned department shall submit a "Statement of Expenditure" at periodic intervals (as specified in the program/scheme details) to the sponsoring agency for claiming the amount of grant due. On receipt of the grant, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a) 431-50-000-(a)	Bank Account To Receivable from Government-Grants	Dr. Cr.	9,500	9,500	Cash Book, Ledger and Grant Register

(a) Insert Detailed Head Codes of Account as applicable.

14.18 Write-off of Grant Receivable

Recording of write-off of grant receivable: - The Accounts Branch shall, at the end of each year, review the recoverable position of grants receivables. The 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 Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr. / Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
270-30-000-(a) 431-50-000-(a)	Revenues Written off-Grants To Receivable from Government-Grants	Dr. Cr.	500	500	Journal Book, Ledger and Grant Register

(a) Insert Detailed Head Codes of Account as applicable.

Adjustment of Grant Receivable from the Government against Municipality's dues to the Government

The Government shall deduct any amount, which is due from Municipality to any Government Corporation, Government Company or any other statutory authority constituted by it, from the grants payable to the Municipality.

Recording of adjustment of Government dues against grant receivable: - On receiving the intimation from the Government regarding such adjustment, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr. / Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-30-000-(a)	Government Dues Payable*	Dr.	500		Journal Book, Ledger, Grant Register
431-50-000-(a)	To Receivables from Government-Grants	Cr.		500	

* Specify the head of account of the government due, against which the grant is adjusted, e.g., State Education Cess Payable, Electricity Charges payable, Employment Guarantee Cess Payable, etc.

(a) Insert Detailed Head Codes of Account as applicable.

14.19 Period End Procedures

- (1) At the period-end, it shall be ensured that the bills received in respect of revenue expenditure incurred as well as works executed or acquisition / purchase of fixed assets before the last date of the accounting period, are processed and forwarded to the Accounts Branch for accounting and payment within fifteen days from the end of the accounting period.
- (2) The accounting entry to be recorded in respect of revenue expenditure shall be same as provided in para above and the accounting entry to be recorded to recognize the grant income in respect of revenue expenditure incurred shall be same as provided in para above.
- (3) The accounting entry to be recorded for progress bill in respect of capital works being executed under Specific Grants shall be the same as provided in para above and for bills in respect of acquisition / purchase of fixed assets under Specific Grants shall be the same as provided in para above.
- (4) For grants received as a nodal agency, it shall be ensured that the transfer entry is made for expenses incurred against it and the balance in the 'Scheme Expenses – Nodal Agency' account has become nil.

14.20 Internal controls

The following internal controls shall be observed by the Municipality in respect of Grant related transactions:

- The Head of the Accounts Branch shall ensure that the grant received for a specific purpose shall not be utilized for any other purpose.
- The Head of the Accounts Branch and the Head of the Department implementing the project/scheme sponsored by the grant shall quarterly reconcile the expenditure incurred during the period in respect of each of the grant from the Ledger (Form GEN-3) and the Grant Register (Form GEN-37) maintained at the Accounts Branch and the relevant records maintained at the respective departments.
- The Head of the Accounts Branch shall quarterly reconcile the amount of grant received and receivable in the Ledger (Form GEN-3) and the Grant Register (Form GEN-37) maintained at the Accounts Branch.
- The Head of the Accounts Branch shall, after making entry in cash book in respect of grants received, ensure that the grant received is recorded in the Grant Register. Further, it shall be ensured that the Receipt in Form GEN-8 regarding Summary of Daily collections prepared, provides reference of Grant Register.
- The Chief Municipal Officer/Head of the Municipality shall specify such appropriate calendar of returns /reports for monitoring.

All reconciliation statements shall be certified by the Head of the Accounts Branch.

14.21 Presentation in financial statements

The various heads of account used for the accounting of grant related transactions shall be reflected in the financial statements or in the Schedules attached to the financial statements of the Municipality. All such Financial Statements and schedules shall be affixed with signature and seal of designated authorities.

The Schedules of the Income and Expenditure Statement in respect of Grants are provided in Part-II of this Account Code.

14.22 Disclosure

The following shall be disclosed:

- The accounting policy adopted for government grants, including the methods of presentation in the financial statements;
- The nature and extent of government grants recognized in the financial statements, including grants of non-monetary assets given at a concessional rate or free of cost

CHAPTER-15**LEASE AND HIRE PURCHASE****15.1 Introduction**

Lease: A lease is a contractual arrangement calling for the lessee (user) to pay the lessor (owner) for use of an asset. Property, buildings and vehicles are common assets that are leased. Industrial or business equipments are also leased. Broadly put, a lease agreement is a contract between two parties, the lessor and the lessee. The lessor is the legal owner of the asset; the lessee obtains the right to use the asset in return for regular rental payments. The lessee also agrees to abide by various conditions regarding their use of the property or equipment. For example, a person leasing a car may agree that the car will only be used for personal use. The narrower term rental agreement may be used to describe a lease in which the asset is tangible property. Language used is that the user rents the land or goods let or rented out by the owner.

Hire Purchase (HP): A hire purchase or an installment plan is an arrangement whereby a customer acquires an asset by paying an initial installment (e.g., 40% of the total) and repays the other part of the cost of the asset over a period of time or term for a contract, in which a purchaser agrees to pay for goods in parts or a percentage over a number of months. The hire purchase agreement was developed in the United Kingdom in the 19th century to allow customers with a cash shortage to make an expensive purchase they otherwise shall have to delay or forgo. For example, in cases where a buyer cannot afford to pay the asked price for an item of property as a lump sum but may afford to pay a percentage as a deposit, a hire-purchase contract allows the buyer to hire the goods for a monthly rent. When a sum equal to the original full price plus interest has been paid in equal installments, the buyer may then exercise an option to buy the goods at a predetermined price (usually a nominal sum) or return the goods to the owner. If the buyer defaults in paying the installments, the owner may repossess the goods. Hire purchase (HP) is frequently advantageous to consumers because it spreads the cost of expensive items over an extended time period. Business consumers may find the different balance sheet and taxation treatment of hire-purchase goods beneficial to their taxable income. The need for Hire purchase (HP) is reduced when consumers have collateral or other forms of credit readily available. These contracts are most commonly used for items such as car and high value electrical goods where the purchasers are unable to pay for the goods directly.

15.2 Definitions and Meaning of Important Terms

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

Lessor is the owner of an asset that is leased under an agreement to the lessee. The lessee makes one-time or periodic payments to the lessor in return for the use of the asset. The lease agreement is binding on both the lessor and the lessee and spells out the rights and obligations of both parties.

Lessee is the person who rents land or property from a lessor. The lessee is also known as the "tenant" and must uphold specific obligations as defined in the lease agreement and by law. The lease is a legally binding document, and if the lessee violates its terms, he or she shall be evicted.

Classification of Lease: A lease is classified as a finance lease if it transfers substantially all risks and rewards incident to ownership. All other leases are classified as operating leases. Classification is made at the inception of the lease. Whether a lease is finance lease or an operating lease depends on the substance of the transaction rather than the form. Contextually, under finance lease agreement, the ownership passes on to the lessee on completion of the lease and in the case of an operating lease, the ownership always remains with the lessor.

Non-cancellable Lease: A non-cancellable lease is a lease that is cancellable only:

- Upon the occurrence of some remote contingency; or
- With the permission of the lessor; or
- If the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or
- Upon payment by the lessee of an additional amount such that, at inception, continuation of the lease is reasonably certain.

Lease Term: The lease term is the non-cancellable period for which the lessee has agreed to take on lease the asset together with any further periods for which the lessee has the option to continue the lease of the asset, with or without further payment, which option at the inception of the lease it is reasonably certain that the lessee will exercise.

DEFINITION of 'Finance Charge'

Finance charge: A fee charged for the use of credit or the extension of existing credit. May be a flat fee or a percentage of borrowings, with percentage-based finance charges being the most common. A finance

charge is often an aggregated cost, including the cost of the carrying the debt itself along with any related transaction fees, account maintenance fees or late fees charged by the lender.

Minimum lease payments are the payments over the lease term that the lessee is, or may be required, to make excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with:

- In the case of the lessee, any residual value guaranteed by or on behalf of the lessee; or
- In the case of the lessor, any residual value guaranteed to the lessor:
 - i. By or on behalf of the lessee; or
 - ii. By an independent third party financially capable of meeting this guarantee.

However, if the lessee has an option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable that, at the inception of the lease, is reasonably certain to be exercised, the minimum lease payments comprise minimum payments payable over the lease term and the payment required to exercise this purchase option.

Fair value is the amount for which an asset shall be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Economic life is either:

- The period over which an asset is expected to be economically usable by one or more users; or
- The number of production or similar units expected to be obtained from the asset by one or more users.

Useful life of a leased asset is either:

- The period over which the leased asset is expected to be used by the lessee; or
- The number of production or similar units expected to be obtained from the use of the asset by the lessee.

Residual value of a leased asset is the estimated fair value of the asset at the end of the lease term.

Guaranteed residual value is:

- In the case of the lessee, that part of the residual value which is guaranteed by the lessee or by a party on behalf of the lessee (the amount of the guarantee being the maximum amount that shall, in any event, become payable); and
- In the case of the lessor, that part of the residual value which is guaranteed by or on behalf of the lessee, or by an independent third party who is financially capable of discharging the obligations under the guarantee.

Unguaranteed residual value of a leased asset is the amount by which the residual value of the asset exceeds its guaranteed residual value.

Gross investment in the lease is the aggregate of the minimum lease payments under a finance lease from the standpoint of the lessor and any unguaranteed residual value accruing to the lessor.

Unearned finance income is the difference between:

- The gross investment in the lease; and
- The present value of
 - (i) The minimum lease payments under a finance lease from the standpoint of the lessor; and
 - (ii) Any unguaranteed residual value accruing to the lessor, at the interest rate implicit in the lease.

Net investment in the lease is the gross investment in the lease less unearned finance income.

The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of

- The minimum lease payments under a finance lease from the standpoint of the lessor; and
- Any unguaranteed residual value accruing to the lessor to be equal to the fair value of the leased asset.

The lessee's incremental borrowing rate of interest is the rate of interest the lessee shall have to pay on a similar lease or, if that is not determinable, the rate that, at the inception of the lease, the lessee shall incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset.

Contingent rent is that portion of the lease payments that is not fixed in amount but is based on a factor other than just the passage of time (e.g., percentage of sales, amount of usage, price indices, and market rates of interest).

"Hire Purchase": A method of buying "goods" through making installment payments over time. The term hire purchase originated in the United Kingdom (U.K.) and is similar to what are called "rent-to-own" arrangements in the United States. Under a hire purchase contract, the buyer is leasing the "goods" and does not obtain ownership until the full amount of the contract is paid.

“Hire Purchase Agreement”: “An agreement under which “goods” are let on Hire and under which the hirer has an option to purchase them in accordance with terms of the agreement and includes an agreement under which:

- Possession of goods is delivered by the owner there to a person on condition that such person pays the agreed amount in periodical installment.
- The property in goods is to pass to such person on the payment of the last such installment and
- Such person has right to terminate the agreement at any time before the property so passes.

Hire-purchase system is the system in which price of asset purchased is paid in installments. The goods are delivered in the possession of the purchaser at the time of commencement of the agreement. Hire vendor continues to be the owner of the goods till the payment of last installment. The hire purchaser has a right to use the goods as a bailer.

Situations of Accounting for Lease and Hire Purchase:

Accounting of leases and hire purchase transactions shall be divided into the following situations:

- Finance lease in the books of lessee.
- Finance lease in the books of lessor.
- Operating lease in the books of lessee.
- Operating lease in the books of lessor.
- Hire Purchase in the books of buyer.
- Hire Purchase in the books of seller.

Considering the general position, committee as lessee in the case of finance leases and lessor in the case of Operating leases are covered in respect of Hire Purchase.

15.3 Accounting Principles:

The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Fixed Assets acquired/given under Lease and Hire Purchase:

15.3.1 Finance lease in the books of lessee

- At the commencement of the lease term, finance leases shall be recorded as an asset and a liability. Such recognition shall be at an amount equal to the fair value of the leased asset at the inception of the lease. However, if the fair value of the leased asset exceeds the present value of the minimum lease payments from the standpoint of the lessee, the amount recorded as an asset and a liability shall be the present value of the minimum lease payments from the standpoint of the lessee. In calculating the present value of the minimum lease payments the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee’s incremental borrowing rate shall be used.
- Transactions and other events are accounted for and presented in accordance with their substance and financial reality and not merely with their legal form. While the legal form of a lease agreement is that the lessee may acquire no legal title to the leased asset, in the case of finance leases the substance and financial reality are that the lessee acquires the economic benefits of the use of the leased asset for the major part of its economic life in return for entering into an obligation to pay for that right an amount approximating to the fair value of the asset and the related finance charge.
- If such lease transactions are not reflected in the lessee’s balance sheet, the economic resources and the level of obligations of a municipality are understated thereby distorting financial ratios. It is therefore appropriate that a finance lease be recognized in the lessee’s balance sheet both as an asset and as an obligation to pay future lease payments. At the inception of the lease, the asset and the liability for the future lease payments are recognised in the balance sheet at the same amounts.
- It is not appropriate to present the liability for a leased asset as a deduction from the leased asset in the financial statements. The liability for a leased asset shall be presented separately in the balance sheet as a current liability or a long-term liability as the case may be.
- Initial direct costs are often incurred in connection with specific leasing activities, as in negotiating and securing leasing arrangements. The costs identified as directly attributable to activities performed by the lessee for a finance lease are included as part of the amount recognised as an asset under the lease.
- Finance lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated as to produce a constant periodic rate of interest on the remaining balance of the liability for each of the period.
- Depreciation on such assets shall be provided at the same rates as in case of owned assets.
- To determine whether a leased asset has become impaired, the Municipalities applies the Accounting Standard dealing with impairment of assets that sets out the requirements as to how

the Municipalities shall perform the review of the carrying amount of an asset, how it shall determine the recoverable amount of an asset and when it shall recognize, or reverse, an impairment loss.

15.3.2 Finance Lease in the Books of Lessor

- The lessor shall recognize assets given under a finance lease in its balance sheet as a receivable at an amount equal to the net investment in the lease.
- Under a finance lease substantially all the risks and rewards incident to legal ownership are transferred by the lessor, and thus the lease payment receivable is treated by the lessor as repayment of principal, i.e., net investment in the lease, and finance income to reimburse and reward the lessor for its investment and services.
- The recognition of finance income shall be based on a pattern reflecting a constant periodic rate of return on the net investment of the lessor outstanding in respect of the finance lease.
- A lessor aims to allocate finance income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the net investment of the lessor outstanding in respect of the finance lease. Lease payments relating to the accounting period, excluding costs for services, are reduced from both the principal and the unearned finance income.
- Estimated unguaranteed residual values used in computing the lessor's gross investment in a lease are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the remaining lease term is revised and any reduction in respect of amounts already accrued is recognised immediately. An upward adjustment of the estimated residual value is not made.
- Initial direct costs, such as commissions and legal fees, are often incurred by lessors in negotiating and arranging a lease. For finance leases, these initial direct costs are incurred to produce finance income and are either recognised immediately in the Income and Expenditure Account or allocated against the finance income over the lease term.
- The manufacturer or dealer lessor shall recognize the transaction of sale in the Income and Expenditure Account for the period, in accordance with the policy followed by the Municipalities for outright sales. If artificially low rates of interest are quoted, profit on sale shall be restricted to that which shall apply if a commercial rate of interest were charged. Initial direct costs shall be recognized as an expense in the Income and Expenditure Account at the inception of the lease.
- Manufacturers or dealers may offer to customers the choice of either buying or leasing an asset. A finance lease of an asset by a manufacturer or dealer lessor gives rise to two types of income:
 - (a) The profit or loss equivalent to the profit or loss resulting from an outright sale of the asset being leased, at normal selling prices, reflecting any applicable volume or trade discounts; and
 - (b) The finance income over the lease term.
- The sales revenue recorded at the commencement of a finance lease term by a manufacturer or dealer lessor is the fair value of the asset. However, if the present value of the minimum lease payments accruing to the lessor computed at a commercial rate of interest is lower than the fair value, the amount recorded as sales revenue is the present value so computed. The cost of sale recognized at the commencement of the lease term is the cost, or carrying amount if different, of the leased asset less the present value of the unguaranteed residual value. The difference between the sales revenue and the cost of sale is the selling profit, which is recognised in accordance with the policy followed by the Municipalities for sales.
- Manufacturer or dealer lessors sometimes quote artificially low rates of interest in order to attract customers. The use of such a rate shall result in an excessive portion of the total income from the transaction being recognised at the time of sale. If artificially low rates of interest are quoted, selling profit shall be restricted to that which shall apply if a commercial rate of interest were charged. Initial direct costs are recognized as an expense at the commencement of the lease term because they are mainly related to earning the manufacturers or dealer's selling profit.
- Unearned Finance Income shall be recognized as liability in the books of lessor and every year till the lease period ends, a part of unearned finance income shall be recognized as interest income due for that particular year.

15.3.3 Operating lease in the books of Lessor

- Assets given under operating lease shall be accounted as its assets in the same manner similar to any other fixed assets owned and used by the Committee.
- Lease income from operating leases shall be recognized as income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the use of the leased asset is diminished lease income shall be accrued on the respective due dates.
- Any amount incurred that results in improvement or increase of the useful life of the assets under operating lease shall be capitalized as like any other asset used by the committee for its own operations; depreciation on such assets shall be provided at the same rates as in case of owned assets.
- Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Lease income (excluding receipts for services provided such as insurance and maintenance) is recognized in the Income and Expenditure Account on a straight-line basis over the lease term even if the receipts are not on such a basis, unless another systematic basis is more representative of the time pattern in which benefit derived from the use of the leased asset is diminished.
- Initial direct costs incurred specifically to earn revenues from an operating lease are either deferred or allocated to income over the lease term in proportion to the recognition of rent income or are recognized as an expense in the Income and Expenditure Account in the period in which they are incurred.
- A manufacturer or dealer lessor does not recognize any selling profit on entering into an operating lease because it is not the equivalent of a sale.

15.3.4 Operating Lease in the Books of Lessee

- Lease payments under an operating lease shall be recognised as an expense in Income and Expenditure Account on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.
- For operating leases, lease payments (excluding costs for services such as insurance and maintenance) are recognized as an expense in Income and Expenditure Account on a straight-line basis unless another systematic basis is more representative of the time pattern of the user's benefit, even if the payments are not on that basis.

15.3.5 Hire purchase in the books of buyer

- The purchase price shall be capitalized as the cost of fixed assets.
- Hire Purchase (HP) installments shall be apportioned between the finance charge and the reduction of the principal outstanding. The finance charge shall be allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability.
- The total amount of interest portion out of the 'Hire Purchase Payable' shall be accounted by debiting to a control account under current assets. This amount shall be adjusted on accounting of finance charges.
- The depreciation principle for assets purchased under Hire Purchase (HP) shall be consistent with that for owned assets.

15.3.6 Hire purchase in the books of seller

- Sale price (including the interest portion) shall be accounted as receivable from Hire Purchase (HP) agreement.
- Hire Purchase (HP) installments shall be apportioned between the interest income and the reduction of the principal amount receivable (the finance income to be allocated so as to produce a constant periodic rate of interest on the remaining balance of the receivable).
- The total amount of interest portion out of the 'Hire Purchase Receivable' shall be accounted by crediting to a control account under current assets. This amount shall be adjusted while accounting for finance charges.

15.4 Accounting for finance lease in the books of lessee:

- (a) Recording of purchase of Fixed Assets:** - Delivery/installation of fixed assets purchased under a 'Finance Lease' shall be as per the agreement. To record the purchase of the fixed assets under a finance lease (for example at a cost of ₹ 25,00,000), the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr	Debit Amount (₹) Illustrative	Credit Amount (₹) Illustrative	Books to be entered into
1	2	3	4	5	6
410-(a)	Fixed Assets (please specify the type) *	Dr.	25,00,000		Journal Book, ledger and register of moveable/ immovable assets
470-30-000-(b)	Interest control payable leases	Dr.	2,50,000		
350-80-000-(b)	To Lease Charges payable	Cr.		27,50,000	

(a) Insert minor head codes as applicable.

(b) Insert detailed head codes as applicable.

* All the fixed assets belonging to a class of assets shall be accounted under that asset class. For instance, the acquisition of a building for any purpose shall be accounted under the asset head of buildings.

Note: The postings in the Ledger Accounts of “Fixed Asset” Account, “Lease Charges Payable”, “Interest Control Payable” Account shall be carried out as indicated in Chapter of General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book.

(b) Interest control payable

Interest control payable account is in the nature of a control account, which represents an equivalent amount of unpaid interest portion included in the ‘Lease Charges Payable’. The balance in this account gets reduced at the period ends by accounting for the finance charges portion of the lease payments dues for the period.

(c) Lease payments

The periodical lease payments shall be accounted as per the lease agreement. The accounting entry for periodical lease payment (for example, if the annual lease payment inclusive of interest is ₹2, 75,000) is as follows:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-80-000-(a)	Lease Charges Payable	Dr.	2,75,000		Cash Book and Ledger
450-21-000-02	To Bank Account*	Cr		2,75,000	

* Specify names of the Bank and Account number.

(a) Include Detailed Head Codes of Account as applicable.

(d) Finance Charges

The portion of finance charges out of the lease payments due for the current period shall be identified at the period ends and accounted as finance charges for the period. The accounting entry for recording the finance charges is as follows.

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
240-60-000-(a)	Interest on Leases	Dr.	25,000		Journal Book and Ledger
470-30-000-(a)	To Interest control payable Leases	Cr.		25,000	

(a) Include Detailed Head Codes of Account as applicable.

(e) Depreciation Charge

At the end of the accounting year, depreciation shall be provided on each class of fixed assets under finance lease at the prescribed rates. The amount of depreciation to be provided each year shall be computed by applying the depreciation rate to the cost of acquisition or written down values or on the basis of Straight-Line method, as the case may be. The calculation and accounting of depreciation shall be same as explained in other chapter.

15.5 Accounting for Finance leases in the books of lessor:

(a) Recording of sale of asset:

The entry to be passed for sale of asset is give below:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-(a)	Lessee A/C	Dr.	5000		Journal Book and Ledger
150-(a)	To sale A/C	Cr.		5000	

(a) Insert minor head code as applicable.

(b) Recognition of Finance Lease:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-(a)	Lease Receivable A/C	Dr.	10000		Journal Book and Ledger
431-(a)	To Lessee A/c	Cr.		5000	
172-(a)	To Unearned Income	Cr.		5000	

(a) Insert minor and Detail code as applicable.

Recording of Receipt of Lease Receivable:

Code of Account	Accounting Entry	Dr./Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	Bank A/c	Dr.	5000		Journal Book and Ledger
431-(b)	To lease Receivable	Cr.		5000	

(a) Insert detailed code as applicable.

(b) Insert minor and detailed code as applicable.

(c) Recognition of Interest Income due:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
172-(a)	Unearned Finance Income A/C	Dr.	5000		Journal Book and Ledger
171-(a)	To Interest Income	Cr.		5000	

(a) Insert minor and Detail Code of Account as applicable.

(d) Recognition of Interest Income In Income and Expenditure Statement:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
171-(a) 240-60-000-(b)	Interest Income A/C To Income and expenditure A/c	Dr. Cr.	5000	5000	Journal Book and Ledger

- a) Insert Minor and Detail Code of Account as applicable
b) Insert Detail Code of Account as applicable.

15.6 Accounting for Operating lease in the books of Lessee**For Payment of Lease Rentals:**

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
240-60-000-(a) 470-30-000-(a)	Income and Expenditure A/C To Bank A/c	Dr. Cr.	5000	5000	Journal Book and Ledger

- (a) Insert Detailed code of account as applicable.

15.7 Accounting for operating leases in the books of lessor**Lease rental income**

- (a) Recording of accrual of lease rental:** -The lease rentals due for the period shall be accrued in accordance with the lease agreement. For example, if there is an agreement for rental of furniture under an operating lease for a monthly rental of ₹5,000, it shall be accounted on a monthly basis. The accounting entry for this is as follows:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-40-000-(a) 130-80-000-(a)	Receivables from other sources—Lease rental To Other rent-Lease Rental	Dr. Cr.	5,000	5,000	Journal Book and Ledger

- (a) Include Detailed Head Codes of Account as applicable.

- (b) Recording of receipt of lease rentals:** -The lease rentals shall be received in accordance with the lease agreement. The accounting entry for this is as follows:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	Bank Account*	Dr.	5,000		Cash Book and Ledger
431-40-000-(a)	To Receivables from Other Sources—Lease rental	Cr.		5,000	

* Specify name of the Bank and Account number.

(a) Insert Detailed Minor Head Codes of account as applicable.

(c) **Accounting of fixed assets and depreciation:** -Accounting treatments for the fixed assets given under an operating lease and depreciation on those assets shall follow the same principles and procedures as laid down in other chapters.

(d) **Accrual of lease rentals:** - The Accounts Branch shall identify the total lease rentals due for the period under reporting and compare the same with the lease rental income recognized till date in the books and account for differences, if any.

15.8 Accounting of hire purchase (HP) in the books of buyer

The Hire Purchase (HP) agreement shall have clauses for down payments either before or after delivery or receipt of the asset depending on the terms of the Hire Purchase (HP) agreement.

(a) **To record the down payment made, the following entry shall be passed:**

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
460-40-000-(a)	Advance for HP Assets	Dr.	25,000		Cash Book, Register of Advances and Ledger Accounts
450-21-000-02	To Bank Account*	Cr.		25,000	

*Specify Name of the Bank and Account number.

(a) Insert Detailed Head Codes as applicable.

(b) **Accounting for Acquisition/Purchase of Fixed Assets:**

Recording of purchase of fixed assets: - To record the purchase of the fixed asset under a hire purchase agreement, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
410-(a)	Fixed Assets*	Dr.	2,50,000		Journal Book, Ledger, Register of Movable/ Immovable Assets and Register of Advances
470-30-000-(b)	Interest control payable- HP	Dr.	50,000		
330-60-000-(b)		Cr.		2,75,000	
460-40-000-(b)	To Other Term Loans-HP To Advance for HP Asset	Cr.		25,000	

(a) Insert Minor and Detail Codes of Account as applicable.

(b) Insert Detailed Head Codes of Account as applicable.

* Specify the fixed asset.

(c) **Hire Purchase (HP) Installments**

Assuming that in the example given in the previous para carries an annual installment repayment of ₹27,500, the accounting entry for the payment of installment is as follows:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
330-60-000-(a) 450-21-000-(a)	Other Term Loans-HP To Bank Account*	Dr. Cr.	27,500	27,500	Cash Book and Ledger

* Specify names of the Bank and Account number.

(a) Insert detailed Head Codes of Account as applicable.

(d) **Finance Charges**

The portion of interest out of the 'Hire Purchase payable' due for the period under reporting shall be identified at the period ends and accounted as 'finance charges for that period. Assuming that the annual repayment of ₹27,500 includes interest charge of ₹5,000, the accounting entry for recording the interest charges are as follows: -

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
240-60-000-(a) 470-30-000-(a)	Other Interest-HP To Interest control payable-HP	Dr. Cr.	5,000	5,000	Journal Book and Ledger

(a) Insert detailed Head Codes of Account as applicable.

(e) **Depreciation Charge**

At the end of the accounting year, depreciation shall be provided on each class of Fixed Asset purchased under Hire Purchase (HP) at the prescribed rates. The amount of depreciation to be provided each year shall be computed by applying the depreciation rate to the cost or written down values of the Fixed Assets, as the case may be. The calculation and accounting entries for Depreciation on Fixed Assets purchased under Hire Purchase (HP) shall be same as explained in earlier chapter.

15.9 Period end procedures:

The Accounts Branch shall identify the interest portion of the installments payable/receivable for the period under reporting and accordingly account for the Interest Charges for the period.

15.10 Accounting of hire purchase (HP) in the books of seller

(a) The Hire Purchase (HP) agreement shall have clauses for down payments to be received from the buyer up-front either before or after delivery of the asset depending on the terms of the Hire Purchase (HP) agreement.

The accounting entry for 10% down payment received on the sale of assets costing ₹25,000 is as follows:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a) 350-80-000-(a)	Bank Account* To Other Liabilities-HP Advance received	Dr. Cr.	25,000	25,000	Cash book and ledger.

*Specify Name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

(b) **Sale of Assets under Hire Purchase (HP):**To record the sale of the assets under an Hire Purchase (HP) agreement and adjust the 'down payment' received; the Accounts Branch shall pass the following entry: -

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-80-000-(a)	Other Liabilities-HP Advance Received	Dr.	25,000		Journal Book, Ledger and Register of Movable/ Immovable Assets
460-80-000-(a)	Other Current assets-HP Installments receivable	Dr.	2,75,000		
410-(b)	To Fixed Assets (please specify the type)	Cr.		2,75,000	
350-80-000-(a)	To Other Liabilities-Interest control receivables-HP	Cr.		25,000	

(a) Insert Detailed Head code of Account as applicable.

(b) Insert Minor and Detailed Head Codes of Account as applicable.

Installment receipts:

The periodical hire purchase instalments due shall be received as per the Hire Purchase (HP) agreement. Assuming that in the example given in the previous para carries an annual installment repayment of ₹27,500, the accounting entry for receipt of the installment is as follows:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account*	Dr.	27,500		Cash Book and Ledger
460-80-000-(a)	To Other Current assets-HP Installments Receivable	Cr.		27,500	

* Specify names of the Bank and Account number.

(a) Include Detailed Head Codes of Account as applicable.

(c) Interest Income

The portion of interest income out of the 'Receivables - Hire Purchase (HP)' due for the period under reporting shall be identified at the period ends and accounted as 'Interest Income' for that period. Assuming that in the annual repayment of ₹27,500 includes interest charge of ₹5,000, the accounting entry for recording the interest is as follows: -

Code of Account	Accounting Entry	Dr./Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-80-000-(a)	Interest control receivables- Hire	Dr.	5,000		Journal Book and Ledger
171-80-000-(a)	Purchase To Other Interest Income- Hire Purchase	Cr.		5,000	

(a) Include Detailed Head Codes of Account as applicable.

15.11 Sale and Leaseback Transactions

15.11.1 A sale and leaseback transaction involves the sale of an asset by the vendor and the leasing of the same asset back to the vendor. The lease payments and the sale price are usually interdependent as they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved.

15.11.2 If a sale and leaseback transaction results in a finance lease, any excess or deficiency of sales proceeds over the carrying amount shall not be immediately recognised as income or loss in the

financial statements of a seller-lessee. Instead, it shall be deferred and amortized over the lease term in proportion to the depreciation of the leased asset.

- 15.11.3** If the leaseback is a finance lease, it is not appropriate to regard an excess of sales proceeds over the carrying amount as income. Such excess is deferred and amortized over the lease term in proportion to the depreciation of the leased asset. Similarly, it is not appropriate to regard a deficiency as loss. Such deficiency is deferred and amortized over the lease term.
- 15.11.4** If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated by future lease payments at below market price, it shall be deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortized over the period for which the asset is expected to be used.
- 15.11.5** If the leaseback is an operating lease, and the lease payments and the sale price are established at fair value, there has in effect been a normal sale transaction and any profit or loss is recognised immediately.
- 15.11.6** For operating leases, if the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value shall be recognised immediately.
- 15.11.7** For finance leases, no such adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount in accordance with the Accounting Standard dealing with impairment of assets.
- 15.11.8** Disclosure requirements for lessees and lessors apply equally to sale and leaseback transactions. The required description of the significant leasing arrangements leads to disclosure of unique or unusual provisions of the agreement or terms of the sale and leaseback transactions.

15.12 Internal controls

The following internal controls shall be observed by the Committee: -

(a) For Finance lease /Hire purchase in the books of lessee /buyer: -

- The Head of the Accounts Branch shall ensure that the 'purchase of fixed assets' under a finance lease or Hire Purchase (HP) and the terms (lease/Hire Purchase (HP) rentals, lease/Hire Purchase (HP) periods and interest rate) of the lease/HP agreement is approved before recording the capitalization.
- The Head of the Accounts Branch shall ensure that the interest charges included in the Lease Charges/Hire Purchase (HP) Payable for the period under reporting are accounted appropriately.
- The Head of the Accounts Branch shall ensure that penalties or additional interests on account of delay in installment dues are provided as per the Lease /Hire Purchase (HP) agreement.

(b) For Operating Leases in the books of Lessor: -

- The Head of the Accounts Branch shall ensure that lending of the 'fixed assets' under an operating lease and the terms (lease rentals, lease periods) of the lease agreement are approved before recording of any lease rental income.
- The Head of the Accounts Branch shall ensure that penalties or additional interests on account of delay in installment dues are raised timely and accounted as per the lease agreement.
- The Head of the Accounts Branch shall have a system of conducting physical verification of fixed assets throughout the year so that each fixed asset is verified at least once during the year. Alternatively, a periodical confirmation of the assets held under operating lease from the lessee shall also be obtained. Any discrepancies with the Fixed Assets Register and the physical verification sheets or confirmation shall be reconciled.
- The Head of the Accounts Branch shall ensure that the fixed assets given under operating leases are updated in the Register of Immovable Properties with the name of the lessee and location.

(c) For Hire Purchase in the books of Seller: -

- The Head of the Accounts Branch shall ensure that 'sale of fixed assets' under a hire purchase agreement and the terms (Hire Purchase (HP) installments, periods and interests) of the agreement are approved before recording the sale of assets.
- The Head of the Accounts Branch shall ensure that the interest income included in the Hire Purchase (HP) Installments due for the period under reporting are accounted appropriately.

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- The Head of the Accounts Branch shall ensure that penalties or additional interests on account of delay in installment dues are levied and accounted as per the Hire Purchase (HP) agreement.

15.13 Presentation in financial statements

The various heads of account used for the accounting of fixed assets shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the Committee. All such Financial Statements and Schedules shall be affixed with signature/seal of authorized officer.

The various schedules (I-3, I-8, I-13, B-5, B-9, B-10, B-15, B-17 and B-18) of Income and Expenditure Statement in respect of fixed assets under a finance lease are provided in Part-II of this Account Code.

CHAPTER-16**DEBT SECURITY AND MUNICIPAL BOND****16.1. Background**

The Constitution (74th Amendment) Act, 1992 endows the Municipalities such powers, authority and responsibilities to function as institutions of self-government. The amendment empowers the Municipalities to mobilize resources independent of the State Governments for the provision, operation and maintenance of urban services as listed in twelfth schedule.

Traditionally, Municipalities have relied on the own resources, grants and subsidized funds provided by the Central and State Government for providing the basic urban services. In addition, Municipalities borrow funds from development financial institutions, multilateral and bilateral funding agencies, through Central and State Government. Municipalities are also entitled to borrow through issuance of Municipal Bonds.

This chapter contains the eligibility, bond issue process, recommended accounting system, the appropriate accounting policies and disclosure for transactions relating to Debt Securities or Municipal Bond issued by Municipalities in Haryana.

16.2. Type of Bonds

A Municipality may issue general obligation bonds or revenue bonds subject to the condition that general bonds shall not be made available for public offering and shall be issued only on private placement basis to institutional investors. For issuing General Bonds, applicable rules of the SEBI shall be followed.

In case of revenue bonds, projects are specifically identified, and project revenues are earmarked for debts services, thus providing certain safeguards to the investors. However, in the case of general bonds, the cash flows from the project for which the bonds are issued become part of general revenues of the Municipality and thus there are no identifiable resources, which are specifically earmarked to repay such bonds.

16.3. Applicability

Provision of this chapter shall apply to -

- Public issue of debt securities by a Municipality; and
- Listing of debt securities issued through public issue or on private placement basis on a recognised stock exchange.

16.4. Eligibility

No Municipality in Haryana shall be eligible to issue debt securities to public, unless the following criteria are complied with:

- (a) Municipality, whether proposing to issue debt securities itself or through corporate municipal entity, shall be eligible to raise funds under its constitution;
- (b) Accounts of municipality shall be prepared in accordance with Haryana Municipal Account Code, 2025 or in accordance with National Municipal Account Manual for at least three immediately preceding financial years;
- (c) Municipality shall not have negative net worth in any of the three immediately preceding financial years;
- (d) Municipality shall not have defaulted in repayment of debt securities or loans obtained from Banks or Financial Institutions, during the last three hundred and sixty-five days:
Explanation: - For this purpose, the term default means where interest and/or principal amount has remained overdue for a period of more than ninety days.
Provided that where the issuer is a corporate municipal entity, the requirements at (b), (c) and (d) shall be complied by the Municipality which is being financed;
- (e) No order or direction of restraint, prohibition or debarment by Board against the corporate municipal entity or its directors is in force;
- (f) The corporate municipal entity, its promoter, group company or director(s), shall not have been named in the list of the willful defaulters published by the Reserve Bank of India or shall not have defaulted of payment of interest or repayment of principal amount in respect of debt instruments issued by it to the public, if any.

16.5. Requirements for public issue of debt securities

16.5.1 An issuer making public issue of debt securities shall only issue **revenue bonds**. To make a public issue of revenue bonds, a Municipality shall comply with following conditions:

- It has made an application to one or more recognised stock exchanges for listing of such securities therein:

Provided that where the application is made to more than one recognised stock exchanges,

the issuer shall choose one of them as the designated stock exchange: Provided further that where any of such stock exchanges have nationwide trading terminals, the issuer shall choose one of the designated stock exchange; Explanation.- For any subsequent public issue, the issuer may choose a different stock exchange as a designated stock exchange subject to the requirements of Securities and Exchange Board of India (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015.

- It has obtained in-principle approval for listing of its revenue bonds on the recognized stock exchanges where the application for listing has been made;
- Credit rating has been obtained from at least two credit rating agency registered with the Board and is disclosed in the offer document:

Provided that the revenue bonds intended to be issued shall have a minimum investment grade rating. Provided further that where credit ratings are obtained from more than one credit rating agencies, all the ratings, including the unaccepted ratings, shall be disclosed in the offer document;

- It has entered into an arrangement with a depository registered with the Board for dematerialisation of the revenue bonds that are proposed to be issued to the public, in accordance with the Depositories Act, 1996 (Central Act 22 of 1996) and regulations made there under.

16.5.2 The revenue bonds shall have a minimum tenure of three years or such period as specified by the Board from time to time.

16.5.3 The revenue bonds shall have a maximum tenure of thirty years or such period as specified by the Board from time to time.

16.5.4 The issuer shall appoint one or more merchant bankers registered with the Board at least one of whom shall be a lead merchant banker.

16.5.5 The issuer shall create a separate escrow account for servicing of revenue bonds with earmarked revenue. In case there is an escrow mechanism for the repayment of the interest/principal, details of the same shall be given.

16.5.6 The issuer shall appoint a monitoring agency through competitive bidding such as public financial institution or a scheduled commercial bank to monitor the earmarked revenue in the escrow account under 16.5.5:

Provided that where the issuer is corporate municipal entity, it shall appoint a Debt Securities trustee registered with the Board in accordance with the provisions of the Securities and Exchange Board of India (Debt Securities Trustees) Regulations, 1993 and Companies Act, 2013 (Central Act 18 of 2013).

16.6 Disclosures in the offer document:

- (i) The offer document shall contain true, fair and material disclosures, which are necessary for the subscribers of the revenue bonds to take an informed investment decision.
- (ii) Without prejudice to the generality of sub-clause (1), the issuer, which is a Municipality, and the lead merchant banker shall ensure that the offer document contains the following:
- (iii) Disclosures specified in Schedule I of Securities and Exchange Board of India (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015;
- (iv) Disclosures with respect to compliance with Utilization of issue proceeds as specified in regulation 12 of Securities and Exchange Board of India (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015;
- (v) Additional disclosures as may be specified by the Board:
- (vi) Provided that in case of issuer being a corporate municipal entity, the issuer and the lead merchant banker shall ensure that the offer document shall contain the following additional disclosures as specified in Companies Act, 2013 (Central Act 18 of 2013) and Companies (Prospectus and Allotment of Securities) Rules, 2014.

16.7 Filing of draft offer document

16.7.1 No issuer shall make a public issue of revenue bonds unless a draft offer document has been filed with the designated stock exchange through the lead merchant banker:

Provided that where an issuer has filed a shelf prospectus, not more than four public issuances shall be made through a single shelf prospectus during a financial year.

16.7.2 The draft offer document filed with the designated stock exchange shall be made exchange for seeking public comments for a period of seven working days from the date of filing the draft offer document with such exchange.

- 16.7.3** The draft offer document may also be displayed on the website of the issuer, merchant bankers and the stock exchanges where the revenue bonds are proposed to be listed.
- 16.7.4** The lead merchant banker shall ensure that the draft offer document specifies the names and contact details of the compliance officer of the lead merchant banker, the officer concerned and the project officer, wherever applicable, of the issuer including their postal and email address, telephone and fax numbers.
- 16.7.5** The lead merchant banker shall ensure that all comments received on the draft offer document are suitably addressed:
Provided that where the issuer is a corporate municipal entity, the lead merchant banker shall ensure that all comments received on the draft offer document are suitably addressed prior to the filing of the final offer document with the Registrar of Companies.
- 16.7.6** The issuer shall, before filing of draft offer documents with Board, obtain a "Viability Certificate" or Detailed Project Appraisal Report (DPR) from a scheduled commercial bank or public financial institution stating that the project is financially viable, based on the estimates/assumptions available at that time.
- 16.7.7** A copy of draft and final offer document shall also be forwarded to the Board for its records, simultaneously with filing of these documents with designated stock exchange.
- 16.7.8** The issuer filing a shelf prospectus shall file a copy of an information memorandum with the recognised stock exchanges and the Board and in case of a corporate municipal entity, file the same with the Registrar of Companies.
- 16.7.9** Where the issuer is a corporate municipal entity, the information memorandum shall contain the disclosures specified in sub-section 2 of Section 31 of Companies Act, 2013 (Central Act 18 of 2013) and rules made there under and shall include disclosures regarding summary term sheet, material updating including revision in ratings, if any, along with the rating rationale and financial ratios specified in schedule of Securities and Exchange Board of India (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015.
- 16.7.10** The lead merchant banker shall, prior to opening of the public issue, furnish to the Board a due diligence certificate as per schedule-II of Securities and Exchange Board of India (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015:
Provided that where the issuer is a corporate municipal entity, the lead merchant banker shall, prior to filing of the final offer document with the Registrar of Companies, furnish to the Board a due diligence certificate as per schedule-II of Securities and Exchange Board of India (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015.
- 16.7.11** The Debt Securities trustee, wherever appointed under proviso to sub-regulation (7) of Regulation 5 of SEBI (Issue and Listing of Debt Securities by Municipalities) Regulation, 2015 shall, prior to the opening of the public issue, furnish to the Board a due diligence certificate as per schedule of SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015.
- 16.8 Mode of disclosure of offer document:**
- 16.8.1** The draft and final offer document shall be displayed on the websites of stock exchanges and shall be available for download in PDF/HTML format.
- 16.8.2** The draft offer document shall be filed with the designated stock exchange, for dissemination on its website prior to the opening of the issue:
Provided that where the issuer is a Corporate Municipal Entity, the final offer document shall be filed with the designated stock exchange, simultaneously with filing there with the Registrar of Companies, for dissemination on its website prior to the opening of the issue.
- 16.8.3** Where any person makes a request for a physical copy of the offer document, the same shall be provided to him by the issuer or lead merchant banker.
- 16.9 Advertisements for public issues:**
- 16.9.1** The issuer may make an advertisement in two national daily and one vernacular daily with wide circulation, on or before the issue opening date and such advertisement shall, amongst other things, contain the disclosures as per schedule of SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015.
- 16.9.2** No issuer shall issue an advertisement which is misleading in material particular or which contains any information in a distorted manner or which is manipulative or deceptive.
- 16.9.3** The advertisement shall be truthful, fair and clear and shall not contain a statement, promise or forecast which is untrue or misleading.
- 16.9.4** Any advertisement issued by the issuer shall not contain any matters which are extraneous to the contents of the offer document.

- 16.9.5** The advertisement shall urge the investors to invest only on the basis of information contained in the offer document.
- 16.9.6** Any promotional or educative advertisement issued by the issuer during the subscription period shall not make any reference to the issue of revenue bonds or be used for solicitation.
- 16.10 Abridged prospectus and application forms:-**
- 16.10.1** The issuer and lead merchant banker shall ensure that:
- To avoid any misuse by the issuer, every application shall be accompanied by a copy of the abridged prospectus;
 - The abridged prospectus shall not contain matters which are extraneous to the contents of the prospectus;
 - Adequate space shall be provided in the application form to enable the investors to fill various details like name, address, etc.
- 16.10.2** The issuer may provide the facility for subscription of application in electronic mode.
- 16.11 Minimum subscription:-**
- 16.11.1** The issuer may decide the amount of minimum subscription which it seeks to raise by issue of debt securities and disclose the same in the offer document:
Provided such minimum subscription limit shall not be less than sixty percent of the issue size.
- 16.11.2** In the event of non-receipt of minimum subscription as specified above, all application money received in the public issues shall be refunded forth with to the applicants, within twelve days from the date of the closure of the issue.
- 16.11.3** In the event, there is a delay by the issuer in making the aforesaid refund, then the issuer shall refund the subscription amount along with interest at the rate of ten percent per annum for the delayed period.
- 16.12 Over subscription:-**
No allotment shall be made by the issuer in excess of the specified securities offered through the offer document:
Provided that in case of oversubscription, an allotment of not more than ten per cent of the net offer to public may be made for the purpose of making allotment in minimum lots.
- 16.13 Utilization of issue proceeds:-**
- 16.13.1** The funds raised from public issue of debt securities shall be used only for projects that are specified under objects in the offer document.
- 16.13.2** The proceeds of the issue shall be clearly earmarked for a defined project or a set of projects for which requisite approvals have been obtained from concerned authorities.
- 16.13.3** The issuers shall maintain a bank account in which the amount raised from the issue shall be transferred immediately after the closure of the issue and such amount shall only be utilised for specified project(s):
Provided that where the issuer is a Corporate Municipal Entity, the issue proceeds, net of issue expenses, shall be used only for onward lending to Municipalities, as disclosed in the offer document:
Provided further that where the issuer is a corporate municipal entity, it shall maintain sufficient interest margin while onward lending to the Municipalities, to meet its operating expenses and obligations.
- 16.13.4** The issuer shall establish a separate project implementation cell and designate a project officer who shall not be below the rank of District Municipal Commissioner, who shall monitor the progress of the project(s) and shall ensure that the funds raised are utilised only for the project(s) for which the debt securities were issued:
Provided that where the issuer is a corporate municipal entity, such requirement shall be complied by the Municipality which is being financed.
- 16.13.5** Issuer's contribution for each project shall not be less than twenty percent of the project costs, which shall be contributed from their internal resources or grants: Provided that where the issuer is a corporate municipal entity, contribution of the concerned Municipality, which is being financed by the corporate municipal entity, shall not be less than twenty percent of the project costs, which shall be contributed from its internal resources or grants.
- 16.13.6** The issuer shall disclose the schedule of implementation of the project in the offer document in a tabular form and the funds raised by the issuer shall be utilized in accordance with the said schedule.
- 16.14 Underwriting:-**
A public issue of revenue bonds may be underwritten by an underwriter registered with the Board and in

such a case adequate disclosure regarding underwriting arrangements shall be disclosed in the offer document.

16.15 Listing of Debt Securities:-

An issuer desirous of making an offer of debt securities to the public shall make an application for listing to one or more recognized stock exchanges:

Provided that in case of issuer being corporate municipal entity, such an application shall be made in terms of sub-section (1) of section 40 of the Companies Act, 2013 (Central Act 18 of 2013).

16.16 Conditions for listing of debt securities issued on private placement basis:-

16.16.1 An issuer may list its debt securities issued on private placement basis on a recognized stock exchange subject to the following conditions:

- An issuer may issue general obligation bonds or revenue bonds;
- Accounts of Municipality being the issuer, shall be prepared in accordance with Haryana Municipal Account Code 2025;
- No order or direction of restraint, prohibition or department by Board against the corporate municipal entity or its directors is in force;
- The issuer, being a corporate municipal entity, has issued such debt securities in compliance with the provisions of Companies Act, 2013 (Central Act 18 of 2013) and particularly section 42 of the companies act, 2013 and rules prescribed there under and other applicable laws;
- The issuer shall not solicit or collect funds by issue of debt securities, except by way of private placement;
- The minimum subscription amount per investor shall not be less than rupees Ten lakh or such amount as may be specified by Board from time to time;
- Dual Credit rating has been obtained in respect of such debt securities from at least one credit rating agency registered with the Board;
- The debt securities proposed to be listed are in dematerialized form;
- The disclosures as provided in Schedule I of SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015 have been made.

16.17 Requirements for both public issues and private placement Asset cover:-

An issuer, proposing to issue debt securities shall maintain 100% asset cover sufficient to discharge the principal amount at all times for the debt securities issued.

16.18 Buy-back:-

- (i) The issuers may provide an option to buy-back the debt-securities at a value which shall not be less than the face value of the debt securities, from the investors:
- (ii) Provided in such cases, appropriate disclosure shall be made in the offer document.
- (iii) Provided further that buy back may be done only after seven years of issue of security.
- (iv) The buy-back shall be done according to the SEBI (Buy-back of Securities) Regulations 2018 ("New Buyback Regulations")

16.19 Prohibitions of misstatements in the offer document:-

16.19.1 The offer document shall not omit disclosure of a material fact which may make the statements made there in misleading, in light of the circumstances under which they are made.

16.19.2 The offer document or abridged prospectus or any advertisement issued by an issuer in connection with a public issue of debt securities shall not contain any false or misleading statement.

16.20 Creation of security for secured Debt Securities:-

16.20.1 The Debt Securities shall be secured by the creation of a charge, on the properties or assets or the receivables of the issuer, having a value which is sufficient for the due repayment of the amount of Debt Securities and interest there on provided that in case unsecured Debt Securities are intended to be listed on stock exchange(s), then such debt securities shall either be backed by guarantee from State Government or Central Government or shall have a structured payment mechanism where by the issuer shall deposit debt servicing amounts in the designated bank account at least 10 working days before due date of payment.

16.20.2 The total value of secured Debt Securities issued shall not exceed the market value of immovable property/other assets or receivables of the issuer, for which a charge shall be created.

16.20.3 The issuer shall give an undertaking in the offer document that the assets on which charge is created are free from any encumbrances and if the assets are already charged to secure a debt,

- the permissions or consent to create second or *paripasu* charge on the assets of the issuer have been obtained from the earlier creditor.
- 16.20.4** The issue proceeds shall not be utilized until the documents for creation of security are executed.
- 16.21 Trust deed**
- 16.21.1** A trust deed for securing the issue of Debt Securities shall be executed by the issuer in favour of the independent trustee or Debt Securities trustee, as applicable, within three months of the closure of the issue.
- 16.21.2** The trust deed shall contain such clauses as may be prescribed in schedule iv of the Securities and Exchange Board of India (Debt Securities Trustees) Regulations, 1993: Provided that in case of private placement by a corporate municipal entity, the trust deed shall, in-addition, contain such clauses as prescribed under section 71 of the Companies Act, 2013 (Central Act 18 of 2013) and Companies (Share Capital and Debt Securities) Rules 2014.
- 16.21.3** The trust deed shall not contain a clause which has the effect of:
- a) Limiting or extinguishing the obligations and liabilities of the Debt Securities trustees or the issuer in relation to any rights or interests of the investors;
 - b) Limiting or restricting or waiving the provisions of the Act, SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015 and circulars or guidelines issued by the Board;
 - c) Indemnifying the Debt Securities trustees or the issuer for loss or damage caused by their act of negligence or commission or omission.
- 16.22 Redemption and roll-over**
- 16.22.1** The issuer shall redeem the debt securities in terms of the offer document.
- 16.22.2** Where the issuer being a corporate municipal entity, desires to roll-over the debt securities issued, it shall do so only upon passing of a special resolution to that effect and give twenty one days' notice of the proposed roll over to the holders of debt securities provided where the issuer is a Municipality, the notice shall be given to the holders of debt securities and stock exchanges where the debt securities are listed, upon the said decision: Provided further that in case the issuer is a Municipality, if the holders of debt securities do not provide consent for the proposed roll over within the notice period, the issuer shall redeem the debt securities of such holders.
- 16.22.3** The notice referred to in sub-para 16.22.2 shall contain disclosures with regard to credit rating and rationale for roll-over.
- 16.22.4** The issuer being a corporate municipal entity shall, prior to sending the notice to holders of debt securities, file a copy of the notice and proposed resolution with the stock exchanges where such securities are listed, for dissemination of the same to public on their websites.
- 16.22.5** The debt securities issued may be rolled over subject to the following conditions:
- The roll-over is approved by a special resolution passed by the holders of debt securities through postal ballot having the consent of not less than 75% of the holders by value of such debt securities provided that this condition shall not be applicable to the issuer, which is a Municipality provided further that in case of issuer being a Municipality, a period of seven days shall be granted to the holders of debt securities to provide their consent;
 - At least one rating is obtained from a credit rating agency within a period of six months prior to the due date of redemption and is disclosed in the notice referred to in sub-para 16.22.2;
 - Fresh trust deed shall be executed at the time of such roll over or the existing trust deed may be continued if the trust deed provides for such continuation;
 - Adequate security shall be created or maintained in respect of such debt securities to be rolled-over.
- 16.22.6** The issuer shall redeem the debt securities of all the holders, who have not given their positive consent to the roll-over.
- 16.23 Debt Securities redemption reserve:-**
- 16.23.1** For the redemption of the Debt Securities issued by a corporate municipal entity, the issuer shall create Debt Securities redemption reserve in accordance with the provisions of the Companies Act, 2013 (Central Act 18 of 2013) and the rules made there under.
- 16.23.2** Where the issuer is a corporate municipal entity and the issuer has defaulted in payment of interest on debt securities or redemption thereof or in creation of security as per the terms of

the issue of debt securities, any distribution of dividend shall require approval of the Debt Securities trustees.

16.24 Continuous listing conditions:-

- 16.24.1** All the issuers making public issues of debt securities or seeking listing of debt securities issued on private placement basis, shall comply with conditions of listing including continuous disclosure and other requirements specified by the Boarding general and those specified in schedule v of Securities and Exchange Board of India (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015.
- 16.24.2** Where the issuer is corporate municipal entity, one-third of its Board shall comprise of independent directors, as defined in section 149 of the companies act, 2013.
- 16.24.3** Every rating obtained by an issuer shall be periodically reviewed by the registered credit rating agency and any revision in the rating shall be promptly disclosed by the issuer to the stock exchange(s) where the debt securities are listed.
- 16.24.4** In the event of credit rating being downgraded by two or more notches below the rating assigned at the time of issue, the issuer shall present to all bond holders, the reasons for fall in rating and the steps, if any, it intends to take to recover the rating.
- 16.24.5** Any change in rating shall be promptly disseminated in such manner as the stock exchange where such securities are listed may determine from time to time.
- 16.24.6** The issuer, the respective Debt Securities trustees, wherever appointed, and stock exchanges shall disseminate all information and reports regarding debt securities including compliance reports filed by the issuers and the Debt Securities trustees, if appointed, to the investors and the general public by placing the on their websites.
- 16.24.7** The information referred to in sub-para 16.24.6 shall also be placed on the websites, if any, of the Debt Securities trustee, the issuer and the stock exchanges.

16.25 Accounting and audit:-

- 16.25.1** An Issuer, being a Municipality, shall prepare its accounts in accordance with Haryana Municipal Account Code-2025 provided that in case of the issuer being a corporate municipal entity, the accounts shall be prepared in accordance with section 129 and 134 of the Companies Act, 2013 (Central Act 18 of 2013) and the rules made there under.
- 16.25.2** In case of the issuer being a Municipality, the accounts of the issuer shall be audited by the persons appointed by the State Government, or as permissible under its constitution/state legislation governing the Municipality:
Provided that in case of an issuer being a corporate municipal entity, the accounts of the issuer shall be audited by an auditor, in accordance with the section 139 of the Companies Act, 2013 (Central Act 18 of 2013) and the rules made there under.
- 16.25.3** The bank account for issue proceeds and escrow account with earmarked revenue; shall be audited by persons so appointed by the Municipality or the corporate municipal entity, within six months of the close every financial year.

16.26 Trading and reporting of debt securities:-

- 16.26.1** The debt securities issued to the public or on a private placement basis, which are listed in recognised stock exchanges, shall be traded and such trades shall be cleared and settled in recognised Clearing Corporation subject to conditions specified by the Board.
- 16.26.2** The trading lot for privately placed debt securities shall be rupees one lakh or such amount as may be specified by the Board.
- 16.26.3** In case of trades of debt securities which have been made over the counter, such trades shall be reported on a recognised stock exchange having a nationwide trading terminal or such other platform as may be specified by the Board from time to time.
- 16.26.4** The information in respect of issues such as issuer details, instrument details, ratings, rating migration, coupon, buyback, redemption details, shall be required to be reported to common database with depositories or any other platform as may be specified by the Board.

16.27 Obligations of monitoring agency and trustee:-

- 16.27.1** The monitoring agency appointed under sub-regulation (7) of regulation 5 of SEBI (Issue and Listing of Debt Securities by Municipality) Regulation, 2015 shall be vested with the requisite powers for protecting the interest of holders of debt securities.
- 16.27.2** The monitoring agency shall inspect on half yearly basis, the utilization of issue proceeds in accordance with objects of the issue as specified in offer document and report, material deviation, if any, to the concerned stock exchange for public dissemination.
- 16.27.3** The monitoring agency shall monitor earmarked revenue in the separate escrow account.

- 16.27.4** The Debt Securities trustee, wherever appointed, shall be vested with the requisite powers for protecting the interest of holders of debt securities provided that, where the issuer is a corporate municipal entity, such powers shall include a right to appoint a nominee director on the Board of the issuer, in consultation with institutional holders of such securities.
- 16.27.5** The Debt Securities trustee, wherever appointed, shall disclose the information to the investors and the general public by issuing a press release in any of the following events:
- (a)** Default by issuer to pay interest on debt securities or redemption amount;
 - (b)** Failure to create a charge on the assets;
 - (c)** Revision of rating assigned to the debt securities.
- 16.27.6** The Debt Securities trustee, wherever appointed, shall carry out its duties and perform its functions under Securities and Exchange Board of India (Issue and listing of Debt Securities by Municipalities) Regulations, 2015, the Securities and Exchange Board of India (Debt Securities Trustees) Regulations, 1993, the trust deed and offer document, with due care, diligence and loyalty.
- 16.27.7** The Debt Securities trustee, wherever appointed, shall ensure disclosure of all material events on an ongoing basis.
- 16.27.8** The Debt Securities trustees, wherever appointed, shall supervise the implementation of the conditions regarding creation of security for the debt securities and Debt Securities redemption reserve.
- 16.28 Obligations of the issuer and merchant banker:-**
- 16.28.1** The issuer shall disclose all the material facts in the offer documents issued or distributed to the public and shall ensure that all the disclosures made in the offer document are true, fair and adequate and there is no mis-leading or untrue statements or mis-statement in the offer document.
- 16.28.2** The merchant banker(s) shall verify and confirm that the disclosures made in the offer documents are true, fair and adequate and ensure that the issuer is in compliance with Securities and Exchange Board of India (Issue and listing of Debt Securities by Municipalities) Regulations, 2015.
- 16.29. Sanction for violations:-**
Any contravention of this chapter and Securities and Exchange Board of India (Issue and listing of Debt Securities by Municipalities) Regulations, 2015 shall be dealt with by the Board in accordance with the Act.
- Power to remove difficulties**
In order to remove any difficulties in the interpretation or application of the provisions of these regulations, the Board shall have the power to issue directions through guidance notes or circulars:
Provided that where any direction is issued by the Board in a specific case relating to interpretation or application of any provision of these regulations, it shall be done only after affording a reasonable opportunity of being heard to the concerned persons and after recording reasons for the direction.
- 16.30 Tax- Free Municipal Bond:-**
In 2000-01, the Government inserted a new clause (vii) in Section 10(15) of the Income Tax Act, 1961, (Central Act. 43 of 1961) exempting interest income from bonds issued by local authorities. Funds raised from Tax Free Municipal Bonds are to be used only for capital investments in urban infrastructure for providing one or more of the following: -
- Potable Water Supply
 - Sewerage or Sanitation
 - Drainage
 - Solid Waste Management
 - Roads, Bridges and Flyovers; and
 - Urban Transport (if this is a municipal function under respective state legislation)
- 16.31 Guidelines for Issue of Tax-Free Municipal Bonds**
- Eligible Issuers:**
The eligible issuers of Tax-Free Municipal Bonds shall be a local authority. "Local Authority" shall mean a Municipality, district board, body of port commissioners or other authority legally entitled to or entrusted by the Government with the control or management of a municipal or local fund.
- 16.31.1 Use of Funds Raised:-**

The funds raised from Tax Free Municipal Bonds shall be used only for capital investments in urban infrastructure for providing one or more of the following:

- Potable Water Supply;
- Sewerage or Sanitation;
- Drainage
- Solid Waste Management;
- Roads, Bridges and Flyovers; and
- Urban Transport (if this is a municipal function under respective state legislation) The capital investments shall be for the following purposes:
 - a) Setting up of new project(s);
 - b) Expansion, augmentation or improvements of the existing system.

16.31.2 Essential Pre-conditions:-

A. Project Development

- The proceeds of the proposed issue shall be clearly earmarked for a defined project or a set of projects;
- Before the actual Issuance of Tax Free Bonds, the following tasks shall be completed:
 - (i) An investment plan for the project components indicating phasing and a financing plan approved by the local authority or the Board of the Agency as the case may be;
 - (ii) Identification of the benchmarks for commencement and completion including the milestone dates for all the proposed components under the overall project(s);
 - (iii) Pre-qualification of the bidders for the proposed project shall be completed and final tender documents shall have been issued to all pre-qualified bidders;
 - (iv) The land required for the project shall be in possession of the issuer and/or the process for land acquisition and other statutory clearances, if any, shall have been initiated.

B. Financial Viability

- (a) The project(s) shall be financially viable;
- (b) Financial viability here means that the project(s) shall be able to generate a stream of revenue which shall be sufficient to finance Operation and Maintenance cost.
- (c) The issuer shall create an Escrow account for debt servicing of bond proceeds and for meeting Operation and Maintenance costs of the proposed project with earmarked revenue. Earmarking of revenue through Escrow mechanism will be monitored by an independent Trustee like the Development Finance Institutions (DFIs) or the nationalized banks.

C. Reforms

- If the issuer is a Municipality, it shall give an undertaking to undertake and implement the following reforms in a time-bound manner: -
 - (i) Adoption of modern, accrual-based double entry system of accounting in municipalities.
 - (ii) Introduction of system of e-governance using IT applications like, Geographic Information System (GIS) and Management Information Systems (MIS) for various services provided by Municipalities
 - (iii) Reform of property tax with GIS, so that it becomes major source of revenue for Municipalities and arrangements for its effective implementation so that collection efficiency reaches at least 85% within next five years.
 - (iv) Levy of reasonable user charges by Municipalities with the objective that full cost of operation and maintenance is collected within next five years.
 - (v) If the issuer is an entity, other than Municipality (*The issuer under Municipal Debt Securities under Municipal Debt Regulations can be any Municipality or any Statutory Body or Board or Corporation, Authority, Trust or Agency; subject to the condition that it undertakes one or more functions that may be entrusted under Article 243-W of the Constitution of India.*), it shall give an undertaking to reform within its sphere of activity. The reforms shall be (i) adoption of modern, accrual based double entry system, (ii) levy of user charges with the objective that full cost of operation and maintenance is collected in the next five years and bringing efficiencies in the working of organization.

D. Other Conditions

- The issuers will be subject to rules regarding borrowings under respective municipal legislation as specified 16.31.2 (c) in respective States or other laws relating to total borrowing;
 - (i) The issuer shall further undertake to provide an additional debt covenant under which the Debt Service Coverage Ratio (DSCR) of at least 1.25 is maintained throughout the tenor of the Tax-Free Municipal bond.
 - (ii) Debt Service Coverage Ratio is defined as a ratio of net income after meeting all the obligations and liabilities of the Issuer except the long term debt obligations (principal and interest) to long term debt servicing obligations.
 - (iii) For the purpose of estimating net income, the income and expenditure of the entire utility/corporation may be considered instead of project specific revenues and expenditures.
 - (iv) All state grants or transfers to the issuer shall be deposited into the escrow account and the Bond issue must clearly set forth the order of priority according to which the revenue generated by the enterprise will be allocated for various purposes.
 - (v) Estimate of Debt Service Coverage Ratio shall be based on realistic assumptions.

E. Project Account and Monitoring

- (a) The issuers as specified in paragraph 16.31.1 above shall maintain a separate account of the amount raised from the Tax-Free Municipal Bond, to be utilized only for the project related expenditure;
- (b) The issuers shall establish a separate Project Implementation Cell and designate a Project Officer who shall monitor the progress of the project(s) and be responsible for ensuring that the funds raised through Tax Free Municipal Bonds are utilized only for the project(s) for which the Bonds were issued.
- (c) The issuer shall present timetable for utilization of bond proceeds i.e. At least 50% of proceeds may be invested in eligible projects in first twelve months and 85% in first 24 months to ensure speedy implementation of projects.

16.32 Instrument, Maturing and Buy-back:

- (a) The Tax-Free Bonds shall have a minimum maturity of 5 years. The issuers shall have option to offer deep discount bonds or other financial innovations especially to enhance the tenor of the bond.
- (b) The issuers may have the option for buy-back arrangements of the face value of the bonds from any investor after a lock-in period of three years.

16.33 Nature of Issue and Tax Benefits:-

- (a) The choice of raising the amount as a public issue or by private placement or a combination of both types will be left to the issuer;
- (b) Only bonds carrying interest rate up to maximum 8% per annum shall be eligible for notification by the Central Board of Direct Taxes (CBDT) for the purposes of remission under Section 10(15)(vii) of the Income Tax Act.

16.34 Ceiling on Amount of Tax-Free Municipal Bonds for a Project:-

- (a) The amount of issue of bonds for the purposes listed under item (2) above shall be approved on a case-by-case basis by the Ministry of Housing and Urban Affairs, Government of India. The maximum amount of Tax Free Municipal Bonds as a percentage of the total project costs (excluding interest during construction) shall be 50% or ₹ 300.00 crore whichever is lower;
- (b) The debt equity ratio for the project shall not exceed 3:1. In case of municipal authorities, the issuers shall at least contribute 20 per cent of the project costs either from internal resources or other grants or a mix of the two.

16.35 Compulsory Credit Rating:-

It will be mandatory for the issuer to obtain an investment grade rating from an RBI approved and the reputed credit rating agency before the issuance of the Tax-Free Municipal Bonds. The credit rating agency will carry out a due diligence process at the time of award of the initial rating to ensure that all the conditions mentioned in the Guidelines are met and shall also monitor the same as part of its surveillance during the tenor of the Tax-Free Municipal Bonds.

16.36 Legal and Administrative Requirement:-

- (a) The issuers shall adhere to all other applicable legal and administrative requirements which are in force from time to time;
- (b) Where a public issue is made, the issuer shall abide by the guidelines issued by the Securities and Exchange Board of India

16.37 Listing of Bonds:-

The Tax-Free bonds may be listed on the Stock Exchange

16.38 Loans Received (Borrowings)

This section contains the recommended accounting system for transactions relating to loans received by the Municipality.

16.38.1 On sanction by the State Government, the Municipality may borrow funds, 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 State Government, the loans cannot be used for any purpose other than that specified in the approval.

16.38.2 Where the terms of sanction provide for the establishment of a sinking fund for the repayment of loan, the Municipality shall establish it and credit to it, funds from the Municipal Fund. Similarly, if the terms provide for creation of an escrow account for repayment of loans, the Municipality shall credit to it, the income earmarked for this. The purpose of establishment of a sinking fund or an escrow account is to accumulate money, including interest, adequate to repay the loan as per the repayment schedule.

16.39 Accounting principles

The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Borrowings (Loans Received): -

16.39.1 Interest expenditure on loan shall be recognized on accrual basis.

16.39.2 Interest on borrowings directly attributable to acquisition or construction of qualifying fixed assets up to the date of commissioning of the assets shall be capitalized.

16.39.3 A provision shall be made for the interest accrued between the date of last payment of interest and the date of financial statements and shall be charged to the current period's income and expenditure statement.

16.39.4 The expenses incurred while issuing of debentures or bonds (Issue Expenses) shall be deferred and amortized in equal installments over a period of 5 years or the tenure of the loan, whichever is earlier. In case, the debentures and bonds are prematurely redeemed, the amount of issue expenses outstanding during the year shall be written off and charged to the income and expenditure statement as expenses of the year, when such an event happens. However, all other expenses in respect of raising loans other than those considered as issue expenses shall be written off in the year in which they are incurred.

16.40 Accounting Records and Procedures

This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to loans. For the purposes of accounting of Loans, there are certain forms, registers, etc., which are specific to Loans, e.g. Register of Loans – (Form BR-1).

16.41 Accounting for receipt of loan

The amount borrowed as per the terms of sanction shall be entered in the Register of Loans in Form BR-1 maintained by the Accounts Branch of the Municipality. A separate folio shall be allotted for each loan taken. In case, sanction has been obtained for issuing debentures, the particulars of the debenture holder shall be recorded in the Register of Debentures in Form BR-2 and amounts received on this account are deposited in the Designated Loan Bank Account.

16.42 Raising / Borrowing of Funds:-

On receipt of loan, the Accounts Branch shall pass the necessary journal entry in the books of accounts.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02 331-50-000-(a)	Bank A/C To Loan from Banks/Bond	Dr. Cr.	10,00,000	10,00,000	Cash Book, Ledger and Register of Loans.

(a) Insert minor and detail code of account as applicable.

16.43 Recording of interest accrued but not due:-

For the period between the date of last payment of interest and the date of the preparation of the financial statements, the amount of interest accrued for the period aforesaid shall be determined and a provision shall

be made for it. For recording interest expense in case of tax free bonds, Accounts Branch shall pass the following journal entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
240-60-000-(b)	Interest A/C	Dr.	xxxx		Journal Book and Ledger and Register.
350-(a)	To Interest Payable A/c	Cr.		xxxx	

(a) Insert minor and detail code of account as applicable.

For Recording of Interest Expense in case of other than Tax free Bonds:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
240-60-000-(a)	Interest and Finance Charges	Dr.	xxxx		Journal Book and Ledger.
350-(b)	To Interest Accrued and due	Cr.		xxxx	
350-30-000-(a)	To TDS Payable A/C	Cr.		xxxx	

(a) Insert Detail code of account as applicable.

(b) Insert Minor and Detailed head code of account as applicable.

For payment of Interest:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-(a)	Interest payable A/c	Dr.	xxxx		Journal Book and Ledger
450-21-000-02	To Bank A/C	Cr.		xxxx	

(a) Insert Minor and Detailed Code of Account as applicable

For payment of Tax Deducted at Source (TDS):

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-30-000-05	TDS Payable A/c	Dr.	xxxx		Cash book, Journal Book and Ledger
450-21-000-02	To Bank A/C	Cr.		xxxx	

- 16.44 Recording of reversal of interest provisioning:** When interest has become due for payment, the provision for interest accrued but not due shall be reversed and transferred to interest accrued and due. Accounts Branch shall pass the necessary journal entry.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
360-(a)	To Provision for Interest-Interest Accrued and not Due	Dr.	xxxx		Journal book and Ledger
350-12-(b)	To Interest Accrued and Due	Cr.		xxxx	

(a) Insert Minor and Detailed Code of Account as applicable.

(b) Insert Detailed Code of Account as applicable.

If interest is not claimed within 14 days from the due date then it will be transferred to a special bank A/C and the following entry will be passed:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-(a)	Interest Payable A/C	Dr.	xxxx		Bank Book and Ledger
450-21-000-02	To Unpaid Interest Bank A/C	Cr.		xxxx	

(a) Insert Minor and Detailed Code of Account as applicable.

For recording of payment of Issue Expenses:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
220-52-000-(a) 450-21-000-02	Professional Fees A/C To Bank A/c*	Dr. Cr.	xxxx	xxxx	Journal Book and Ledger

(a) Insert Detailed Code of Account as applicable.

*Specify the bank name and account number.

- 16.45 Repayment of Loan/Redemption of Debentures in case where Sinking Fund is established**

16.45.1 For creation of Sinking Fund Reserve:

Establishment of Sinking Fund: Where the terms of sanction for raising loan or issuing debenture provides for establishment of a Sinking Fund Reserve, an amount stipulated in the terms of sanction shall be transferred to the Sinking Fund Reserve **from the Municipal Fund at the end of the year.** To record the above, the Accounts Section shall pass the necessary journal entry.

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
310-10-000-01	Municipal Fund A/c	Dr.	xxxx		Journal Book Ledger and Register of Sinking Fund.
311-50-000-01	To Sinking Fund Reserve	Cr.		xxxx	

- 16.45.2 Recording of transfer of Funds from the Main Bank Account to the sinking Fund Bank Account:** - The amount so transferred to the Sinking Fund from the Municipal Fund shall be

deposited in a separate bank account. On deposit, the Accounts Section shall pass the necessary journal entry.

16.45.3 Investment of Sinking Fund

Investments made in respect of Sinking Fund shall be entered in a Sinking Fund Investment Register (Form GEN-45) provided in Chapter on - Investments. Interest earned on Investments, profit/loss on disposal of Investments, if any, shall be updated in the Register of Sinking Fund (Form BR-3).

16.46 Transfer from Municipal Fund in Sinking Fund: Recording of transfer from Municipal Fund to make good the deficit in Sinking Fund observed during an examination of sinking fund investment: -On examination, if it is observed that the present value of Sinking fund investment is less than the value of the Fund stipulated in the terms of sanction; the difference shall be made good from the Municipal Fund. The Accounts Branch shall pass the necessary journal entry.

16.47 Repayment of Loan/Redemption of Debentures in case where Escrow Account is created:

Creation of Escrow Account: Where the terms of sanction for raising loan or issuing debentures provide for the establishment of an Escrow Account, an amount equivalent to that stipulated in the sanction shall be transferred to the Escrow Account based on collections of earmarked income. For e.g. if a loan has been taken for building Water Supply Infrastructure, an amount equal to certain percentage of assigned revenue (surcharge on stamp duty on transfer of properties) shall be deposited into the Escrow Account. For creation of Escrow Account, the Accounts Branch shall pass the necessary journal entry.

16.48 Investment of amount lying in Escrow Account

Investments made in respect of Escrow Account shall be entered in an Escrow Account Investment Register (Form GEN-45) as provided under Investments. The accounting entries/procedures to be followed for investments of such moneys are similar to those followed in respect of other investments. They relate to investments, maturity of investment, recording of interest, profit/loss on sale/maturity of investments, etc. These have been described under Investments.

Interest earned on Investments, profit/loss on disposal of Investments, if any, shall be updated in the Escrow Account Investments Register.

16.48.1 Accounting and payment of Interest on Loans/ Debentures

Accounting and payment of interest on Loans/ Debentures raised/ issued will be the same as provided in the section "Accounting of interest payable on loan / debentures" above.

The only difference being the payment will be out of Escrow Bank Account instead of Main Bank Account.

16.49 Accounting for Expenditure incurred in raising loans or issuing debentures:

16.49.1 Recording of Bond and Debt Securities Issue Expenses:

The Municipality may incur expenses such as credit rating fees, security creation fees, stamp duty, etc., at the time of raising loan or issuing debentures. These expenses shall be deferred and be classified as Loan Issue Expenses and on payment being made; the Accounts Branch shall pass the necessary journal entry.

16.50 Recording of amortization of Bond and Debt Securities Issue Expenses: -

The Bond and Debt Securities Issue Expenses shall be amortized in equal installments over a period of 5 years or the tenure of the loan, whichever is lower. For instance, issue expenses of ₹ 50,000 incurred for raising loan shall be amortized over a period of 5 years in equal instalments of ₹ 10,000/- every year. At the end of each financial year, for amortizing the relevant portion of Loan Issue Expenses, the Accounts Branch shall pass the necessary journal entry.

16.51 Recording of write-off of Bond and Debt Securities Issue Expenses:

In case the Bonds or debentures are redeemed prematurely, the balance outstanding in the Loan Issue Expenses shall be written-off during the year in which the prepayment or premature redemption has been made. Continuing the earlier illustration, in case the loans have been prepaid during the third year, then the balance of ₹ 30,000/- lying outstanding in the Bonds and Debt Securities Issue Expenses shall be written-off during the third year. At the end of the financial year, the Accounts Branch shall pass the necessary journal entry.

16.52 Internal controls

The following internal controls shall be observed by the Municipality in respect of Loans, Bonds and Debt Securities related transactions:

- The Head of the Accounts Branch shall ensure that adequate provision is made for the interest accrued between the date of last payment of interest and the date of Financial Statements and is charged to the current period's Income and Expenditure Statement.

- The Head of the Accounts Branch shall carry out physical verification of Sinking Fund or Debenture Redemption Fund Investment documents and compare the same with the Sinking Fund Investment Account.
 - The Head of the Accounts Branch shall monitor the funds borrowed and ensure proper utilization of funds.
 - The Head of the Accounts Branch shall ensure that the present value of the sinking fund investment tallies with the value of the Fund as per the State Government's sanction. If any disparity is observed, the adequate funds shall be transferred from the Main Bank Account to Sinking Fund Bank Account.
- (a) The Head of the Accounts Branch shall ensure that the transfers to escrow account out of income collected are as per the conditions of borrowings.
- (b) The Chief Municipal Officer/Head of the Municipality shall specify such appropriate calendar of returns/reports for monitoring, as considered appropriate.
- (c) All Reconciliation Statements shall be verified and certified by the Head of the Accounts Branch.

16.53 Presentation in financial statements

The various heads of accounts used for the accounting of Loans shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the Municipality. All such Financial Statements and schedules shall be affixed with signature and seal of designated authorities.

The various schedules of Income and Expenditure Statement in respect of Loans are provided in Part-II of this Account Code. Various Balance Sheet abstracts in respect of loans are also provided in Part-II of this Account Code.

CHAPTER-17**PAYMENT****17.1. CHARGE OF EXPENDITURE:**

No expenditure shall be finally charged against the Municipal Fund and no adjustment shall be made without the charge being accepted by the Municipality provided that the amounts directly debited by the Government or any agencies authorised by the Government, may be charged finally against the heads of account concerned, even without acceptance of the Municipality.

17.2. Claims against Municipal Fund:

- (1) Every person having any claim against the Municipal Fund shall present a written claim with supporting documents like Invoice, etc. to the Chief Municipal Officer/Accounts In-Charge.
- (2) A bill shall be examined by the designated Officer incurring the expenditure and the claimant's claim, with supporting documents, shall be attached thereto.

17.3. No payment to be made out of receipts and Cheque to be drawn only for immediate disbursement.

No payment shall be made from the municipal fund except in the manner provided in this Code and in particular, no payment shall be made out of cash received for credit to the municipal fund, and no Cheque shall be drawn except for immediate disbursement or to recoup a permanent advance.

17.4 No payment to be made except on the written order of the competent authority. -

17.4.1 Except in the cases provided for in sub-para 17.3, no payment shall be made except on written orders of the competent authority. In all cases, including payments under relevant rules, the officer concerned shall not make such an order until he has satisfied himself that the budget allotment under the relevant head shall not thereby be exceeded and unless the sanction of the Municipality exists for the charge:

Provided that in emergencies, the competent authority shall sanction the payment of charges for which no sanction of the Municipality exists. All such payments shall be reported at the next subsequent meeting of the Municipality. The officials holding permanent advances may, on their own responsibility and without obtaining the requisite sanction of the competent authority, incur petty emergent expenditure there from:

Provided that the sub-vouchers, at the time of the receipt of such permanent advance shall be countersigned by such authority:

17.4.2 Procurements shall be made through GEM or through Other procurement agencies or mode as prescribed by the State Government from time to time.

17.5 Payment of Contribution due to Government:

- (a) If any contribution is required to pay contribution due to Government within the period specified for the purpose, it shall be credited to Consolidated Fund of Haryana by Cheque/RTGS/NEFT/Challan from the Municipal Fund.
- (b) The amount payable by the Municipality as contribution towards the cost of maintenance of State Institution/department or such sanitary or water works as have been made over the Public Health Circle of Government or as fee for the inspection of its sanitary or water-works shall be paid from the municipal fund by means of a Cheque/RTGS/NEFT/Challan.

Provided that the amount so transferred shall not be more than the amount standing to the credit of the Municipality in such fund on the date of the transfer.

17.6 Payment of sums less than ₹ 5, 000/- to be made from permanent advance, other than by cheque.

In emergent cases sums of less than ₹ 5, 000/- (Rupees. Five thousand) may be; in the cases of every Municipality payable from the municipal fund shall ordinarily be paid in cash from the permanent advance of the head of the branch or other official concerned.

17.7 Receipts for cheques issued:

A receipt stamped, if necessary, shall be obtained for all cheques issued otherwise than by post from the Municipal office. When a cheque is sent by post, it shall first be crossed and then posted. The payee shall be required to send the receipt by return of post. When crossed cheque is sent by post and intimation of its encashment is received from the bank on which the cheque was drawn, the Payee's receipt shall not be insisted upon.

17.7.1 One stamped receipt shall be given by the payee for two or more bills when paid by a single cheque.

17.7.2 Cash Memoranda issued by tradesmen for sales against cash payment shall not be regarded as Sub-vouchers unless they contain an acknowledgement of the receipt of money from the purchaser as named therein for the price of the articles sold.

17.8 Cheque books

17.8.1 Cheque books, which are to be obtained on payment from the bank and are printed in fugitive ink, shall be kept under lock and key in the personal custody of the Head of Account Branch or any other subordinates office authorised by competent authority, who shall notify to the bank upon which he draws the number of the cheque book which he, from time to time, brings into use.

17.8.2 All cheques/payment advice (RTGS/NEFT) shall be jointly signed as under: -

- In case of Committee: -
 - (a) Secretary.
 - (b) Officer incharge of Accounts Branch
- In case of council at District Headquarter: -
 - (a) Chief Executive Officer or an officer authorized by him
 - (b) Officer incharge of Accounts Branch
- In case of other Municipal Councils
 - (a) Executive Officer
 - (b) Officer incharge of Accounts Branch
- In case of corporation: -
 - (a) Officer In charge of Accounts Branch
 - (b) Commissioner or an officer authorized by him in this behalf.

Note: 1. All cheques shall be jointly signed by the Chief Municipal Officer and Officer incharge of the Accounts deputed by Finance Department. In case the post of officer incharge of accounts is vacant, the cheque shall jointly be signed by an officer as may be specified by the Administrative Secretary of Urban Local Bodies Department in this behalf. The Chief Municipal Officer and the officer incharge of accounts before signing the cheque shall ensure that the sum specified for payment in the bill or the purpose for which the cheque is drawn, is specifically required for the said purpose as sanctioned by the authority and is covered under the budget.

17.8.3 When the Head of accounts branch or any authorised officer receives a cheque book, he shall cause the cheques to be counted and a note to be recorded on the cover of it, stating the number of cheques it contains.

17.8.4 All cheques shall have written across them in words at right angles to the type a sum a little in excess of that for which they are granted. Thus, "under thirty rupees" will mean that the cheque is for a sum not less than rupees 20, but less than rupees 30, and similarly "under eight hundred rupees" shall mean that it is less than rupees 800 but not less than rupees 700.

17.8.5 A cheque issued by a Municipality which is not en-cashed within three month exclusive of the month of issue shall not be re-issued by altering the date. The drawer shall cancel it and draw a new cheque in lieu of it. The fact of the cancellation and the number and date of the new cheque shall be recorded in the General Cash book against the original transaction and on the counterfoil of the new cheque, the number and the date of the older cheque that is cancelled shall be entered. The fact of the new cheque having been issued shall be entered in red ink in the General Cash Book on the date of issue but not in the column of payment. These recordings shall in no way affect the accounts and no further entries shall be made.

17.8.6 When a signed cheque is cancelled, it shall be enfaced or stamped "Cancelled" by the drawing and disbursing officer. The fact of cancellation shall be noted in red ink over the dated initials of the drawer of the cheque upon the counterfoil, and also across the order of payment which has been enfaced upon the voucher.

17.8.7 When a cheque is cancelled before the General Cash Book (Form Gen.2) has been closed on the date of issue of the cheque, the entry in the Cash Book, and also in the ledger (Form Gen.3), shall be struck out in red ink with the initials of the competent authority or officer authorised in this behalf. When the cheque is cancelled after the General Cash Book has been closed, the cancellation of the cheque shall be treated as a refund of an overpayment and shall be dealt with in accordance with the provisions applicable to the refund of an overpayment.

17.8.8 Cancellation of cheques shall be carefully retained until the accounts for the period to which they relate have been audited then they shall be destroyed by, or in the presence of, the audit officer who shall certify upon the counterfoils that the cheques have been so destroyed.

17.8.9 If an issued cheque is lost and cannot be presented for payment, after ascertaining that it has not been en-cashed, an intimation shall at once be sent to the concerned bank that the Original Cheque No. _____ Dated _____, be considered as cancelled and be not en- cashed, if presented.

A duplicate cheque shall then be issued: at the top of the counterfoil of the duplicate cheque shall be written in red ink, Duplicate of Cheque No. _____ dated _____ (quoting the number and date of the original cheque) and on the counterfoil of the original cheque shall be written in red ink "Duplicate Cheque No. _____ dated _____ issued": (1-B).

17.9 Payment from a permanent advance: -

(1) A payment is to be made from a permanent advance, a payment order shall be made by the officer holding the advance on the sub-voucher relating to the charge by means of a rubber stamp in Form G-10 (the specimen of which is given in Part-II of this Account Code). The amount and code of account chargeable being inserted in ink.

(2) When a payment order has been made under sub-para (1), the amount of the charge shall be paid to the payee whose receipt shall at once be taken. The sub- voucher shall then be stamped with a rubber stamp in Form G-11 (the specimen of which is given in Part-II of this Account Code), and details of the payment shall be entered on the expenditure which shall be maintained by every officer holding a permanent advance.

17.10 Recoupment of a permanent advance:

When the balance of a permanent advance is running low, and in any case on the last working day of each month, total of column 9 on the expenditure side of the Permanent Advance Account (Form Gen-17) shall be posted into a contingent bill in Form G-13 (the specimen of which is given in Part-II of this Account Code). A line shall then be drawn right across both sides of the Account and the bill supported by the relevant sub-vouchers shall be laid before the officer holding the advance, who after comparing the entries in the bill with the Account shall place his initials against each entry in column 9 of the Account and sign the bill: the bill shall then be sent to the Municipality's Accounts Branch for payment. The amount of expenditure incurred out of permanent advance; shall be recouped to the officer holding the permanent advance who shall account the same in the Form Gen-17.

CHAPTER-18**EMPLOYEES RELATED TRANSACTION****18.1 Introduction**

This chapter contains the employee related transaction like Payment of pay and allowances, any perquisites benefit like Pension, Gratuity, Leave encashment, Provident Fund etc. This chapter helps to understand the accounting policies relating to Employee's Transaction and also detailed treatment of transactions related to employees of the Municipalities in the Books of Accounts of Municipalities.

18.1.1 All the provisions outlined under Haryana Civil Service Rules, 2016 except Haryana Civil Service (Pension), Rules 2016 and Haryana Civil Service (General Provident Fund) Rules, 2016 shall be equally applicable to the Municipal Employees. With respect to Pension and Provident Fund, the services of municipal employees of following categories shall be governed by the Haryana Municipal Employees Pension and Provident Fund Rules, 1993 or Municipal Corporation Faridabad Employees Pension and General Provident Fund Rules 2013, as the case may be:

- i. municipal employees appointed prior to 16th April 1992 and opted to switch over to the Haryana Municipal Employees Pension and Provident Fund Rules, 1993 or Municipal Corporation Faridabad Employees Pension and General Provident Fund Rules, 2013, as the case may be; and
- ii. municipal employees appointed on or after 16th April 1992 and prior to 1st January 2006.

18.1.2 The services of municipal employees appointed prior to 16th April 1992 and had not opted to switch over to the Haryana Municipal Employees Pension and Provident Fund Rules, 1993 or Municipal Corporation Faridabad Employees Pension and General Provident Fund Rules, 2013, as the case may be, shall continue to be governed by the provisions of Contributory Provident Fund scheme as enunciated under Chapter XVI of Municipal Account Code, 1930.

18.1.3 The services of municipal employees appointed on or after 1st January 2006 shall be governed by the New Defined Contributory Pension Scheme 2008 (NPS) notified by the State Government and amended from time to time.

18.2 Establishment Check Register:

18.2.1 In order to facilitate the check of establishment bills and to ensure that no charge is paid twice over, an Establishment Check Register shall be maintained in Form G-14 (the specimen of which is given in the Part-II of this Account Code), in which the whole establishment of the Municipality shall be recorded, every fresh appointment, abolition of an appointment or revision of establishment being entered as soon as made together with the number and date of the order of a competent authority or officer to whom a power of making appointments has been delegated, changes due to revision of establishment shall be entered in red ink leaving the original entry intact entries relating to total net charge of each section or sub-section of each Department noted at each page in the beginning of the year and entries due to revision of establishment made during the course of the year, shall be initiated by the Competent authority or the officer authorized by the competent authority.

18.2.2 Separate pages to be assigned to sections and sub-sections: - A separate page of the register shall be set apart for each section or, if there are sub-sections, for each sub section of each department, the different sub-sections or section being entered consecutively in the order of the major heads of account and a page for the total charge of the department being reserved immediately after them when number of section exceeds one.

Explanation- (a) By a "section of a department" is meant the establishment relating to a major head of account of that department; by a "sub section of department" is meant the establishment relating to a minor head of account of that department, e.g. the establishment connected with bungalows and sarais is a sub section of the department of General Department, while the Municipal Engineer's establishment is a section of the department of Municipal Works.

18.2.3 **Entry of temporary establishment:-** Temporary establishment shall be entered in a separate establishment Check Register (Form G-14) at the end of the space allotted to the permanent establishment and shall not be mixed up with it; the period for which the temporary establishment is sanctioned shall be distinctly specified in the second column below the details of the appointments sanctioned and lines shall be drawn across the columns of the months previous and

subsequent to such period so as to prevent admission, by oversight, of pay for a period in excess of that sanctioned.

18.2.4 Fly-leaf for details of sections: - When the space in column 2 of the Establishment Check Register (Form G-14) is insufficient for all the details of a section, they shall be recorded on a fly-leaf in the following form, which shall be inserted between the pages of the register.

18.2.5 The minimum and maximum columns in the fly-leaf shall be used only when the pay, or part of it, is progressive; and in this case, each increment, as it is admitted, shall be added to the total of the "actual" column, and the pay of the appointment affected shall be altered in red ink, a note in each case being made in the remarks column of the month with effect from which the increment is granted; corresponding alterations shall also be made in the register itself (Form G-14) in column 3 for the sanctioned pay of the section, the order sanctioning the increment being quoted in column 1.

18.2.6 Other recurring charges to be recorded in the register: - Recurring charges on account of scholarships, contributions, rents, etc., shall also be recorded in the Establishment Check Register in Form G-14 (specimen has been provided in Part-II of this Code), a separate page being assigned to each minor or major head of each branch concerned.

18.3 Sections of Establishment to be distinct:

Pay Bills shall be prepared distinctly based on functions as shown in the budget, using Function rules prescribed in Chart of Accounts.

18.4 Preparation of Establishment Bills:

Pay Bills shall be prepared distinctly based on functions as shown in the budget, using Function rules prescribed in Chart of Accounts.

18.5 Guidelines for Preparation of Establishment Bills:

18.5.1 Except in the case of employees who have been dismissed or transferred or have resigned or died, no employee of the Municipality shall draw the pay before the first working day of the month following that in respect of which the pay has been earned:

18.5.2 Provided that if the first two days of the month following that in respect of which the pay has been earned are holidays, the competent authority may order the drawl of pay on the last working day of the month in respect of which pay has been earned.

18.5.3 Form of bill of establishment. - The payment of all establishments shall be made by means of bills in Form ES-1 a separate bill being prepared for each branch shall be shown separately.

18.5.4 Establishment to be shown by sections and sub-sections and full details to be given: - Full details of names shall be given in pay bills separately, the salary or leave allowance claimed for each person for the month, whether drawn or not, any amount not drawn but held over for subsequent payment being shown shall be entered, the amount actually drawn for each section or sub-section, the sections and sub-sections being marked off and the total of each entered in red ink. When salary is drawn for a portion of a month only, the rate at which it is drawn and the number of days (with date) for which it is claimed shall be stated either against the name of the person concerned in the body of the bill or in a note at the foot of the page.

18.5.5 Absentee Statement: - Employees on leave or deputation shall be clearly shown as such in the monthly pay bills which shall be supported by an Absentee Statement in Form G-17 or employee absentee record obtained from bio metric system in place (the specimen of which is given in Part-II of this Account Code) any acting arrangements that have been made shall also clearly be noted in the bill.

18.5.6 Where an employee decides to take advantage of Thrift and Credit Scheme introduced by the Municipal Employee Co-operative Thrift and Credit Society Limited and signs a request authorizing the Municipality to deduct regularly, a specified amount from his salary, the Municipality shall deduct the amount specified at source and remit it to its President by means of a crossed cheque.

18.6 Payment of Travelling Allowance Bill: -

18.6.1 Form of Travelling Allowance bill: - Payment of travelling allowance to members and employees of Municipality shall be effected by means of bills in Form G-18, which shall invariably be submitted early in the month following that to which they relate. As a check on such bills, a Travelling Allowance Check Register shall be maintained in Form G-19 (Specimen has been provided in Part-II of the Code).

18.7 Unpaid Salaries: -

If the salary remains unpaid to the employees, it shall be recorded in the Unpaid Salary Register maintained in Form ES-4. The register shall have the details for unclaimed salary as well as subsequent payment of salary. Cheques remaining unpaid and cash withdrawn for payment of salary remaining unpaid for a period of three (3) months shall be re-deposited in the Bank Account. Cheque shall be cancelled and the details shall be recorded in the Unpaid Salary Register.

18.8 Loans and advances to employees

18.8.1 Municipality shall grant loans (interest bearing or interest free) and advances (temporary/standing etc.) to the municipal employees on the lines of provisions mentioned under Chapter- 10 of the Punjab Financial Rules, Vol.-I and other government instructions issued from time to time in this regard. On payment of loans and advances by the Municipality, the Register of Employees Loans /Advances (Form ES-2) shall be updated by the Accounts branch of each municipality.

18.8.2 The Accounts branch shall intimate the concerned branch to update the respective Service Books for recording loans and advances taken by the employees of branch.

18.8.3 The amount of interest accrued as per term and condition of the loan/advance agreement shall be recorded in the Register of interest on loan to the employee (Form ES-3) at the period ends and the transaction shall be recorded as per procedure laid down in chapter 4 of this Account Code by the Account branch.

18.8.4 In case of default in either repayment of principal or payment of interest, penal interest shall be levied at the rates and in the manner prescribed by Government/competent authority as the case may be.

18.8.5 Interest accrued for the intervening period between the date of disbursement of loan/advances and full repayment of loan shall be recovered after the repayment of principal in full and shall be calculated at such rates and in such manner prescribed by the Government./competent authority as the case may be. The register of employee loan/advance (Form ES-2) for the amount of advances and loan recovered in instalments by which the principal was recovered but penal interest if any, shall be recovered in lump-sum.

18.9 Payments otherwise than from regular pay bills:

LTC/bonus, ex-gratia, overtime, medical reimbursement, hospitalization claim, suspension allowance/gratuity/leave salary/house rent reimbursement, education allowance etc. shall be released by the Account Branch only on the basis of approved orders along with the supporting documents and the transactions, shall be made as per procedure laid down in chapter 4 of this Account Code.

The Function wise Expense Subsidiary Ledger maintained in Form GEN-34 shall be updated.

18.10 Provident Fund Contribution: -

18.10.1 A deduction shall be made for employees' provident fund contribution from the salaries of the employees from the Pay Bill but no deduction shall be made for the employees provident fund contribution from the salaries of the employees who have been appointed on or after 1.1.2006, the service of such employees shall be governed under the provisions of New Pension Scheme framed by the Govt. and subsequent instructions issued by the Government from time to time.

18.10.2 Recording of transfer of money to Provident Fund Bank Account: - The Accounts branch shall transfer the amount deducted as contribution from Main Bank Account to Provident Fund Bank Account.

18.10.3 Provident Fund Contribution deducted on behalf of State Government or other organizations/authorities from the salary of employees on deputation to the Municipality concerned shall be deposited with the relevant authorities every month by way of cheque/RTGS/NEFT/Challan after recording the entries in the relevant record.

18.10.4 The employees of concerned Municipalities shall be granted refundable/non-refundable advances as per rules applicable to them against the balance standing at the credit of their provident fund.

18.10.5 A deduction shall be made for recovery of advances from the salaries of the employees in such a manner prescribed in relevant rules.

18.10.6 Recording of transfer of money to Provident Fund Bank Account: - The Accounts branch shall transfer the amount deducted towards recovery of provident fund loans from Main Bank Account to Provident Fund Bank Account.

18.10.7 The Provident Fund money shall be invested as per the guidelines applicable to any Employee Provident Fund.

18.10.8 Such Investments, if any, shall be recorded as provided in Chapter of General Provident Fund.

The procedure of investment and interest/loss and profit thereon shall be, mutatis mutandis, followed as prescribed in the Chapter on Investment.

- 18.10.9** In situations wherein the interest earned on investment is lower than the stipulated rate payable to the employees, the shortfall in payment of interest shall be contributed by the Municipality concerned as per the provision laid down in this account Code.
- 18.10.10** Withdrawal from Provident Fund: - The balance standing to the credit of the employee's provident fund account shall be withdrawn either at the time of employee's retirement or otherwise in accordance with the prescribed rules in this behalf.
- 18.10.11** The employee shall, in accordance with the prescribed rules, withdraw the balance standing to the credit of his/her provident fund account during the continuation of his/her employment.
- 18.10.12** When any employee ceases to be an employee of the Municipality, the Provident Fund account of the employee shall be closed and he shall be paid the amount to the credit of his Provident Fund account (contribution/ interest, etc.) from the Provident Fund Bank Account.
- 18.11 Other revenue expenses/Payments:**
- 18.11.1** The accounting procedures as provided in Chapter 4 of this account Code shall govern the recording accounting and treatment of transactions relating to other revenue expenditure and transaction shall be recorded as per provision laid down in Chapter 4.
- 18.11.2** Other revenue expenditure shall include the following:
- Administrative expenditure such as: Books and periodicals, Newspapers, Legal expenses, Fuel, Printing, Stationary, Advertisement and publicity, Service Postage/Stamps, Electricity and power, Telephone and communication expenses, Rent, Rates and Taxes, Suit compromises, Professional and other Fees/charges, Insurances charges, Hospitality expenses, Training Expenses, Computer related expenses (revenue expenses), any other expenses etc.
 - Programme Expenses such as: - Election Expenses, Own programmes, Share in programmes of others, Census Expenses etc.
 - Miscellaneous Expenses such as: - Miscellaneous Expenses, Woman and Child welfare expenditure, Backward class Expenditure etc.
- 18.11.3** Payment in respect of all expenses incurred or borne by the Municipality shall be made by the accounts branch.
- 18.11.4** The payment order in the prescribed form on receipt of bill or invoice for goods purchased or service received shall be prepared by the concerned branch and forwarded it to the accounts branch after the approval of competent authority.
- 18.11.5** The particular of each bill/invoice shall be entered in a register of bills for payment.
- 18.11.6** The accounts branch shall maintain a functional expense subsidiary ledger in Form GEN-34 for each function in which various administrative expenditure incurred by a function shall be recorded on a daily basis.
- 18.11.7** All revenue expenditure, all contingent expenditure including charges other than those establishment and Travelling allowance shall be drawn in a bill prescribed in this behalf.
- 18.11.8** Temporary advance may also be granted for incurring expenditure to the employees of Municipalities and shall be settled immediately after the purpose for which it is sanctioned.
- 18.11.9** The Accounts Branch shall prepare the schedule of income and expenditure statement in respect of employee's related transactions and other revenue expenditure in the form (provided in Part-II of this Code under MIS Formats)
- 18.12 Internal Controls:**
- Consolidated pay bill summary shall be checked with previous month.
 - A monthly reconciliation shall be carried out by the Head of the Accounts Branch and the Head of Establishment Department in respect of loans and advances outstanding between the balances in the Ledger Accounts maintained at the Accounts Branch and the Register of Employee Advances and Register of loans to Employees. Further, at the period-end, the Head of the Accounts Branch shall ensure that accounting entry for recording income in respect of interest accrued on loans provided to employees has been passed;
 - every month, the Head of the Accounts Branch shall ensure timely remittance of the various deductions made from the employee's salaries in the pay bill to the concerned authorities;
 - The Head of the Accounts Branch shall ensure that the total establishment expenditure incurred and recorded in the functional expense subsidiary ledger reconciles with the balance as per the respective establishment expense ledger account. The subsidiary ledger shall record total

- establishment expenses incurred, including that paid through pay bill;
- every month, the Head of the Accounts Branch or other officers of the committee designated by him shall verify that Provident Fund and Pension Fund contribution deducted for the employees on deputation have been deposited with the concerned authorities;
- at every year-end, the Head of the Accounts Branch or other officers of the committee designated by him shall verify whether interest received or receivable on the provident fund investment is less than the statutory liability for interest payment to employees on their balance in the provident fund reserve account, and if so, ensure that the difference of interest payable is provided for and to that extent, amount has been transferred from Main Bank Account to Provident Fund Bank Account;
- the Head of the Accounts Branch or other officials of the Municipality designated by him shall ensure that payment of pension and other retirement benefits to the employees on retirement shall be made from the Pension Fund or any other fund created by the Municipality;
- All the pension payments shall be made only from the Pension Fund Bank Account. To the extent of difference/deficit in the Pension Fund, an amount equivalent to the deficit shall be transferred from the Main Bank Account to the Pension Fund Bank Account. The transfer shall be made before making payment to the pensioners from the Pension Fund Bank Account
- the head of the Accounts Branch shall ensure that whenever the entries in para 18.17.5 are passed, the equivalent amount of money in respect of deduction of provident fund contribution and provident fund loan is simultaneously transferred from the Main Bank Account to the Provident Fund Bank Account; The competent authority of the committee shall specify such appropriate calendar of returns/reports for monitoring as considered appropriate.

18.13 Accounting Principles:

The following accounting principles shall govern the recording, accounting and treatment of employee related transactions:

- Expenses on salaries and other allowances shall be recognised as and when they are due for payment;
- Statutory deductions from salaries including those for income tax, profession tax, provident fund contribution, etc., shall be recognized as liability in the same period in which the corresponding salary is recognized as an expense;
- Provident fund money shall be invested as per the guidelines applicable to any general provident fund;
- Separate funds shall also be formed for meeting the pension and other retirement benefits including gratuity and leave encashment. The State Government shall decide on this and shall define the modus operandi also. The State shall form trusts either at the state level or at the municipal level;
- Contribution due towards pension and other retirement benefit funds shall be recognised as an expense and a liability. State Government is to define the rate of contribution. One basis for such rate shall be at the rate generally prescribed for Municipality employees on deputation. Actuarial valuation has not been considered due to practical limitations of the Municipality. If an Municipality wants to make an actuarial valuation, their applicable state laws may guide this;
- Interest receivable on loans given to employees shall be recognised as revenue at the end of the period in which these have accrued.
- In respect of loans to employees, penal interest leviable on default in repayment of principal or payment towards interest shall be recognised on accrual basis;
- Bonus, ex-gratia, overtime allowance, other allowances and reimbursements to the employees shall be recognised as an expense as and when they are due for payment;

18.14 Accounting Records and Procedures: -

This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for employee related transactions. For the purposes of accounting of employee related transactions, there are certain forms, registers, etc., which are specific to employee related transactions, e.g., Pay bill – Form ES-1. (Specimen of form ES-1 to ES-6 have been provided in Part-II of this Code).

➤ Service books and Service rolls to be maintained for Municipal employees:

Service books shall be maintained for all permanent employees of the Municipality as well as temporary employee working on regular basis. The books may be obtained at the cost of the employees from

Printing and Stationery Department, Haryana and shall be maintained in accordance with Civil Service Rules 2016 (as applicable to Haryana and amended from time to time).

- **An alteration of date of birth of an employee in the Service book: -**
No alteration in the entry relating to the date of birth of an employee of the Municipality in his service book shall be made, unless it is covered under the rules /instructions as issued by the Haryana Government from time to time.
- **Preparation of Establishment Bills:-**
Except in the case of employees who have been dismissed or transferred or have resigned or died, no employee of the Municipality shall draw the pay before the first working day of the month following that in respect of which the pay has been earned:
Provided that if the first two days of the month following that in respect of which the pay has been earned are holidays, the Municipality may order the drawl of pay on the last working day of the month in respect of which the pay has been earned.
- **Form of bill for establishment: -**The salaries of all establishment officers or officials shall be made on the bills as specified by the Government.
- **Establishment to be shown by sections and sub-sections and full details to be given: -**
Full details of names shall be given in pay bills separately, the salary or leave allowance claimed for each person for the month, whether drawn or not, any amount not drawn but held over for subsequent payment being shown shall be entered, the amount actually drawn for each section or sub-section, the sections and sub-sections being marked off and the total of each entered in red ink. When salary is drawn for a portion of a month only, the rate at which it is drawn and the number of days (with date) for which it is claimed shall be stated either against the name of the person concerned in the body of the bill or in a note at the foot of the page.

18.15 Check of Establishment bill

- 18.15.1 When an establishment bill has been prepared, it shall be checked in the accounts branch of the Municipality's office, particular attention being directed to the Absentee Statement (Form G-17) in order that no inadmissible charge shall be included in consequence of any absence on leave.
 - 18.15.2 From the bill thus checked, the Establishment Check Register (Form G-14) shall then be posted, the amount shown in the column "Net charge for each section" in the bill being entered against each section: below this, shall be written in red ink any amount due, but remaining undrawn by reason of absence, for the purpose of checking bills for arrears of pay subsequently submitted : the amount of fines shown in the bill shall similarly be noted in red ink, to allow check in the case of bills for refunds of fines subsequently remitted : a subsequent claim not covered by the last two entries shall not be admitted without full explanation of the circumstance in which it was omitted from the monthly bill, which is expected to exhibit the full claim for the month; the number and month of the bill shall be quoted in the entry as shortly as possible : thus '4-7' shall indicate Bill No. 4 of July.
 - 18.15.3 When the payments have been recorded against the sanctions, the amounts entered shall be totalled, and agreed with the total of the bill which shall then be posted, without detailing the sanctions again for the total charge of the department and the page of the register on which the charge of each section has been recorded shall be noted against the total of that section in the bill.
 - 18.15.4 The order for payment of the bill shall then be written and the bill together with the Establishment Check Register (Form G-14) laid before the Secretary who shall check the totals, make such comparison of the bill with the register as he may deem necessary, pass the order of payment for the signature of the authorized officer and initial the register adding the date of his initials.
 - 18.15.5 A bill for arrears of pay shall be dealt with in the manner prescribed above; the amount shall be checked with the relevant red ink entry made under sub-para (2) above and the payment noted in the same column below it, care being taken to see that the aggregate total of the column does not exceed the sanctioned pay of the section or sub-section shown in column 3 of the Establishment Check Register (Form G-14).
- (a) **Recording of salary, allowances and corresponding liabilities: -** For recognizing the expense under various heads and the liability to the employees in respect of gross salaries, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
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1	2	3	4	5	6
210-(a)	Establishment Expenses	Dr.	1,00,000		Journal Book and Ledger
350-11-000-(b)	To Employee Liabilities – Gross Salaries Payable	Cr.		1,00,000	

- (a) Insert Minor and Detailed Head Codes of Account as applicable.
 (b) Insert Detailed Head Codes of Account as applicable.

Note: The postings in the Ledger Accounts of “Establishment Expenses” Account and “Gross Salaries Payable” Account shall be carried out as indicated in Chapter-General Accounting Procedures. The posting in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book.

- (b) The Branch-wise details of establishment expenses shall be available in the Consolidated Pay Bill prepared by the Accounts Branch, reference to which may be made at the time of preparation of Financial Statements.
- (c) The Accounts Branch shall maintain a separate Functional Expense Subsidiary Ledger in Form GEN-34 for recording Function-wise establishment expenses. On recording of establishment expenditure in the Journal Book, the Accounts Branch shall immediately update the Subsidiary Ledger mentioned above. The procedure for updating Subsidiary Ledger has been provided in Chapter- General Accounting Procedures, reference to which is invited.
- (d) **Recording of statutory and other deductions and recoveries from salaries:-** For accounting liabilities towards amounts payable to different authorities in respect of statutory deductions, and dues towards settlement of obligations on behalf of employees (e.g., Housing loan, contribution to various societies, loan recovery for external agencies, group insurance premium, investment by employees, etc.), recovery of installments of loans or interest levied on loan and/or advances from employees, etc., the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6

350-11-000-(a)	Employee Liabilities – Gross Salaries Payable	Dr.	1,00,000		Journal Book, Ledger, Register of Employee Advances, Register of Loans to Employees and Register of Interest on Loans to Employees
350-20-000-(a)	To Recoveries Payable-TDS from Employees	Cr.		1,000	
350-20-000-(a)	To Recoveries Payable Profession Tax	Cr.		1,000	
311-(b)		Cr.		9,000	
350-20-000-(a)	To Provident Fund (for own employees)	Cr.		1,000	
460-10-000-(a)	To Recoveries payable-Provident Fund for Employees on Deputation	Cr.		1,500	
431-40-000-(a)	To Loans to Employees	Cr.		200	
350-20-000-(a)	To Receivables from Other Sources-Interest due from Employees Loans	Cr.		7,500	
460-10-000-(a)		Cr.		1,500	
460-20-000-(a)		Cr.		300	
460-20-002-01	To Recoveries Payable- Others*	Cr.		1000	
350-11-000-(a)	To Advance to Employees	Cr.		77,000	
	To Employee Provident Fund Loans				
	To New Pension Scheme Fund Loans				
	To Employee Liabilities-Net Salaries Payable				

* This may include voluntary deductions with respect to Insurance Premium deduction, deduction for Investment by Employees, deduction for contribution to various Societies, Loan recovery for External Agencies, etc.

a) Insert Detailed Codes of Account as applicable.

b) Insert Minor and Detail Code of Account as applicable

Accounts Branch shall update the Register of Employee Advances maintained in Form ES-2 for recovery of Loans / advances and Register of Interest on Loans to Employees maintained in Form ES-3 for recovery of loans and interest respectively.

(e) Salaries shall be paid to the employees either (i) by Cheque or (ii) by directly crediting the amount to employees' bank account; or (iii) in cash. (efforts shall be made to move towards direct credit of salaries to bank accounts)

(f) **Recording of payment of salaries by cash:** - For accounting of payment of salary by cash, the Accounts Branch shall pass the following entries:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
On Withdrawal of Cash					
450-10-000-(a)	Cash Account	Dr.	7,000		Cash Book
450-21-000-(a)	To Bank Account*	Cr.		7,000	
For Payment of salary by cash (if paid fully)					
350-11-000-(a)	Employee Liabilities-Net Salaries Payable	Dr.	7,000		Cash Book and Ledger
450-10-000-(a)	To Cash Account	Cr.		7,000	

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

Note: - If the salary is not fully paid, the accounting treatment is described subsequently.

(g) **Recording of payment of salaries through bank:** -For accounting of payment of salary by cheque or direct credit of the salary to employee bank account, the Accounts Branch shall pass the following

entry:-

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-11-000-(a)	Employee Liabilities - Net	Dr.	70,000		Cash Book and Ledger
450-21-000-(a)	Salaries Payable To Bank Account*	Cr.		70,000	

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

Note: - If the salary is not fully paid, the accounting treatment is described subsequently.

(h) Recording of payment of statutory deductions made from salaries: - For discharging liabilities towards statutory deductions (e.g., income tax, profession tax, etc.), on payment, the Accounts Branch shall pass the following entries:-

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-20-000-(a)	Recoveries Payable – TDS from Employees	Dr.	1,000		Cash Book and Ledger
450-10-000-(a)	To Cash Account	Cr.		500	
450-21-000-(a)	To Bank Account*	Cr.		950	
350-20-000-(a)	Recoveries Payable -Profession Tax	Dr.	1,000		Cash Book and Ledger
450-10-000-(a)	To Cash Account	Cr.		100	
450-21-000-(a)	To Bank Account*	Cr.		900	

* Specify name of the Bank and Account number

(a) Insert Detailed Codes of Account as applicable.

(i) Recording of payment of other deductions made from salaries: - For discharging liabilities towards voluntary deductions (e.g., group insurance premium, investment made by employees, contribution to various societies, repayment of loan to various external agencies, etc.) Made on behalf of employees, on payment, the Accounts Branch shall pass the following entry: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-20-000-(a)	Recoveries Payable -Others	Dr.	7,500		Cash Book and Ledger
450-10-000-(a)	To Cash Account	Cr.		500	
450-21-000-(a)	To Bank Account*	Cr.		7,000	

* Specify name of the Bank and Account number.

(a) Insert Detailed Codes of Account as applicable.

Note: Recoveries Payable – Others may include voluntary deductions with respect to Insurance Premium deduction, deduction for Investment by Employees, deduction for Contribution to various Societies, Loan recovery for External Agencies, etc.

➤ **Recording of unpaid salaries (bank):**- In case cheques issued to the employees have not been en-cashed for three months or such other period as may be prescribed by the State /applicable acts, such cheques shall be cancelled. On cancellation of cheques, the Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	Bank Account*	Dr.	1,000		Cash Book, Ledger and Unpaid Salary Register
350-11-000-(a)	To Employee Liabilities- Unpaid Salaries	Cr.		1,000	

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

- **Recording of unpaid salaries if cash is withdrawn but not collected by the employee:** - In case of salary payments by cash, if the amount has not been collected, the Accounts Branch shall pass the following entries:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
Assuming that ₹500 is unpaid out of ₹7000 drawn and only ₹6500 has been paid, the entry for the payment shall be:					
350-11-000-(a)	Employee Liabilities – Net	Dr.	6,500		Cash Book, Ledger and Unpaid Salary Register
450-10-000-(a)	Salaries Payable To Cash	Cr.		6,500	
For depositing the cash lying in hand in respect of unpaid salary, the entry shall be:					
450-21-000-(a)	Bank Account*	Dr.	500		Cash Book
450-10-000-(a)	To Cash	Cr.		500	
For recording the unpaid salary, the following entry shall be passed:					
350-11-000-(a)	Employee Liabilities –Net	Dr.	500		Journal Book, Ledger and Unpaid Salary Register
350-11-000-(a)	Salaries Payable To Employee Liabilities – Unpaid Salaries	Cr.		500	

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable

➤ **Recording of payment of unpaid salaries: -**

On payment of unpaid salaries, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-11-000-(a)	Employee Liabilities –	Dr.	700		Cash Book, Ledger and Unpaid Salary Register
450-10-000-(a)	Unpaid Salaries To Cash	Cr.		100	
450-21-000-(a)	To Bank Account*	Cr.		600	

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

The indicates that of ₹700 outstanding in Salaries Unpaid Account, ₹100 is paid in Cash and ₹600 is paid by cheque.

18.16 Loans and advances to employees

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
For Advances given to employees					
460-10-000-(a)	Advance to Employees	Dr.	10,000		Cash Book, Ledger and Register of Employee Adv
450-21-000-(a)	To Bank Account*	Cr.		10,000	

(a) Insert Detail Code of Account as applicable.

Recording of advances and loans to employees:

* For Loans granted to employees					
460-10-000-(a)	Loans to Employees	Dr.	10,000		Cash Book, Ledger and Register of Loans
450-21-000-(a) if y	To Bank Account*	Cr.		10,000	

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

The Accounts Branch shall intimate the concerned Branch to update the respective Service Books for recording the loans and advances taken by the employees of that.

18.17 Accrual of Interest on Loans provided to employees

18.17.1 Recognizing interest on loans and advances granted to the employees at the period end: - As per the terms and conditions of the loan and Advance agreement, interest is levied on the monthly outstanding balance of loans. The amount of interest accrued shall be communicated by the concerned Branch to the Accounts Branch at the period-ends for which an entry shall be made in the Register of Interest on Loans/Advances to Employees (Form ES-3). On the basis of intimation received, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-40-000-04	Receivable from Other Sources-Interest due on Employee Loans	Dr.	1,000		Journal Book, Ledger and Register of Interest on Loans
171-20-000-(a)	To Interest on Loans and advances to Employees	Cr.		1,000	

(a) Insert Detailed Head Codes of Account as applicable.

18.17.2 Payments otherwise than from regular pay bills: For various types of employee related payments such as leave travel concession, bonus and ex-gratia, overtime, medical reimbursement, hospitalization claim, suspension allowance, gratuity, leave salary, house rent reimbursement, etc., the concerned Branch shall send the approved Payment Order along with the supporting documents to the Accounts Branch. On payment being made, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
210-(a)	Establishment Expenses-	Dr.	10,000		Cash Book And Ledger
450-21-000-(b)	To Bank Account	Cr.		10,000	

* Specify name of the Bank and Account number.

(a) Insert Minor and Detailed Codes of Account as applicable.

(b) Insert Detailed Head Codes of Account as applicable.

Note: - Separate entry shall be passed for each of the Payment Order.

18.17.3 Upon payment, the Accounts Branch shall immediately update the Function wise Expense Subsidiary Ledger maintained in Form GEN-34.

Provident Fund: - A deduction shall be made for employees' provident fund contribution from the salaries of the employees from the Pay Bill but no deduction shall be made for the employee Provident Fund contribution from the salaries of the employee who have been appointed on or after 01/01/2006, such employee shall be governed by the new provisions of New Pension Scheme (NPS) framed by the government and subsequent instruction issued by the government from time to time.

18.17.4 Recording of transfer of money to Provident Fund Bank Account: - The Accounts Branch shall transfer the amount deducted as contribution from Main Bank Account to Provident Fund Bank Account and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-41-000-(a)	Provident Fund Bank A/c *	Dr.	9,000		Cash Book
450-21-000-(a)	To Bank Account *	Cr.		9,000	

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

18.17.5 Recording of payment of Provident Fund Contribution in respect of employees on deputation: Provident Fund Contribution deducted on behalf of Municipality or other organizations/authorities from the salary of employees on deputation to the Municipality shall be deposited with the relevant authority every month. On payment, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-20-000-(a)	Recoveries payable – Provident Fund Contribution for Employees on Deputation	Dr.	1,000		Cash Book and Ledger
450-21-000-(a)	To Bank Account*	Cr.		1,000	

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

18.17.6 Recording of the loans granted against Provident Fund Contribution: As per the prescribed rules, the Municipality shall grant loans/Advances to the employees against balance standing to the credit of their Provident Fund account. On receipt of approved payment order, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
460-20-000-(a)	Employee Provident Fund Loans A/c	Dr.	1,000		Journal Book and Ledger
450-41-000-(a)	To Provident Fund Bank Account*	Cr.		1,000	

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

- 18.17.7** A deduction shall be made for recovery of loan/Advances given from the provident fund, from the salaries of the employees in such manner as prescribed in relevant rule and the following entry shall be passed.

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
210-10-000-(a)	Employee Salary A/c	Dr.	1,000		Journal Book and Ledger
450-21-000-(a)	To Bank Account*	Cr.		700	
460-20-000-(a)	To Employee provident Fund Loan A/c	Cr.		300	

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable

- 18.17.8 Recording of transfer of money to Provident Fund Bank Account:** The Accounts Branch shall transfer the amount deducted towards recovery of provident fund loans/Advances from Main Bank Account to Provident Fund Bank Account and pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-41-000-(a)	Provident Fund Bank A/c	Dr.	300		Cash Book
450-21-000-(a)	To Bank A/c	Cr.		300	

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

- 18.17.9 Investments of Employees' Provident Fund Contribution:** The Provident Fund money shall be invested as per the guidelines applicable to any Employee Provident Fund.

- 18.17.10** Investments made in respect of Provident Fund Contribution shall be accounted for in similar manner as in respect of other investments. They relate to investments, maturity of investment, recording of interest, profit/loss on sale/maturity of investments, etc. These have been described in Chapter on Investments.

- 18.17.11 Interest on Provident Fund:** For recording interest shortfall and interest, which is earned on Investments made out of the Provident Fund Reserve, shall be credited to the Provident Fund Reserve as well as individual employees. In situations where in the interest earned is lower than the stipulated rate payable to the employees, the shortfall in payment of interest shall be made good by the Municipality for which the Accounts Branch shall pass the following entries:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
210-40-000-(a)	Other Terminal and Retirement Benefits – Provident Fund Shortfall	Dr.	100		Journal Book and Ledger
311-(b)	To Provident Fund	Cr.		100	
For transfer of money from Main bank Account to the Provident Fund Bank Account					
450-41-000-(a)	Provident Fund Bank A/c*	Dr.	100		Cash Book
450-21-000-(a)	To Bank Account*	Cr.		100	

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

18.17.12 Withdrawal from Provident Fund: - The balance standing to the credit of the employee's provident fund account shall be withdrawn either at the time of employee's retirement or while in service in accordance with the prescribed rules in this behalf.

18.17.13 The employee shall, in accordance with the prescribed rules, withdraw the balance standing to the credit of his/her provident fund account during the continuation of his/her employment. On receipt of approved payment order (Form GEN - 14), the Accounts Branch shall pass the following entries:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
For recognizing the provident fund contribution and interest due to an employee					
311-71-000-(a)	Provident Fund	Dr.	150		Journal Book and Ledger
350-11-000-(a)	To Employee Liabilities- Provident Fund Payable	Cr.		150	
On payment					
350-11-000-04	Employee Liabilities- Provident Fund Payable	Dr.	150		Journal Book and Ledger
450-41-000-(a)	To Provident Fund Bank Account*	Cr.		150	

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

18.18 Ledger Account subscribers:

18.18.1 The Municipality shall maintain a Provident Fund Ledger in Form PF-1, of which separate portions shall be assigned to each subscriber, and entries shall be made there in each month of the amount of each subscription and on the monthly balance on which interest is to be calculated.

18.18.2 The Municipality shall maintain a General Provident Fund Liabilities Account in Form PF-1A (specimen has been provided in Part-II of this Code) which shall be posted upon every day on which accounts are credited or debited to the accounts i.e., PF-1A of the subscribers.

18.18.3 The amount of interest accrued on the balance at the credit of a subscriber shall be calculated at the end of the year or when the account is closed on the balance at the credit of the subscriber between the close of the fourth day and the last day of each month;

Provided that no interest shall be credited to the Account of a subscriber, if he informs the Municipality in writing that he does not wish to receive the interest and that the Municipality may utilize it on any subject of general public interest;

Provided further that if the subscriber asks for interest, it shall be credited to his account with effect from the first day of the year in which he asks for it.

18.18.4 At the end of each year, the Municipality shall furnish each subscriber with a statement in Form PF-2 (specimen has been provided in Part-II), showing the balance at credit of his account at the beginning of the year, the amounts added there to by way of subscriptions and the interest accrued during the year and the balance at credit of his account at the end of the year.

Payment of Provident Fund to be made monthly in respect of the individual account:

- Every Municipality shall open a Saving Bank Account, in the name of individual subscriber to be named as Provident Fund account in any Scheduled Bank and if possible, before the tenth day of each month.

- The Chief Municipal Officer of the Municipality will operate the Municipal General Provident Fund Account.
- Before a cheque is drawn for payment of subscriptions as required, a bill shall be prepared in Form PF-3 (specimen has been provided in Part-II of this Code) and submitted with the relevant salary and establishment bill for signature to the authorized officer/designated officer, provided that the Municipality may make payment of the subscribers on a single bill and by means of a single cheque in respect of all subscribers of different departments.
- All cheques drawn under the provisions of this sub-para shall be drawn in favour of the Bank where account is operated.

18.19 Pension Contribution

- (a) Monthly contribution to the pension fund shall be made for the employees on the payroll whose services are governed by the Haryana Municipal Employees Pension and General Provident Fund Rules, 1993. For recognizing the liability in respect of Pension Fund contribution, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
210-30-000-(a) 311-(b)	Pension – Pension/ Family Pension Expense To Pension Fund	Dr. Cr.	1,000	1,000	Journal Book and Ledger

(a) Insert Detailed Codes of Account as applicable.

(b) Insert Minor and Detailed Codes of Account as applicable.

- (b) Matching contribution under new pension scheme shall also be made for the employee on pay roll.
- (a) **For transfer of money to Pension Fund Bank Account:** An amount equivalent to the contribution to Pension Fund shall be transferred from Main Bank Account to Pension Fund Bank Account. On transfer, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-61-000-(a) 450-21-000-02	Pension Fund Bank Account* To Bank Account*	Dr. Cr.	1,000	1,000	Cash Book and Pension Fund Cash Book

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

- (b) Matching contribution as per the provision of New Pension Scheme shall be transferred from Main Bank Account to the concerned authorities as per the provisions of the scheme.

On payment of pension contribution in respect of employees on deputation at Municipality: - In respect of Municipality employees or employees of other organizations/authorities, who have been deputed to the Municipality, if pension contribution is payable by the Municipality, to the concerned authorities, the Accounts Branch shall pass the following entry on payment:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
210-30-000-(a) 450-21-000-02	Pension-Pension Contribution Employees on Deputation To Bank Account*	Dr. Cr.	200	200	Cash Book and Ledger

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

If Pension Contribution or Matching Contribution under New Pension Scheme and leave salary contribution are payable by the Municipality shall be made for the employees on deputation from state Govt. Or any other origination/Authorities shall be transferred to the concerned authorities.

18.20 Gratuity and Leave Encashment

18.20.1 The Municipality shall form separate funds for Gratuity and Leave Encashment as per the rules prescribed by the State Government in this behalf. The Municipality shall make contribution to the Fund at the rates prescribed by the State Government in this behalf.

18.20.2 For recognizing the liability in respect of contribution to the fund, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
210-40-000-(a)	Other Terminal expenses – Leave Encashment	Dr.	1,000		Journal Book and Ledger
210-40-000-(a)	Other Terminal Expenses – Gratuity Expense	Dr.	500		
311-(b)	To Fund	Cr.		1,500	

(a) Insert Detailed Head Codes of Account as applicable.

(b) Insert Minor and Detailed Head Codes of Account as applicable.

18.20.3 The procedure and the accounting entries in respect of transfer of money to the fund bank account, payments from the fund, etc. shall be similar to as discussed above in respect of pension fund.

18.20.4 If the gratuity and leave encashment amounts were directly paid without creation of a separate fund, the Accounts Branch shall pass the following entries for accrual of pension expenses and payment of the same:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
On creation of liability for gratuity and leave encashment					
210-40-000-(a)	Other Terminal Benefits – Leave Encashment	Dr.	1,000		Journal Book And Ledger
210-40-000-(a)	Other Terminal Benefits – Gratuity Expenses	Dr.	500	1,000	
350-11-000-(a)	To Employee Liabilities – Gratuity	Cr.			
350-11-000-(a)	To Employee Liabilities – Leave Salary	Cr.		500	
On payment of liability for gratuity and leave salary payable					
350-11-000-(a)	Employee Liabilities- Leave Salary	Dr.	1,000		Journal Book And Ledger
350-11-000-(a)	Employee Liabilities- Gratuity	Dr.	500	1,500	
450-41-000-(a)	To Bank Account	Cr.			

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

- 18.20.5** In respect of employees of municipalities or employees of other organizations/authorities, who have been deputed to the Municipality and if leave encashment contribution is payable by the Municipality to the concerned authorities, on payment, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
210-40-000-(a)	Other Terminal Benefits– Leave Salary Contribution for Employees on Deputation	Dr.	200		Cash Book and Ledger
450-21-000-(a)	To Bank Account*	Cr.		200	

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

- 18.20.6** Investments made in respect of other retirement benefit funds including gratuity and leave encashment shall be entered in a separate Investment Register to be maintained in Form GEN-45 (provided in Chapter on Investments). The accounting procedures to be followed and the accounting entries to be passed in respect of investments of such moneys are similar to those followed in respect of other investments, as described in Chapter on Investments.

18.21 Presentation in Financial Statements

- 18.21.1** The various heads of account used for the accounting of Employee Related Transactions shall be reflected in the financial statements or the Schedules attached to the financial statements of the Municipality. All such financial statements and Schedules shall be affixed with signature and seal of designated authorities.
- 18.21.2** The Schedules of income and expenditure statement in respect of Employee Related Transactions are given in Part-II of this Account Code.
- 18.21.3** The Balance Sheet Abstracts in respect of the Employee Related Transactions are also given in Part-II of this Account Code.

18.22 General Accounts to be maintained by the Municipality

Every Municipality shall maintain-

- A Provident Fund Ledger in Form PF.1
- A Provident Fund Liabilities Accounts in Form PF.2
- General Subscriber annual account in Form PF. 3
- A Provident Fund Account in Form PF.4
- A Provident Fund Investments Accounts in Form PF.5and6

CHAPTER-19**MUNICIPAL WORKS****19.1 Classification of Works**

The works in Municipalities shall be classified on the basis of various parameters, as indicated below:

- 19.1.1** Nature of work, i.e., whether the work is original or pertains to repairs, operation or maintenance;
- 19.1.2** Source of funds, i.e., whether the funds are from municipal fund or grants; whether these come from plan head or non-plan head; whether these are deposits received from organizations/individuals; whether the funds will be disbursed by some other agencies say Additional District Municipal Commissioner, Sub Divisional Officer (Civil) etc.
- 19.1.3** Value of works (to indicate their relative importance, level of supervision and monitoring);
- 19.1.4** Monitoring requirements (e.g. works relating to announcements by the Chief Minister; Works relating to particular Grant; works of a particular department; works relating to a particular activity such as housing; works falling in a particular district or constituency; works serving specified levels of population; works of specified value running behind schedule; works undertaken during the current year and spill- over works of previous years, etc.); and
- 19.1.5** Any other system to suit particular needs
- 19.1.6** Head of Engineering branch at Directorate office shall examine by January every year as to which classification parameters are to be used for the next financial year (most of the parameters referred to in clause, 19.1. are required) and get the orders of the Director in this regard. The classification system shall be part of overall computerized Management Information System.

19.2 Classification by Nature

- 19.2.1** **Original Works:** - The term 'Original' in this context indicates creation of new assets or value addition to existing works (for example, replacing conglomerate flooring of a building with marble flooring). Original works shall include new construction, whether of entirely new works or additions and alterations to or renovation, remodelling and extension of existing works, except as hereinafter provided; also all repairs to newly purchased or previously abandoned buildings or works required for bringing them into use.
- 19.2.2** **Repairs or Maintenance Works.** The term 'Repairs' or 'Maintenance' indicates primarily operations undertaken to maintain in proper condition buildings and works in ordinary use. It shall embrace all works which are required for the preservation of an asset and to prevent its deterioration noticeably below that which prevailed immediately after the original construction. In certain circumstances, it also includes new works and some petty works. In many cases, maintenance will embrace operational functions, like running/operating a facility or installation of equipment to perform a service (e.g. running a lift or drains/nallas or generator or operating Water Treatment Plant (WTP)/ Sewage Treatment Plant (STP). To take care of such requirements, an inclusive term 'Operation and Maintenance' is often used.
- 19.2.2.1** When a portion of an existing structure or any other work is to be replaced or remodelled (whether or not the change involves any dismantling) and the cost of the change represents a genuine increase in the value of the property, the work of replacement or remodelling, as the case may be, shall normally be classified as 'Original Work'. In all other cases, the whole cost of new work shall be charged to 'Repairs'. When any dismantling is involved and serviceable materials are recovered, the cost of such materials shall be credited to 'Original Work' or 'Repairs' as the case may be. The authority competent to accord technical sanction to the estimate shall ensure that such credit as due is given in the estimates.
- 19.2.3** Miscellaneous items of works, which shall ordinarily be debited to 'Original Work' may, with the prior approval of the competent authority, may be debited to 'Repairs' subject to a maximum of ₹ 5,00,000 in case of corporation and ₹ 1,00,000 in case of council/committee (or as prescribed) in any one case provided that the works in question do not form part of any comprehensive scheme or project covered by works estimate. In case of residential buildings, limit is ₹ 10,00,000 in case of Corporation and ₹ 1,00,000 in case of Council/Committee (or as prescribed). In case of works relating to residences, the cost incurred shall be taken into account in determining their capital cost and in calculating the rent in accordance with rules issued by the Government under Haryana Management of Municipal Properties Rules, 2007.
- 19.2.4** Following are the types of works, which ordinarily shall be classified as 'new works', may be treated as 'repairs' subject to the prescribed financial limits:

- **in case of roads:**
 - (i) Super-elevation at curves;
 - (ii) Cutting back a hillside to improve sight distance and vision at curves, provided acquisition of land is not involved;
 - (iii) The construction or reconstruction of an experimental stretch of road;
 - (iv) Improvement of alignment or gradient or change of grade at causeways, carried out at the time of renewing a surface, provided acquisition of land is not involved;
 - (v) Petty survey works, including survey required to complete records relating to land widths, encroachments;
 - (vi) Demarcation of road boundaries;
 - (vii) Traffic census/ surveys, creating data base for planning and prioritization of road development schemes and projects;
 - (viii) Widening the formation or carriageway of a road or widening of a drain; and
 - (ix) Reconstruction or remodelling of bridges, culverts, causeways, embankments, protection or training works.
- **In case of buildings:**
 - (i) Replacement of electrical wiring and electrical fittings, etc. which have outlived their life or utility;
 - (ii) Minor additions and alterations in the toilets, bathrooms and kitchens; and
 - (iii) Providing security measures or garage without interfering with architectural concept or building control.
- **In case of water supply and sanitation works:**
 - (i) Replacement of choked sewer and the raising of manholes; and
 - (ii) Provision of gully traps for storm water drainage.
- **In case of Street Light works:**
 - (i) Replacement of electrical wiring and electrical fittings, etc. which have outlived their life or utility;
 - (ii) Replacement of faulty luminaries;
- **In case of Horticulture works:**
 - (i) Planting new plants in parks or chowks which are already developed;
 - (ii) Replacing faulty irrigation system;
 - (iii) Constructing footpath, walk way, sheds in already developed parks;
 - (iv) Installing children park playing equipment's and gazebo's in already developed parks;
 - (v) Replacing faulty park lights;
 - (vi) Replacing faulty fountain;
- **In case of Nallas/drains:**
 - (i) Changing faulty level of drains/Nallas;
 - (ii) Covering Nallas/Drains with slabs (only damaged portion);
- **In case of ponds/water bodies;**
 - (i) Dewatering of water body;
 - (ii) Desilting of water body;
 - (iii) Repair of the retaining wall and Ghats;
 - (iv) An asset, of which the quality or serviceability, as a result of prolonged wear and tear or damages or floods, has fallen considerably below that what prevailed at the time of its construction, or is no longer in a position to perform the level of service expected of it now, may require not just repairs but extensive or holistic treatment, which shall be termed as 'Special Repairs'. Special repairs may involve some component of original work, if the facility/ asset is sought to be upgraded. The work of special repairs shall be taken up after following the same formalities as in case of original works.
 - (v) There may sometimes be a thin line of difference whether the expenditure on works of special repairs involving an element of original work shall be debatable to repairs or original head or apportioned between the two. In any such case of ambiguity, the decision of the Chief Municipal Officer shall be final.
 - (vi) The maintenance of a work, of which the original construction has not been

completed, shall constitute a charge against the same account head under which the original work is sanctioned. However, this may be done only till the administrative approval of the work is in operation which, as the subsequent paras indicate, cannot go beyond five years. Any expenditure incurred on maintenance subsequent to completion of the original work shall be debited to repair head.

- 19.2.5** The Municipal Works shall be carried out in a municipal area either from municipal funds or from grants or special funds. The accounting procedure for dealing with the various transactions of Municipal Works shall be similar irrespective of the source of funds.
- 19.2.6** Budget provision shall be required for repair and maintenance work and no administrative approval shall be required for such works. The requisite technical sanction shall be obtained from the competent authority.
- 19.2.7** The accounting entries in respect of works executed from grants have been described in the chapter of Grants. Similarly, accounting entries in respect of works executed from special funds have been described in the chapter of Special Funds. This chapter describes the accounting entries for works executed out of municipal funds of the Municipality.
- 19.3 Classification of works on cost basis**
- A work of which the cost is up to ₹ 5 lakh shall be called a Petty Work.
 - A work, of which the cost is more than ₹ 5 lakh, but less than ₹ 25 lakh, shall be called a Minor Work.
 - A work costing more than the limit of minor work shall be a Major Work.
- 19.4 Deposit Works:** The Central Government departments/State Governments or any other autonomous body may use the services of Municipality, for execution of certain works/schemes/approved infrastructure schemes. Money received from the Governments for the above shall be treated as 'Deposit works' and are accounted as a liability of a Municipality. Municipalities are provided ten percentage of the value of the works/scheme/ project/plans completed as their service charges.
- 19.4.1** A Municipality may be called upon to execute works of construction or repair for which the outlay is provided wholly or in part from (a) funds of a public nature but not included in the financial estimates, grants received from State Government/Central Government and accounts of the Municipality; (b) contributions from the public. Such works are termed as deposit works. These works may be on behalf of another State, corporation, other Haryana State Department, Red Cross Society, welfare organization or any other legal entity, etc. Tenders for deposit works shall be invited for and on behalf of the principal i.e. the entity concerned.
- 19.4.2** Chief Municipal Officer shall exercise powers to undertake deposit works similar has been undertaken for the original/repairs/maintenance works within the limits of their powers as laid down in relevant rules and regulations under the Haryana Municipal Works Rules, 1976 and delegation made under the Haryana Municipal Corporation Act, 1994 (16 April, 1994) in vogue to accord technical sanction.
- 19.4.3** Prior to undertaking the preparation of the estimate, cost of its preparation shall be deposited from the client. Before the work is taken in hand, a written approval to the design and estimate must be obtained from the authority depositing or administering the funds. Levy of departmental charges in the estimates shall be in accordance with the policy laid down by the State Government from time to time, but the Government may grant full or part remission. The administrative approval and technical sanction shall be governed by the relevant provisions of Municipal Works Rules, 1976, as amended from time to time.
- 19.4.4** The funds shall be realized before any liability is incurred on account of the work. No interest shall be allowed on sums deposited as private contributions for works. In case where the receipt of money is assured, one-third of the estimated cost may be deposited in advance. Thereafter, the expenditure incurred may be reimbursed through monthly bills with rendering of monthly accounts on the progress of works. The one-third deposit obtained as the first installment shall be retained for adjustment in the last portion of the estimated expenditure. Where delays are experienced in obtaining funds, and where expenditure has to be incurred out of one- third reserve to keep the works going, the matter shall be brought to the notice of Administrative Head promptly for taking up the matter with client department. It shall be understood that no expenditure shall be incurred by any Municipality out of its own grants/funds and vice versa. For petty or short duration works, full funds shall be realized in advance. In the case of works which are financed by private persons, it shall be proper to get 100% deposit.

- 19.4.5** In case of a State Government undertaking or a State University or any such body, the amount may be taken in such instalments and by such dates as decided by the administrative department of that body. The administrative department, while giving such concurrence, shall note that it was undertaking to provide the funds itself in case of any shortfall.
- 19.4.6** Where a work is to be carried out partly from funds in the estimates of the department and partly from funds provided by some other entity, the contribution will be considered as a lump sum in addition to the Government grant, and the work shall be executed strictly in accordance with the procedure laid down for normal Municipal works. The contribution may be taken in installments also.
- 19.4.7** The client shall be clearly told that no advance of Government money will be permitted and in case where the money is paid by installments, the Municipality will not be responsible for any increase in cost, or damage to the incomplete work caused by temporary stoppage of the work pending receipt of further installments.
- 19.4.8** Deposits received from one department shall not be diverted to work of the other. However, the Administrative Head concerned may allow temporary use of funds in special circumstances in respect of Municipalities, undertakings or other State entities.
- 19.4.9** It shall be the duty of the Engineer-in-Charge of the work to bring, as soon as possible, to the notice of the superiors and the party concerned, any anticipated excess over the estimate, and also to provide full information in connection with the progress of work as well as expenditure so that no responsibility may attach to the Department in the event of work having to be stopped for want of funds.
- 19.4.10** All anticipated excess owing to the tender having been received at rates higher than provided in the estimate shall be at once brought by the Engineer-in-Charge to the notice of the party concerned for accepting the excess and arranging enhanced funds accordingly. The executing officer shall also inform the client about any significant increase happening in the construction cost due to any reasons. The client can, however, seek any details in this regard. It will be proper to associate a representative of the party at the tender stage and at any other stage where deemed fit.
- 19.4.11** Expenditure in excess of deposits cannot be operated from Public Account. Classification of such excess as minus (-) deposit is against financial norms and constitutes a serious financial irregularity. In no case, shall the departmental officers allow expenditure on such works to be incurred or booked to some other work or head of account.
- 19.4.12** Authorities undertaking such works shall satisfy themselves that the extent to which Municipality is responsible in regard to the execution of the work is thoroughly understood both by the party for whom the work is to be constructed and by the Chief Municipal Officer to whom the construction is to be entrusted. The cost of any escalation/ litigation/ arbitration is always required to be borne by the client, and no liability shall devolve on the Municipality.
- 19.4.13** The scope of a deposit work shall not be altered without the written permission of the client. The representative of the client shall be involved in case any changes are to be made during the course of execution for some good and justifiable reasons.
- 19.4.14** The Engineer-in-Charge shall send monthly utilization certificates to the Administrative Head and the client. The Municipality shall also inform the client department with the progress of the work, at least major activity-wise and send utilization certificates to the client.
- 19.4.15** After the completion of the work, the executing officer shall bring to the notice of the client all guarantees and warranties outstanding at that time with their time span, and shall get them transferred to the client, wherever required.
- 19.4.16** No liability of maintenance of these works shall devolve on the Municipality.
- 19.4.17** Where the work is of large magnitude and private party is involved, an agreement shall be drawn up under legal advice.

19.5 Sponsored Works

- 19.5.1** In some cases, while Municipality is the executing agency on behalf of an organization, that organization itself is responsible for the payment of bills of expenditure. Such work shall be termed as sponsored work.
- 19.5.2** If the sponsoring authority has laid down any rules and procedures regarding various approvals, investigation and planning, design standards, format of estimate, method of procurement, construction methodology, site checks, supervision requirements, quality assurance, external audit, funding pattern, mode of payment, post-construction maintenance, etc. the same shall be followed, subject to concurrence/ approval of the State Government being obtained. Any modification of Municipal Works Rules and procedures considered

necessary will be settled before undertaking the work/ programme.

19.5.3 The cost of any escalation/ litigation/ arbitration is always required to be borne by the sponsoring authority, and no liability shall devolve on the Municipality.

19.5.4 The executing authority shall ensure that the agency charges as determined by the State Government shall be recovered from the sponsoring authority. In case the agency charges are not so determined, these shall be charged as 14% of the project cost.

19.6 Emergency Works

The works of extreme urgent nature such as a breach/cut, or a flood or a natural calamity (such as earthquake or cyclone), any damage to main sewer/ water supply trunk line, replacement of manhole covers located on main carriage and pose danger to life, repair of electric motors and panels or related infra located at water works/ treatment plant/ transfer stations/ boosting stations, service which hamper the essential needs of the citizen, any calamity which is dangerous to the life of citizen etc. are called emergency works. Emergency work may be done on the basis of pre sanctioned / prevailing rate of similar nature works without call of any tender. The ex post facto approval from competent authority shall be taken within 7 days of initiation of work for work completed in emergency situation.

19.7 Accounting Principles

The following accounting principles shall govern the recording, accounting and treatment of transactions relating to Municipal Works:

- The cost of fixed assets shall include cost incurred/money spent in acquiring or installing or constructing fixed assets, interest on borrowings attributable to acquisition or construction of qualifying fixed assets up to the date of commissioning of the assets and other incidental expenses incurred up to that date.
- Any addition to or improvement to the fixed asset that results in increasing the utility or capacity or useful life of the asset shall be capitalized and included in the cost of asset. Revenue expenditure in the nature of repairs and maintenance incurred to maintain the asset and sustain its functioning or the benefit of which is less than for a year, shall be charged off.
- Assets under erection/installation on existing projects and capital expenditures on new projects (including advances for capital works and project stores) shall be shown as "Capital Work-in-Progress".
- The earnest money deposit and Security Deposit received, if forfeited, shall be recognized as income when the right for claiming refund of deposit has expired.
- Deposit received under Deposit works shall be treated as a liability till such time the projects for which money is received is completed. Upon completion of the projects, the cost incurred against it shall be reduced from the liability.
- Revenues (percentage charges) in respect of Deposit work shall be accrued along with expenditure of deposit work.
- Revenue in respect of storage charges of cement/steel/pipe etc. shall be recognized as income of the Municipality

19.8 Accounting Records and Procedures

This para describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Municipal Works. For the purposes of accounting of Municipal Works, there are certain forms, registers, etc., which are specific to Municipal Works, e.g., statement of status of capital work-in-progress MW-17, etc. Forms MW-17 and MW-18 (the specimen of which are given in the Part-II of this Account Code).

19.9 Detailed Estimates for work execution:

19.9.1 No work shall be executed by a Municipality until a detailed estimate of its cost has been prepared in Form MW-I (the specimen of which is given in Forms and Format section of this Account Code) or as per provisions laid by the Government (online portal) from time to time, together with the necessary plans, and has been sanctioned by the competent authority. Technical sanction will be given to the Estimate within the competency of officer as per delegated power by the Government. from time to time within the jurisdiction of concerned officer.

Provided that –

If a petty work costs One Lakh rupees or less, is of an urgent nature (urgency to be specified), a petty works requisition only in Form MW-2 (the specimen of which is given in Part-II of this Account Code) needs to be prepared and the work executed on acceptance by Engineer-in-charge not below the rank of Municipal Engineer or an officer to whom power to sanction the execution of the work has been contended by concerned Commissioner/ District Municipal Commissioner under Act or bye laws of on a report made

on part II of Form MW-2 in compliance with a requisition made on Part I of such form by such officer. If the petty work referred to above is not of an urgent nature, it shall be kept pending till sufficient petty estimates have been collected for preparing a list of minor works, when regular tenders shall be invited.

19.9.2 Every estimate shall be framed according to the PWD Common Schedule of Rates and items shall be applicable. In case of items not available in Haryana PWD common schedule of rates then Delhi Schedule of rates shall be applicable for remaining items. The items for which neither rates are available in Haryana PWD common schedule of rates nor in Delhi schedule of rates then the rates of non schedule items shall be prepared by the engineer in charge on the basis of lower market rate analysis which shall be approved by the authority who actually technically sanction the original estimate of work. A continuous effort shall be made to reduce the number of non-schedule items.

19.9.3 If at any time, before the completion of work, it appears that the sanctioned estimate is likely to be exceeded either owing to the rates being found insufficient or for any other cases, the Executive Engineer or Municipal Engineer, as the case may be, shall submit for sanction to its immediate higher authority, a revised estimate in Form MW-1A (the specimen of which is given in Part-II of the Code) or as per provisions laid by the Government (online portal) from time to time, together with a comparative statement giving a full explanation of the causes which have led to the variations, either in quantities or in rates, between the sanctioned and the revised estimates: provided that if a revised estimate is not likely to be sanctioned before the work is finished, a statement in Form MW-1B (the specimen of which is given in the Part-II of this Account Code) shall be submitted by the Executive Engineer or Municipal Engineer, as the case may be, together with the comparative statement referred to in these sub-paras. Approval of such enhancement shall be obtained in accordance with the instruction issued by Government of Haryana from time to time.

19.10 E-Tenders/ online tender to be called for in case of works to be executed on sectioned estimates

When a work is to be started for which an estimate has been sanctioned, as required under the provisions of para 19.9, the Executive Engineer or Municipal Engineer, as the case may be, shall, unless the work of the Municipality is to be executed through Engineering Branch or Public Works Branch of Government, by notice published in such manner, as the Municipality may direct, call for E-tenders for the execution of the whole work or for the supply of materials in connection with the work, to be submitted in Form MW-3 or Form MW-4 (the specimen of which are given in Part-II of this Account Code), as the case may be, by a date to be specified in the notice.

19.11 Tender for the supply of materials-Conditions of Contract -

19.11.1 The persons whose tender is accepted (hereinafter called the contractor) shall-

- (a) within ten days of the receipt by him of the notification of the acceptance of his tender, deposit with the Executive Engineer or Municipal Engineer, as the case may be, a sum sufficient with the amount of the earnest-money deposited by him with his tender to make up the full security deposit, or
- (b) permit the Municipality of (hereinafter called the Municipality) at the time of making any payment to him for work done under the contract to deduct such sum as will (with the earnest money deposited by him) amount to ten per cent of all money so payable, such deductions to be held by the Municipality by way of security deposit: Provided that the Municipality in the event of the contractor depositing a lump sum by way of security deposit as contemplated at (a) above then in such case, if the sum deposited shall not amount to ten per cent of the total estimated cost of the materials to be supplied, it shall be lawful for the Municipality at the time of making any payment to the contractor for work done under the contract to make up the full percentage of ten per cent by deducting a sufficient sum from every such payment as last aforesaid. All compensation or other sums of money payable by the contractor to the Municipality under the terms of his contract may be deducted from, or paid by the sale of a sufficient part of his security deposit, or from the interest arising there from or from any account whatsoever, and in the event of his security deposit being reduced by reason, of any deduction or sale as aforesaid, the contractor shall, within ten days thereafter make good in Government securities endorsed as aforesaid, any sum or sums, which may have been deducted from, or raised by sale of, his security deposit or any part thereof.

19.11.2 The contractor is to deliver the materials on or before the dates mentioned in the tender. The time allowed for the supply of material as entered in the tender shall be strictly observed by the contractor and shall be calculated from the date on which the order to commence supply is given to the contractor. The supply shall, throughout the stipulated period of the contract be proceeded

with all due diligence - time being deemed to be of the essence of the contract on the part of the contractor and the contractor shall pay or allow as compensation, an amount equal to one per cent or such smaller amount, as the Municipality, on the recommendations, of the Executive Engineer or Municipal Engineer, as the case may be, (whose decision in writing shall be final) may decide, on the total amount of the contract as shown by the tender for every day that the supply remains un-commenced, or unfinished after the specified dates and such amount may be deducted from any sum due to the contractor and further, to ensure regular supply, of materials the contractor shall be bound, unless specifically decided to the contrary in all cases, in which the amount allowed for any supply exceeds one month to complete one-fourth of the whole of the supply before one-fourth of the whole -time allowed under the contractor has elapsed, one half of the supply before one-half of such time has elapsed., and three fourth of the supply before three fourth of such time has elapsed. In the event of the contractor failing to comply with this condition, he shall be liable to pay as compensation an amount equal to one per cent or such smaller amount, as the Municipality, on the recommendations of the Executive Engineer or Municipal Engineer, as the case may be, (whose decision in writing shall be final may decide on the said amount of the contract for every day that the quantity of supply remains incomplete. Provided always that the entire amount of compensation to be paid under the provisions of this clause shall not exceed 10 per cent of the total amount of the contract as shown in the tender.

- 19.11.3** In every case in which a failure to deliver the materials on or before the dates specified in the tender has occurred, the Executive Engineer or Municipal Engineer, as the case may be, shall, in addition to or substantiation for, the payment allowance or deductions referred to in clause 19.11.2 above, have power either to annul the contract altogether, or to have the supply completed without further notice at the contractor's risk and expense, as he may deem best suited to the interests of the Municipality, and the contractor shall have no claim to compensation for any loss that he may thus incur in any way.
- 19.11.4** If the contractor shall be hindered in the supply of the materials so as to necessitate the time allowed in the tender, he shall apply in writing to the Chief Municipal Officer or the officer to whom powers are delegated/Executive Engineer/ Municipal Engineer (as the case may be), who shall grant such extension in writing, if reasonable grounds be shown for it, and without such written authority of the Executive Engineer/Municipal Engineer, the contractor shall not be exempted from the fine leviable under cesses.
- 19.11.5** On the completion of the delivery of materials, the contractor shall be furnished with a certificate that the materials have been delivered, but the delivery shall not be considered complete until the contractor shall have removed all reflected materials and shall have had the approved materials stocked or placed in such position as may be pointed out to him.
- 19.11.6** The contractor shall give notice to the Executive Engineer or Municipal Engineer, as the case may be, of his intention of making delivery of materials, and, on the material being approved, a receipt shall be granted to him by the Executive Engineer or Municipal Engineer, as the case may be, and no material will be considered as delivered until so approved.
- 19.11.7** The materials shall be of the best description and in strict accordance with the specification, and the contractor shall receive payment for such materials only as are approved and passed out to him.
- 19.11.8** If the Executive Engineer or Municipal Engineer deems the materials to be inferior to those specified, the contractor must immediately remove them at his own cost upon written demand. If there is no Engineer, another designated officer may arrange for the removal of the rejected materials at the contractor's risk and expense. The cost for this removal will be deducted from any current or future payments due to the contractor.
- 19.11.9** If the contractor or any person employed by him breaks or defaces or otherwise injures any building, road, fence, enclosure, grass land or cultivated land, he shall make good, the break age defacement or other injury at his own expense and in the event of his refusing or failing to do so, the damage shall be repaired at his expense by the Executive Engineer/Municipal Engineer, who shall deduct the cost from any sums due, or which may become due, to the contractor.
- 19.11.10** The contractor shall supply at his own expenses all tools, plant, and implements required for the due fulfilment of his contract, and the material shall remain at his risk till the date for final delivery, unless it shall have been in the meantime, removed for use by the Executive Engineer or Municipal Engineer, as the case may be, or under his orders.
- 19.11.11** No material shall be brought to site or delivered on Sunday without the written permission of the Executive Engineer/Municipal Engineer.

- 19.11.12** This contract shall not be sublet without the written permission of the Executive Engineer or Municipal Engineer, as the case may be, and in the event of the contractor subletting his contract without such permission, he shall be considered to have thereby committed a breach of contract, and shall forfeit his security deposit, and shall have no claim for any compensation for any loss that may accrue from the materials, he may have collected or the engagements, he may have entered into.
- 19.11.13** The decision of the Superintending Engineer of the concerned Municipality (in case where there is no post of Superintending Engineer exist, then Superintending Engineer appointed by the head office) of the Municipality concerned for the time being shall be final, binding, and conclusive on all questions relating to the meaning of the Specification.
- 19.11.14** On the breach of any term or condition of this contract by the contractor the Municipality shall be entitled to forfeit the earnest-money deposited with the tender, or the security deposit, or the balance thereof, that may at that time be remaining and to realize and retain the same as damages and compensation for the said breach, but without prejudice to the right of the Municipality to recover any further sums as damages from any sums due or which may become due to the contractor by the Municipality or otherwise however.

19.12 General Rules and Directions for the guidance of contractors: -

19.12.1 As per Standard bidding document issued by Public Work Department Haryana and amendments made from time to time.

19.12.2 Recording of Tender form fees: - On the basis of tender fees Collection received from the various contractors or agencies, the Accounts Branch shall pass the entry as follows:-

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	*Bank or cash Account	Dr.	1,000		Cash book and Ledger
150-11-000-(a)	To Tender Form Account	Cr.		1,000	

* Specify Name of Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

Every notice published under the provisions of sub-clause (1) shall comply with the directions for the guidance of contractors printed on the first page of Form MW-4 (the specimen of which is given in Part-II of this Account Code)

- 19.12.3** All works proposed for execution by contract shall be notified in the form of an invitation tender posted on a board hung up in the office of, and signed by, the Executive Engineer or Municipal Engineer. This form shall state the work to be carried out as well as the dates for submitting and opening tenders, and the time allowed for carrying out the work; also the amount of the security deposit to be deposited by the successful tenderers and the percentage, if any, to be deducted from bills, copies of the specifications, designs, estimated rates, drawings and any other documents required in connection with the work. Schedule rates signed, for the purpose of identification, by the Assistant Engineer/Municipal Engineer, shall also be open for inspection by the contractor at the office of the Executive Engineer or Municipal Engineer, as the case may be, during office hours.
- 19.12.4 As per Standard bidding document issued by Public Work Department Haryana and amendments made from time to time**
- 19.12.5** The Executive Engineer or Municipal Engineer, as the case may be, or his duly authorized assistant will open tenders in the presence of any intending contractors, who may be present at the time, and shall enter the amounts of the several tender in a comparative statement in a suitable form. In the event of a tender being accepted, a receipt for the earnest money, forwarded therewith shall thereupon be returned to the contractor making the same.
- 19.12.6** Chief Municipal Officer shall have the right of rejecting all or any of the tenders.
- 19.12.7** Online payment receipt to be considered.
- 19.12.8** The memorandum of work tendered for and the memorandum of materials to be supplied by the Municipality and their issue rates shall be filled in and completed in the office of the Executive Engineer or Municipal Engineer, as the case may be, before the tender form is issued.

19.13 Tender for Works

As per Standard bidding document issued by Public Work Department Haryana and amendments made from time to time.

19.14 Conditions of Contract

19.14.1 As per Standard bidding document issued by Public Work Department Haryana and amendments made from time to time.

19.14.2 The conditions of contract mentioned in (clause)19.14.1 are general conditions, however, the extra conditions may be incorporated keeping in view the scope of work and type of contract and shall be approved from the competent authority who have accorded technical sanction for that project/work. In special circumstances the separate contract conditions shall be prepared keeping in view and type of contract.

19.15 Provisions as to Tenders:

19.15.1 Instruction regarding adoption of e-tender, minimum threshold limit for e-tender or any instruction issued by state government or any competent authority regarding e-tenders/online tender shall be followed by Municipality.

19.15.2 As per Standard bidding document issued by Public Work Department Haryana and amendments made from time to time.

19.15.3 All sums shall be treated as deposits received by the Municipality and shall be brought to account. The following entry shall be passed for accounting of receipt of Earnest money received in respect of work executed: -

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	*Bank or cash Account	Dr.	1,000		Cash book and Ledger
340-10-000-(a)	To Contractor/Suppliers-EMD Account	Cr.		1,000	

* Specify Name of Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

19.15.4 A Register of Tenders shall be maintained by the Executive Engineer or Municipal Engineer, as the case may be, in Form MW-3A (the specimen of which is given in Part-II of this Account Code), in which shall be entered details to all Tenders received in response to notices published under Para 19.15.1.

19.16 Acceptance of Tenders:

19.16.1 All tenders shall be the opened by the Executive Engineer/Municipal Engineer, as the case may be, at the time and place specified in the notice issued under the provisions of (clause) 19.15, in the presence of the tender inviting authority, as the case may be, of the Municipality, shall thereafter submit to officer authorized by the Municipality in this behalf, all the valid tenders received by that date, together with his recommendations shall be sent to the competent authority as per instructions amended time to time for approval/decision.

19.16.2 The Tender rate quoted shall be get approved as per direction issued by Government from time to time.

19.16.3 Before approval of tender, The Account Officer shall verify the budget sanction amount remaining in the current head and the tender will be accepted only after necessary verification from the accounts branch.

19.17 Treatment of Earnest Money:-

19.17.1 When a tender has been accepted under the provisions of (clause) 19.15, the earnest money forwarded by contractors whose tenders have not been accepted shall forthwith be repaid to them on return for the receipts after written request.

19.17.2 **Recording of refund of Earnest Money Deposit:** - After the receipt of approval for payment and upon payment, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-(a)	Contractor/Suppliers-EMD Account	Dr.	1,000		Cash book and Ledger
451-21-000-(a)	To cash or *Bank account	Cr.		1,000	

* Specify Name of Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

19.18 Security for performance of contractors:

19.18.1 As per Standard bidding document issued by Public Work Department Haryana and amendments made from time to time.

19.18.2 For recording of conversion of Earnest Money Deposit into Security Deposit:-

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-(a)	Contractor/Suppliers-EMD Account	Dr.	1,000		Journal book and Ledger
340-10-000-(a)	To Contractor/Supplier Security Deposit Account	Cr.		1,000	

a) Insert Detailed Head Codes of Account as applicable.

19.18.3 For recording of EMD lapsed, entry will be made as following:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-(a)	Contractor/Suppliers-EMD Account	Dr.	1,000		Journal book and Ledger
180-11-000-(a)	To Other income Lapsed Deposit-Contractors/Suppliers Account	Cr.		1,000	

(a) Insert Detailed Head Codes of Account as applicable.

19.18.4 For recording of refund of Security Deposit after adjusting for recoveries:

In case where any dues are recoverable from the contractor, after the receipt of approval, draw the cheque for net amount after deducting the recoveries to be made from the contractor. The accounting entry to be passed is as follows:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-(a)	Contractor/Suppliers Security deposit Account	Dr.	1,000		Journal book and Ledger
180-80-000-(a)	To Other Income-Misc. Income Account	Cr.		1,000	

(a) Insert Detailed Head Codes of Account as applicable.

19.18.5 For recording of payment of net security Deposits, entry shall be made as follows:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
340-10-000-(a)	Contractor/Suppliers Security deposit Account	Dr.	1,000		Cash book and Ledger
450-21-000-(a)	To Bank Account*	Cr.		1,000	

* Specify Name of Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

19.18.6 The security deposited under the provisions of (clause)19.18.1 shall, if it is bank draft, be deposited in the account of the Municipality along with the earnest money deposited under the provisions of (clause)19.14 (Clause-1) by the contractor in the post office/ bank, or in such other bank, as the Municipality, may direct and such security and any sum deducted under the provisions of Para 19.18.1, shall be retained by the Municipality for six months after completion of the work, and shall then be returned to the contractor, unless in the meantime, the work has been found to be defective or not up to specifications and the contractor has not remedied such defect or failure to comply with the specifications, in which case such security or sum deducted, shall be retained until such defect or failure has been remedied. In case the contractor fails to remove the defect, the Municipality may carry out the work of removing such defects at the risk and cost of the contractor and such cost incurred thereon shall be recovered from the contractor either from his other bills or as any arrears of land revenue; provided that the security for the supply of sand, cement etc., may be refunded three months after the completion of the contract for supply. For recording of Security deposit received, entry shall be made as following: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	Bank Account*	Dr.	1,000		Cash book and Ledger
340-10-000-(a)	To Contractor/Suppliers Security deposit Account	Cr.		1,000	

* Specify Name of Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

19.18.7 Advance may be provided in kind by way of supply of material and the accounting entry to be passed is as follows :-

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
460-40-000-(a)	Advances to Contractors or Material issued to Contractors.	Dr.	950		Journal book and Ledger
430-(b)	To Stock in hand and purchase of materials	Cr.		950	

(a) Insert Detailed Head Codes of Account as applicable.

(b) Insert Minor and Detailed Head Codes of Account as applicable.

Note: This entry will be passed along with other items of consumption based on valuation statement as explained in Stores Accounting.

19.18.8 Recording of Contractor's bill in respect of Original Work: -

On receipt of the processed bill, the particulars be entered in a Register of Bills for Payment in Form GEN-13. To record the liability in respect of contractor's bill for Original Works undertaken, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
412-(a)	Capital Work in Progress	Dr.	50,000		Journal book and Ledger
350-10-000-(b)	To Creditors-Contractors Account	Cr.		44,000	
340-10-000-(b)	To Contractor/suppliers security deposit	Cr.		3,000	
460-40-000-(b)	To Advance to Suppliers/Contractor's	Cr.		1,000	
350-20-000-(b)	To Recoveries payable from TDS Contractor's	Cr.		500	
350-20-000-(b)	To Recoveries payable-Works contract tax	Cr.		500	
460-40-000-(b)	To material issued to Contractors/Suppliers	Cr.		1,000	

(a) Insert Minor and Detailed Codes of Account as applicable.

(b) Insert Detailed Codes of Account as applicable.

19.18.9 Recording of payment made to Contractors:

The procedure to be followed for approval of a contractor's bill for payment and making payment shall be the same as provided in General Accounting Procedures to which reference is invited. The Accounts Branch shall, on receipt of Payment Order in Form GEN-14 together with the Work Sheet and Contract Completion Certificate, where applicable, after making the payment, enter the details of the payment in the Work Sheet (Form PW-2) and pass the following entry: -

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-10-000-(a)	Creditors-Contractors Account	Dr.	44,000		Cash book and Ledger
450-21-000-(a)	To Bank Account*	Cr.		44,000	

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

19.18.10 Recording of payment of TDS payable and Goods and Service Tax Payable:-

The income tax and works contract tax deducted from the bills of the contractors shall be paid by the Accounts Branch to the concerned authorities as and when due as per the relevant laws in force. On payment of Income tax and Works Contract Tax deducted, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-20-000-(a)	Recoverable Payable-TDS from Contractors	Dr.	100		Cash book and Ledger
350-20-000-(a)	Recoveries Payable-TDS on GST	Dr.	100		
450-21-000-(a)	To Bank Account*	Cr.		200	

* Specify name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

19.18.11 Recording of difference between the stores Issue Rate and the recovery rate for material issue to contractors:

The Accounts branch shall determine the difference between the stores issue rate and recovery rate for material issued to contractors. To record the difference, the Accounts Branch shall pass either entry. (a) Or entry (b) as per details given below:

(a) In case of favorable rate variance where stores issue rate is less than recovery rate with the contractor for materials issue:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
460-40-000-(a)	Advance to contractors- Material issued to Contractors	Dr.	100		Journal book and Ledger
412-(a)	To Capital work in progress	Cr.		100	

(a) Insert Detailed Head Codes of Account as applicable.

(b) Insert Minor and Detailed Head Codes of Account as applicable.

(b) In case of adverse rate variance where store issue rate is greater than recovery rate from the contractor for materials issue:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
412-(a)	Capital work in progress	Dr.	100		Journal book and Ledger
460-40-000-(a)	To Advance to contractors- Material issued to Contractors	Cr.		100	

(a) Insert Detailed Head Codes of Account as applicable.

(b) Insert Minor and Detailed Head Codes of Account as applicable.

19.19 Refund of Security:-

Notwithstanding anything contained in the foregoing rules, the security deposited by the contractor for the supply of material in connection with a work to be executed by the Municipality departmentally or otherwise, as mentioned in para 19.1 Repairs and Maintenance, shall be refunded forthwith after the contractor completes the supply strictly in accordance with the conditions of the contract and the supply is accepted, as such by the Executive Engineer or Municipal Engineer, as the case may be, and taken in his books.

Recording of refund of Security Deposit after adjusting for recoveries: - Security Deposit shall be refunded after six months or the expiry of the liability period, including 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 office shall draw the cheque for net amount after deducting the recoveries to be made from the contractor. The accounting entry to be passed will be as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-(a)	From Contractors/Suppliers- Security deposit Account	Dr.	100		Journal book and Ledger
341-(b)	To Deposit Works	Cr.		100	

(a) Insert Detailed Head Codes of Account as applicable.

(b) Insert Minor and Detailed Head Codes of Account as applicable.

For recording of payment of security deposits - net entry shall be made as follows:-

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-(a)	Contractors/Suppliers-Security deposit Account To Bank Account	Dr.	100		Cash book and Ledger
450-21-000-02		Cr.		100	

* Specify the type of asset for which repairs are made.

(a) Insert Detailed Head Codes of Account as applicable.

For recording of refund of security deposit lapsed, entry shall be made as follows: -

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-(a)	Contractors/Suppliers-Security deposit Account To Others Income/Misc., Income lapsed deposits- Contractors/ Suppliers	Dr.	100		Journal book and Ledger
180-11-000-(a)		Cr.		100	

Insert Detailed Head Codes of Account as applicable.

19.20 Work Orders:

When a report on a requisition in Form MW-2 has been accepted, the Executive Engineer or Municipal Engineer, as the case may be, shall issue a Work Order in Form MW-5 (the specimen of which is given in Part-II of this Account Code) or as per provisions laid by the Government (online portal) from time to time for the execution of the work to such contractor, as he may deem fit, unless the work is of a class which is in accordance with a resolution of the Municipality, is to be executed departmentally by the Executive Engineer or Municipal Engineer, as the case may be.

19.21 Muster roll:

19.21.1 In the case of a work carried out departmentally by daily labour, the officer or official in-charge of the work shall maintain a muster roll in Form MW-6 (the specimen of which is given in the Part-II of this Account Code), paying the amount due on the roll out of his permanent advance, which he shall recoup in the manner prescribed in (clause) 19.10 supporting the bill with the muster roll; and notwithstanding anything contained in (clause)19.15 no acquaintance roll shall be required in respect of the payment of such establishment.

19.21.2 To carried out work through daily labour Municipality may engage labour through outsourcing agency or Labour and Construction Society by paying the amount due on bill submit by agency or Labour and Construction Society out of his permanent advance.

19.21.3 One or more muster rolls shall be kept for each work, provided that one muster roll may be used for several small works in cases in which no harm may result, if the total unpaid wages are regarded as relating only to the largest work in the group.

19.21.4 Muster-rolls shall never be prepared in duplicate.

19.21.5 Labourers may be paid more than once a month, but separate rolls shall be prepared for each period of payment.

19.21.6 The daily attendances and absences of labourers and the fines inflicted on them shall be recorded daily in Part I of the muster-roll in such a way, as to facilitate the correct calculation of the net

wages of each labourer, for the period of payment to render it difficult to tamper with or make unauthorized additions to, or alterations, in, entries once made and to facilitate the correct classification of the cost of labour by works and sub-heads of works where necessary.

19.21.7 After a muster-roll has been passed by the officer-in-charge of the work, payment thereon shall be made as soon as possible, and each payment shall be made or witnessed by the official of highest standing as available, who shall certify the payments individually or by groups at the same time, specifying both in words and in figure, at the foot of the muster-roll, the total amount paid on each date; and if any items remain unpaid, the details thereof, shall be recorded in Part II of the muster-roll before the memorandum at the foot of Part I completed by the person who made the payment.

19.21.8 Unpaid items shall be carried forward from muster-roll to muster-roll until they are paid, the payments being recorded and certified in Part II in the same way as current items, provided that, if any item has remained unpaid for three months, a report shall be made to the Executive Engineer/Municipal Engineer, who shall decide whether the liability shall continue to be borne in the accounts of the work concerned.

The progress of work done by the labour shown on a muster-roll shall be recorded in Part III if the work is susceptible of measurement; and if it is not so susceptible, remark to that effect shall be recorded.

19.22 Measurement Books –

19.22.1 Details of every work executed including, works executed internally by department, and shall be entered in a Measurement Book to be maintained in web portal of Haryana Engineering Works on regular basis. In case of emergency, Measurement Book shall be maintained Form MW-7 (the specimen of which is given in Part-II of this Account Code) by Junior Engineer with the prior approval from Directorate of Urban Local Bodies, Haryana. After approval from the Directorate of Urban Local Bodies, Haryana, Junior Engineer or other officer or member in direct charge of the work shall maintain the measurement book, and same will be checked periodically by the Executive Engineer or Municipal Engineer, as the case may be, who shall initial the entries checked by him and enter the date of his check and no payment shall be made to any contractor in respect of any work unless such measurement has been done.

19.22.2 All entries in the 'Contents or Area' column of the Measurement book shall invariably be made in ink if Measurement book is maintained in Form MW-7 and all other entries shall also, if possible, be made in ink; and, if any entries have to be made in pencil, such entries shall not subsequently be inked over.

19.22.3 In case a measurement book in form MW-7 is maintained, the final measurement of a work shall be taken and recorded within ten days of receipt of contractor's report of the completion of the work and in cases, where the provision of this sub (clause) cannot be complied with, the Executive Engineer or Municipal Engineer, as the case may be, shall record the reasons for the delay.

19.22.4 When a payment is made for the work measured, each page of the book recording measurement shall be scored out by diagonal red ink lines and an endorsement shall be made in red ink, on every abstract of measurement giving a reference to the number and date of the payment voucher.

19.22.5 When a Measurement Book has been filled up, it shall be deposited in account branch.

19.22.6 Measurement Book shall be numbered serially and the Engineer- In charge shall maintain a stock register in respect of them in Form MW-7A (the specimen of which is given below) in which shall also be entered particulars as to their issue and return.

19.22.7 The measurement book is a most important record, being the basis of all account of quantities, whether of work done by daily labour or by contractor or of materials received which have to be counted or measured. The description of the work must be lucid so as to admit easy identification and check, if, the electronic mode of measurement book is to be implemented and necessary record of all measurements shall be maintained as per government instructions

19.22.8 For large works, a separated Measurement Book may be set apart, or if convenient, two or more books may be set apart for different classes of work.

19.22.9 Each set of measurements shall commence with entries stating-----

➤ In the case of bills for works done: -

- (i) Full description of work as given in the estimate;
- (ii) Situation of work, that is, the exact locality;
- (iii) Name of the contractor;
- (iv) Number and date of his agreement of work order; and
- (v) Date start, completion of measurement;

- In the case of bill for supply of materials: -
 - (i) Name of supplier
 - (ii) Number and date of his agreement or order; and
 - (iii) Purpose of supply in one of the following forms applicable to the case: -
 - Stock for all supplies for stock purposes
 - Purchase for direct issue to (here, enter full name of the work as given in the estimate)
 - Date of measurement;
- 19.22.10** No page shall on any account be torn out of a book, nor shall any entry be erased or disfigured so as to be illegible. If a mistake is made, it shall be corrected by canceling the incorrect words or figure with a single stroke with the pen or pencil and by writing the correct words or figure separately; and the correction thus made, shall be initialed and dated, made, if possible, in ink, but when this is not possible and entries have to be made in pencil,
- 19.22.11** Entries shall be recorded continuously in the Measurement book and no blank pages shall be left unfilled. Any page, left blank inadvertently, must be cancelled by diagonal lines, the cancellation attested.
- 19.22.12** Each Measurement Book shall be provided with an index which shall be kept up to date.
- 19.22.13** The accountant or account clerk deputed for the purpose by the disbursing officer is responsible for the arithmetical check of all calculations entered in a Measurement Book and he must initial each amount in the book in token of having so checked it.
- 19.23 Forms of bills for payments for works:**
 - 19.23.1** Payment for a work shall be made by means of provisions laid in web portal of Haryana Engineering Works or as laid by the govt from time to time -
 - A first and final bill in Form MW-8 (the specimen of which is given in the Part-II of this Account Code) in all cases when the work has been executed on a Work order issued under the provisions of (clause)19.20 and in other cases, when a single payment only is to be made on completion of a work or for material supplied for a work; or
 - A running bill in Form MW-9 (the specimen of which is given the Part-II of this Account Code) when payment is to be made during the progress of a work for a portion of the work executed or a portion of the material contracted or supplied ; or
 - A final bill in form MW-10 (the specimen of which is given the Part-II of this Account Code) when final payment is to be made in respect of work or a contract for the supply of material completed, payment in respect of which have previously been made on running bills.
 - Preparation of bill for payment - on the basis of work completed as per governing rules - bills shall be prepared and sent for payment. The amount of security deposit, income tax deducted at source, works contract tax and any other recovery or deduction, including recovery for supply of material by the Store and money advanced to the contractor, shall be specified in the bill. Running bills are submitted during the progress of work and final bill is normally submitted on completion of work. The contract Completion Certificate shall be annexed to the final bill.
 - In order to ensure prompt payment of final bills, every contractor shall be requested to submit a written report as to the completion of a work not later than the day after such completion.

For recording of contractor bill in respect of original work, entry shall be made as follows:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
412-(a)	Capital Work in progress	Dr.	5,00,000		Journal book and Ledger
350-10-000-(b)	To Creditors-Contractors Account	Cr.		4,90,000	
340-10-000-(b)	To from Cont. Suppliers-Security deposit	Cr.		3,000	
460-40-000-(b)	To Advance to Suppliers/Contractors	Cr.		1,000	
350-20-000-(b)	To Recoveries payable from TDS Contractor	Cr.		2,000	
350-20-000-(b)	To Recoveries payable works contract tax	Cr.		2,000	
460-40-000-(b)	To Material issued to Contractor/ Suppliers	Cr.		2,000	

(a) Insert Minor and Detailed Head Codes of Account as applicable.

(b) Insert Detailed Head Codes of Account as applicable.

(a) For recording of payment made to contractors, entry shall made as follows:-

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-10-000-(a)	Creditors-Contractors A/c	Dr.	44,000		Cash book and Ledger
450-21-000-02	To Bank Account*	Cr.		44,000	

*Specify name of the Bank and Account number.

a) Insert Detailed Head Codes of Account as applicable.

(b) For recording of TDS payable, entry shall made as follows:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-20-000-(a)	Recoveries payable-TDS from Contractors	Dr.	100		Cash book and Ledger
350-20-000-(a)	Recoveries payable-Works contract Tax	Dr.	100		
450-21-000-02	To Bank Account*	Cr.		200	

a) Insert Detailed Head code of Account as applicable.

*Specify the bank name and account number

(c) For recording of deductions from contractor's bill:

For deductions made from contractor's bills, which is in the nature of penalty or liquidated damages levied on the contractor for delay in completion of construction or sub-standard construction or for any other reason, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-10-000-(a)	Creditors-Contractors/Suppliers Account	Dr.	100		Journal book and Ledger
180-80-000-(a)	To Other income/Misc. Income Account	Cr.		100	

(a) Insert Detailed Head Codes of Account as applicable.

When any establishment is engaged for the purposes of particular work, and the cost of such establishment is to be charged against such work, the pay of such establishment shall be paid by means of a Work – Charged Establishment Pay Bill in Form MW-11 (the specimen of which is given in Part-II of this Account Code).

19.24 Completion Certificates:

No Final bill shall be paid in respect of any work until a Completion Certificate in Form MW-12 (the specimen of which is given in the Part-II of this Account Code) or as per provision in web portal of Haryana Engineering Works have been submitted by the Executive Engineer or Municipal Engineer, as the case may be further any deviation /variations of quantity of any item shall not more than 10% of the original approved quantity if exceeds than approval will be obtained from the authority who sanction the estimate technically. Any addition of fresh item has been included in during execution of work shall be approved from the authority who technically sanction the estimate.

19.25 Statement of Receipts, Issue and Balance of Road Metal:

If supplies of road metal or paving stones or, sets for the repair of roads are maintained or when separate contracts are made for the supply of metal or paving stones or sets for, and the consolidation or paving of, a road to be newly metal led or paved or to be re- metal led or re-paved, statements of receipts, issues and balance of road metal shall be maintained in form MW-13 (the specimen of which is given in the Part-II of this Account Code) by the Executive Engineer or Municipal Engineer, as the case may be, or by officer in charge of circles subordinate to the Municipal Engineer, and such officers shall at the beginning of each month, submit a copy of the statement for the previous month to the Municipal Engineer.

19.26 Register of Municipal Works:

19.26.1 A Register of Municipal Works shall be maintained in the accounts office of the Municipality in Form MW-14 (the specimen of which is given in Part-II of this Account Code) in which shall be entered, the amount of every estimate for a work sanctioned by the Municipality and details with regard to every payment made in connection with the work, a separate page being assigned in the register to each work.

19.26.2 Register of Contracts, Works and Supply Orders:

The Executive Engineer or Municipal Engineer, as the case may be, shall also maintain a register of Contracts, Works and Supply Orders in Form MW-14.

19.27 Contractor's Ledger:

A Contractor's Ledger shall be maintained in the account office of the municipality in Form MW-15 (the specimen of which is given in Part-II of this Account Code) in which shall be entered details of all transactions with contractors in connection with works.

19.28 Register of Aided and Loan Works:

A Register of Aided and Loan Works shall be maintained in the accounts office of the Municipality in Form MW-16 (the specimen of which is given in part 2 of this Code), in which shall be kept a Proforma account in connection with every work to the cost of which a grant –in- aid has been contributed from provincial revenues or for which a loan has been raised.

19.29 Workshops:

If the Municipality maintains a workshop, the officer–in–charge thereof, in addition to maintaining a Stock Register (G-29) as required by (clause) 30.4.5, shall maintain a Workshop Work Register in Form MW-20 (the specimen of which is given in Part-II of this Account Code) and muster-rolls of the workmen employed in accordance with the provisions as (clause)19.21 and the Executive Engineer or Municipal Engineer, as the case may be, or other head of department concerned, shall not less than once a month examine the Stock Register and Workshop Work Register and sign them in token on having done so and shall check the muster-rolls on frequent and unexpected occasions.

19.30 Lighting:

The streetlight of the Municipality will be under direct control of Engineering branch whether post of junior engineer/municipal engineer, electrical exist or not. All original works as well as maintenance works of streetlight will be executed under direct supervision of engineering branch. The necessary technical sanction shall also be accorded by the respective engineering branch of Municipality. If the lighting is done by contract, the contract deed, in addition to any other provisions that may be required, shall specify –

- The description and quantity of the articles to be supplied by the contractor;
- The rates at which such articles are to be supplied unless the contract provides for a lump sum payment.

The Capital Works–in–Progress Account shall be a control account wherein details of expenditure incurred on capital projects shall be recorded. Separate Capital Works–in– Progress Control Accounts shall be opened for Civil, Electrical, Water Works and other projects.

- At period –end, the departments incurring expenditure on capital projects shall submit a Summary Statement of Status on Capital Work –in – Progress in Form MW-17 and also shall submit expenditure incurred till date on each of the capital projects. The details of total expenditure incurred on each of the capital projects may be collated from the Work Sheet (Form MW-18)
- The Contractors Control Account shall be a control account in which the liability for amount payable to various contractors for work executed shall be credited and the amount paid to the various contractors shall be debited.

19.31 Works executed by Municipal Engineering Branch

The accounting procedure and the accounting entries to be recorded for materials purchased for works shall be the same as provided in “Stores”.

19.31.1 Recording of materials consumed in Original Works: -

Based on the bill received from the Municipal Works Branch for works executed, the Accounts Branch shall pass the following entry: -

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
412(a)	Capital Work in progress A/C	Dr.	10,000		Journal book and Ledger
430-(a)	To stock in hand-Purchase of Materials	Cr.		10,000	

(a) Insert Detailed Head Code of account as applicable.

On completion of construction of the asset, the asset becomes ready for use. Thus, it becomes necessary to transfer the cost incurred for construction (which is temporarily accounted in capital work- in – progress Account into a Fixed Asset).

19.31.2 Recording of capitalization of Capital Work – In- progress: -

On receipt of Contract Completion Certification, the Accounts Branch shall capitalize the amount lying in the Capital Work-in –Progress Amount and convert the amount pertaining to the Capital Work–in–Progress and lying in the Capital Work–in–Progress Account into a fixed Asset. The Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
410-(a)	Fixed Asset (Name of the Fixed Asset* A/C)	Dr.	100		Journal book and Ledger
412-(a)	To Capital Work in Progress (Please specify) A/C	Cr.		100	

(a) Insert Minor and Detailed Head Codes of Account as applicable.

* Fixed Assets of a particular class shall be accounted for under one broad fixed asset account head. For instance, if Municipality has more than one hospital building, then all the hospital buildings shall have one broad head of Buildings (code of account 410-20-(a).) Any new hospital building constructed, shall be recorded separately in the Register of Buildings, under the account head 'Hospital Buildings'.

19.31.3 Recording of deductions from contractor's bills: -

For deductions made from contractor's bills, which is in the nature of penalty or liquidated damages levied on the contractor for delay in completion of construction or sub-standard construction or for any other reason, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-10-000-(a)	Creditors-Contractors/Suppliers A/C	Dr.	1,000		Journal book and Ledger
180-80-000-(a)	To Other Income-Misc. Income A/C	Cr.		1,000	

(a) Insert Detailed Head Codes of Account as applicable.

Where any loan has been borrowed for the construction of any qualifying fixed asset i.e., Original Works, 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 amount of interest to be charged to the Original Works under consideration shall bear the same proportion to the total interest payable on loan as the project cost of the concerned work bears to the total project cost for which funds have been borrowed. However, in case where the loan has been

specifically borrowed for the execution of a particular work, the entire amount of interest payable on the loan shall be capitalized. 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.

19.31.4 Recording of capitalization of interest on loans borrowed for original works: -

At the period-end, for capitalizing interest accrued, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
412-(a) 240-(a)	Capital Work-in Progress A/C To Interest and Finance charges A/c	Dr. Cr.	1,000	1,000	Journal book and Ledger

(a) Insert Minor and Detailed Head Codes of Account as applicable.

The amount to be capitalized at the completion of the construction of the original work shall be inclusive of the amount of interest charged to the work.

The Register of immovable Property maintained in Form GEN-30 shall be updated at time of capitalization of the original work.

19.32 Accounting for repairs and maintenance work

As per the principles framed by the Municipality, tenders may be floated for award of repairs and maintenance work. The accounting procedure to be followed, the accounting entries to be recorded and accounting records to be updated in respect of receipt of Earnest Money Deposit, refund of Earnest Money Deposit to the unsuccessful bidders and conversion of Earnest Money Deposit of successful bidders into Security Deposit shall be the same as provided in the Section on “Accounting for Original Works” earlier in this chapter.

Where the terms of agreement entered into with the contractor provide for collection of a certain percentage of Security Deposit in advance, a receipt (Form GEN-8) shall be issued for the amount collected to the successful bidder. The accounting procedure to be followed, accounting entries to be recorded and the accounting records to be updated in respect of receipt of Security Deposit and deduction of Security Deposit from the contractor’s bills shall be the same as provided in the section on “Accounting for Original Works” earlier in this chapter.

As per the terms of agreement, advance may be paid to the contractor. The accounting procedure to be followed, accounting entries to be recorded and the accounting records to be updated shall be the same as provided in the section on “Accounting for Original Works” earlier in this chapter.

Recording of Contractor’s bill in respect of Maintenance Work: -

On receipt of processed bill, for recording the liability in respect of the repairs and maintenance work, the following entry shall be passed: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
230-(a) 350-10-000-(b) 340-10-000-(b)	Repair and Maintenance A/C To Creditors-Contractors Control A/c To Deposit Received from Contractors/Suppliers-Security deposit	Dr. Cr. Cr.	10,000	7,000 500	Journal book and Ledger
460-40-000-(b)	To Advance to Suppliers and Contractors	Cr.		100	
350-20-000-(b)	To Recoveries Payable-TDS Contractors	Cr.		200	
350-20-000-(b)	To Recoveries Payable-Works Contract Tax	Cr.		300	
460-40-000-(a)	To Advance to Contractor-Material issued to Contractors	Cr.		1,900	

(a) Insert Minor and Detailed Head Codes of Account as applicable.

(b) Insert Detailed Head Codes of Account as applicable.

Repairs and Maintenance Ledger Accounts shall be opened in respect of repairs and maintenance expenditure incurred for each class of assets.

The Accounts Branch shall maintain a function – wise Expense Subsidiary Ledger in Form GEN-34 for each function in which, asset – wise total operations and maintenance expenditure incurred by the department shall be recorded. On recording of repairs and maintenance expenditure, the Accounts Branch shall simultaneously update the Subsidiary Ledger mentioned above. The procedure for updating Subsidiary Ledger has been provided in “General Accounting Procedures”.

Recording of materials consumed in Repairs and Maintenance Works: -

At times, the Municipal Works Branch may execute repairs and maintenance work from its own resources without awarding the contract through tender or otherwise. In this case, on the basis of bill received from the Municipal Works Branch in respect of materials consumed, the Accounts Branch shall pass the following entry: -

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
230-30-000-(a) 430-10-000-(a)	Consumption of Store A/C To Stock in hand-Purchase of Material A/C	Dr. Cr.	2,000	2,000	Journal book and Ledger

(a) Insert Detailed Head Codes of Account as applicable.

The Function wise Expense Subsidiary Ledger (From GEN -34) shall be updated in respect of stores released for maintained work.

The income tax and the works contract tax deducted from the contractor’s bill shall be paid by the Accounts Branch to the concerned authorities as and when due as per the relevant law in force. The accounting entries to be recorded and the accounting records to be updated in respect of payment of TDS Payables and Works Contract Tax Payable shall be the same as provided in the section on “Accounting for Original Works” earlier in this chapter.

19.33 Procedure in Deposit works

The procedure involved in such works is briefly described below:

- Receipt of money from Governmental Department as Deposits towards their works.
- Execution of works as in case of any other Municipal Works.
- Settlement of Accounts on Completion of works.

Municipalities are normally paid some percentage of works as service charges. These service charges are accrued along with the bills for expenditure. The accounting procedures for these transactions are detailed in the subsequent paras.

The Accounts Branch shall maintain a Deposit Works Register in Form MW-19 (specimen has been provided in Part-II of this Code) with separate registers for each kind of the Deposit works. (for example, Civil, Electrical, etc.)

Receipt of Money

Receipt of money from Government / Departments for ‘Deposit Works : The procedure to be followed for collection of ‘Deposit works money’ and its remittance and /or deposit to the Accounts Branch or in the Bank shall be the same as provided in General Accounting Procedures. The details of the Deposit works contract (including names of the department who have entrusted the deposit works) shall be recorded in the Deposit Works Register (in form MW-19). The Accounts Branch shall pass the following entry for receipt of money:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	Bank* A/C	Dr.	2,00,000		Cash book and Ledger
341-10-000-(a)	To Deposit Work-Civil Work A/C	Cr.		1,50,000	
341-20-000-(a)	To Deposit Work-Electrical	Cr.		40,000	
341-30-000-(a)	To Deposit Work-Others	Cr.		10,000	

*Specify name of Bank and account number.

(a) Insert Detailed Head Codes of Accounts as applicable.

Receipt and refund of earnest money deposits: -

Accounting entries for receipt and refund of earnest money deposits shall be same as explained in Chapter-24.

Receipt and conversion / receipt of Security deposits: -

Accounting entries for conversion of earnest money deposits into Security Deposits and receipt of Security Deposit shall be same as explained in (clause) 24.9.

19.34 Advances

Advance to the Contractors:

Accounting for advances made to the Contractors allotted for Deposit works shall be same as explained in (clause) 14.10.

19.35 Payments

19.35.1 Preparation of Bill for payment: On the basis of work completed as per governing rules, a bill shall be prepared and sent for payment. The amount of security deposit, income tax deducted at source, works contract tax and any other recovery or deduction, including recovery for supply of material by the stores and money advanced to the contractor, shall be specified in the bill. Running bills are submitted during the progress of work and final bill is normally submitted on completion of work. The contract Completion Certificate shall be annexed to the final bill.

19.35.2 Recording of Contractor's bill in respect of Deposit Works: On receipt of the processed bill, the particulars be entered in Register of Bills for payment in Form GEN-13. To record the liability in respect of contractor's bill for Deposit Works undertaken and also a percentage (as agreed with the Government / Department) of works completed as an income for the Municipality, the following entry shall be passed:

Code of Account	Accounting Entry	Dr./Cr r	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
470-10-000-(a)	Deposit Works-Expenditure	Dr.	5,10,000		Journal book and Ledger
350-10-000-(a)	To Creditors-Contractor Account	Cr.		4,40,000	
340-10-000-(a)	To from Contractor/Suppliers- Security Deposit	Cr.		25,000	
460-40-000-(a)	To Advance to Suppliers and Contractors	Cr.		5,000	
350-20-000-(a)	To Recoveries Payable from TDS Contractor	Cr.		10,000	
350-20-000-(a)	To Recoveries Payable-Works contract Tax	Cr.		15,000	
460-40-000-(a)	To Advance to Contractors- Material issued to Contractor*	Cr.		5,000	
140-70-000-(a)	To Service/Administrative charges-Percentage on Deposit Works	Cr.		10,000	

(a) Insert Detailed Head Codes of Account as applicable. Notes:

- (i) The Deposit Works-Expenditure Account shall be a control account wherein details of expenditure incurred on Deposit Works shall be recorded. Separate Deposit Works Control Accounts shall be opened for Civil, Electrical and other works projects.
- (ii) The Contractors Control Account shall be a control account in which the liability for amount payable to various contractors for Deposit works executed shall be credited and the amount paid to the various contractors shall be debited.

19.35.3 Recording of payment to Contractors: Accounting for payment made to the contractor allotted for Deposit Works shall be same as explained in (clause) 14.12.

19.35.4 Recording of payment of TDS Payable and Works Contract Tax Payable: - Accounting entries for payment of TDS and Works contract Tax shall be same as explained in (clause) 4.7.4.

19.36 Materials Consumed**19.36.1 Recording of difference between the Store Issue Rate and the Recovery Rate for material issued to Contractors: -**

The Accounts Branch shall determine the difference between the stores issue rate and the recovery rate for material issued to contractors. The procedure of recording of entry in this regard has already been outlined earlier in (clause) 19.18.11.

19.37 Final Payment to Contractors and Refund of security deposit**19.37.1 Recording of deductions from contractor's bill: -**

For deductions made from contractor's bills, which is in the nature of penalty or liquidated damages levied on the contractor for delay in completion of construction or sub-standard construction or for any other reason, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-10-000-(a) 341-(b)	Creditors-Contractor Account To Deposit Works	Dr. Cr.	1,000	1,000	Journal book and Ledger

(a) Insert Detailed Head Codes of Account as applicable.

(b) Insert Minor and Detailed Head Codes of Account applicable.

19.38 Accounting for lapsed deposits of Deposit Works

On completion of Deposit works, the assets under Deposit works become 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 Accounts Branch shall pass the following entry in this regard: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
341-10-000-(a)	Deposit Work-Civil Works	Dr.	4,50,000		Journal book and Ledger
341-20-000-(a)	Deposit Works-Electrical Works	Dr.	3,85,000		
341-30-000-(a)	Works	Dr.	65,000		
470-10-000-(a)	Deposit Works-Other To Deposit Works-Expenditure	Cr.		9,00,000	

(a) Insert Detailed Head Codes of Account as applicable.

19.39 Refund of balance' Deposit Works Money'

The balance un-utilized amount for the Deposit works shall be refunded to the Government/ Government Departments by transferring the balance in 'Deposit Works' account to a liability account. The Accounts Branch shall pass the following entry for creation of liability. The Accounts Branch shall pass the following entry for creation of liability account: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
341-10-000-(a)	Deposit Work-Civil Works	Dr.	55,000		Journal book and Ledger
341-20-000-(a)	Deposit Works-Electrical Works	Dr.	15,000		
341-30-000-(a)	Deposit Works-Other	Dr.	35,000		
350-40-000-(a)	To Refunds payable- Deposit Works	Cr.		1,05,000	

(a) Insert Detailed Head Codes of Account as applicable.

Accounting entry for recording of payment of 'Deposit Works Refund' payable after the above entry is as follows:-

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-40-000-(a) 450-21-000-(a)	Refunds payable- Deposit Works To Bank Account	Dr. Cr.	55,000	55,000	Cash book and Ledger

(a) Insert Detailed Head Codes of Account as applicable.

19.40 Period end procedure

At the period –end, the Municipal Engineering Branch shall ensure that all the bills received in respect of work executed before the last date of the accounting period, are processed and forwarded to the Accounts Branch for accounting and payment within one month where the accounting period is a financial year and in other cases, 15 days from the end of the accounting period. The accounting entry to be recorded shall be the same as provided in Para 4.21 above in cases of Original Works and for Repairs and Maintenance Works.

At the period – end, the branches 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 MW-17 (similar to Capital work in progress) detailing expenditure incurred on each of the Deposit Works that may be collated from the Work Sheet (similar to Capital work in progress) in Form MW-18.

19.41 Income

Tender Form Fees: - For tender forms sold to the intended bidders, a receipt shall be issued for the amount received in Form GEN-8.

The Municipal Works Branch shall recover in advance, the charges estimated for repairing of roads or any other structure damaged, from the person to whom permission is issued for laying of telephone or electrical cables or for any other purpose, which results in damage or road, or any other public structure.

The procedure to be followed with reference to these incomes for remittance and or/ deposit of collections made to the Accounts Branch or in the Bank shall be the same as provided in General Accounting Procedures.

Recording of Tender Form Fees: - On the basis of the Summary of Daily Collection (form GEN-12) received from the Municipal Works Branch, for accounting collections received, the Accounts Branch shall pass the following accounting entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a) 150-11-000-(a)	Bank Account To Tender Form Fees	Dr. Cr.	5,500	5,500	Cash book and Ledger

(a) Insert Detailed Head Codes of Accounts as applicable.

Similar accounting entries shall be passed in respect of other incomes earned by the Municipal Engineering Branch.

19.42 Internal Controls

The following internal controls shall be observed by the Municipality: -

- The Municipal Engineering Branch and the Head of Account Branch or any other responsible officer as defined by the applicable Acts, shall ensure the availability of adequate budget allocation, after considering all commitments made against that budget allocation before undertaking any new work, whether being an Original Work or Repairs and Maintenance Work.
- The Head of the Accounts Branch shall exercise the following internal controls: -
 - (a) A distinction shall be maintained between the works of capital nature and revenue nature.
 - (b) A quarterly reconciliation of the balance as per the Deposit Register maintained at the Municipal Engineering Branch shall be carried out with the Deposit ledger accounts.

- On the completion of an Original Work, reconciliation shall be carried out in respect of the amount expended as shown in the records maintained by the Municipal Engineering Branch and the Capital work – in – progress control ledger maintained by the Accounts Branch.
 - On receipt of Summary Statement Capital Work –in – Progress (Form MW-17) the Accounts branch shall ensure that total expenditure incurred as stated in the Statement tallies with the cumulative total of several Capital Work – in – Progress Ledger Accounts.
 - The Accounts Branch shall ensure that all statutory deductions including Tax Deducted at Source (TDS) etc. are deducted from the contractor's bill, and deposited with the Government in accordance with the provisions of the relevant acts.
 - At the end of each month, the Accounts Branch shall reconcile the total expenditure as per the functional Expense. (Repairs and Maintenance) Subsidiary Ledger (in form GEN -34) with the total expenditure recorded in the several Repairs and Maintenance Ledger Accounts.
 - The Municipal Engineering Branch and Accounts Branch shall exercise the following internal controls:-
 - Ensure budget availability at the time of approval of the bill.
 - (a) Ensure that all the dues, including liquidated damages/penalties, are recovered from the contractor before making the final payment in respect of any contract.
 - (b) Ensure that no amount is due from suppliers /contractors, which may be otherwise adjusted before payment.
 - (c) Ensure that all the bills/invoices of contractors were journalized before release of the payments.
- At period –end, the Head of the Account Branch shall revise the Work Sheets maintained for ascertaining whether any of the capital work in progress qualifies for capitalization.
The Chief Municipal Officer (as the case may be) shall specify such appropriate calendar of returns/ reports for monitoring.
All Reconciliation Statements shall be certified by the Head of the Accounts Branch.

19.43 Presentation in the financial statements

The various heads of accounts used for the accounting of Municipal Works shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the Municipality. All such Financial Statements and schedules shall be affixed with signature and seal of designated authorities.

CHAPTER-20**INTER UNIT TRANSACTIONS****20.1 Introduction**

Municipalities may have decentralized accounting set up. The municipality may have more than one accounting unit (AU) within the municipality and each of these accounting units may maintain separate books of account and prepares their Trial balance. The accounting unit, as defined by the Municipality (e.g. Zone, Circle, etc.), shall maintain all the primary records and shall prepare Trial Balance in respect of the transactions relating to the accounting unit (AU).

These accounting units may also enter into accounting transactions with each other. A transaction occurring between any two accounting units shall be called 'Inter Unit Transaction' (IUT). 'Inter Unit Transactions (IUTs) are defined as transactions/ transfers between any two accounting units (AUs) of the Municipality. Given below is an illustrative list of 'Inter Unit Transactions (IUTs) that may occur between accounting units in a Municipality:

- Transfer of funds between the accounting units (AUs)
- Transfer of payments/ receipts from one accounting unit (AU) to another for payments/ collections made on behalf of another accounting unit (AU)
- Transfer of assets/ liabilities from one accounting unit (AU) to another accounting unit (AU).

The accounting units (AUs) involved in any transactions are classified as originating unit and responding by virtue of origin of transactions.

- 'Originating accounting unit (AU)' - unit, in which the transaction occurs and which raises the document for 'Inter Unit Transactions (IUTs), called 'Advice of Transfer'.
- 'Responding accounting unit (AU)' - means the accounting unit, on which the originating unit raises the 'Advice of Transfer'.

Advice of Transfer is called Advice Transfer Debit (ATD) when the originating unit debits the other accounting unit. Advice of transfer is called Advice Transfer Credit (ATC) when the originating unit credits the other accounting unit.

Final Accounts may be prepared at every accounting unit (AU) and then consolidated at (Head Office) H.O. or prepared directly at (Head Office) HO based on Trial Balance sent from every accounting unit (AU).

20.2 Accounting Principles

The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Inter Unit Transactions (IUTs):

- All 'Inter Unit Transactions (IUTs) shall be recorded on cost basis and no markup shall be included in 'Inter Unit Transactions (IUTs).
- At the year-end, the inter-unit accounts are knocked off / adjusted in the consolidated accounts of the Municipality.

20.3 Accounting records and procedures

This section describes the records, registers, documents, forms, accounting entries, etc. in respect of accounting for transactions related to 'Inter Unit Transactions (IUTs) between accounting units (AUs) of the Municipality. For the purpose of accounting, there are certain forms, registers, etc., e.g. Advice of Transfer (IUT-01), specific to 'Inter Unit Transactions (IUTs) which are annexed to this chapter and are prefixed "IUT".

20.4 Inter unit transactions

All the AUs shall first record the transactions related to Inter Units (IUTs) in its books of accounts. This shall then be intimated to the concerned unit through an Advice. Transfer Advice - Debit/ Credit in Form IUT-01 (specimen provided in Part-II) shall be used for raising all debits or credits to another accounting unit (AU). The 'Responding accounting unit (AU)' shall accept the advice and make entry in accounts based on the advice and intimate the same to the 'Originating accounting unit (AU)'.

In case of miss match of interunit transaction, the same shall be reconciled within seven days of receipt of Transfer Advice.

Register of Inter unit Advice shall be maintained to record the raising, acceptance and modifications of all advices at the originating and responding accounting unit (AU). This register shall be maintained in the Form IUT-02 (specimen provided in Part-II of this Code).

20.5 Accounting for transfer of funds between Accounting Units (AUs)

Funds may be transferred from one accounting unit (AU) to another accounting unit (AU). The accounting unit (AU), which transfers the fund originates the transaction and hence is called as 'Originating accounting

unit (AU)'. The accounting unit (AU), which receives the funds, is called 'Responding accounting unit (AU)'. The accounting entries to be passed by the accounting units (AUs) are given below:

(a) **Recording of transfer of funds in the books of 'Originating Accounting Unit (AU)'**:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
470-20-000-01	Inter Unit Account – AU*	Dr.	5,000		Cash Book, Ledger and Register of Transfer Advice
450-21-000-02	To Bank account	Cr.		5,000	

* Specify name of the accounting unit.

(a) Insert Detailed Head Code of Account as applicable.

Note: The postings in the Ledger Accounts of "Inter Unit account" shall be carried out as indicated in General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries. Whenever, the cash or the bank account is involved, there shall be no entry in the Journal Book.

(b) **Recording of receipt of funds in the books of 'Responding Accounting Unit (AU)'**:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account *	Dr.	5,000		Cash Book, Ledger and Register of Transfer Advice
470-20-000-01	To Inter Unit Account-AU **	Cr.		5,000	

* Specify name of the Bank and account number.

** Specify name of the Accounting Unit (AU).

20.6 Accounting for transfer of receipts and payments of Accounting Units (AU's)

As per the provisions and rules governing the municipality, one accounting unit (AU) may accept collections relating to another accounting unit (AU) and make payments on behalf of another accounting unit (AU). In order to account for these transactions, the 'Originating accounting unit (AU)' shall raise an Advice of Transfer (IUT-01) on the 'Responding accounting unit (AU)'.

20.6.1 Recording of Receipt of collections of another accounting unit (AU):

This type of collection generally happens only in case of Accrued Income e.g. Property Taxes, License Fees etc. At the time of recording the collection, the collection is first entered in the consolidated Debtors account and later transferred to the respective account based on the statement of head-wise collection as stated in property and other taxes. The accounting entries to be passed by the accounting units (AUs) are given below:

- **In the books of the 'Originating Accounting Unit (AU)'** : Based on the details of break-up of collection, the amount collected by the originating Accounting Unit (AU) in respect of another Accounting Unit (AU) is recorded as follows:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-80-000-a	Receivable Control Accounts -----*	Dr.	10,000		Journal, Ledger and Register of Transfer Advice
470-20-000-a	To Inter unit account-AU**	Cr.		10,000	

* Specify the head of receivable e.g. Property Tax, License Fees etc.

** Specify name of the accounting unit (AU).

(a) Insert Detailed Head Codes of Account as applicable.

- **In the books of 'Responding Accounting Unit (AU)'**: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
470-20-000-(a)	Inter unit Account- AU*	Dr.	10,000		Journal Book, Ledger and Register of Transfer Advice
431- (b)	To Receivables for ----**	Cr.		10,000	

* Specify name of the accounting unit (AU).

** Specify name of the receivable e.g. Property Tax Year ----

(a) Insert Detailed Codes of Account as applicable.

(b) Insert Minor and Detailed Codes of Account as applicable.

20.6.2 Recording of payments for another accounting unit (AU):-

These type of payments normally happen at HO on behalf of another Accounting Unit (AU). Such payments are made only after receipt of duly authorized pass orders. The accounting entries to be passed by the accounting units (AUs)'s are given below: -

- **In the books of the 'Originating' accounting unit (AU):** At the time of making the payment, the accounting entry to be passed is as follows :

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
470-20-000-(a)	Inter unit Account-AU*	Dr.	10,000		Cash Book, Ledger and Register of Transfer Advice
450-21-000-(a)	To Bank Account **	Cr.		10,000	

* Specify name of the Accounting Units (AUs).

** Specify name of the bank and account number.

(a) Insert Detailed Head Codes of Account as applicable.

- **In the books of the 'Responding' Accounting Unit (AU)'**: On receipt of the 'Transfer Advice', the relevant liability account shall be debited if the expenditure is already accrued in the books of Accounting Unit (AU). Else, it shall be debited to the relevant expense account. The accounting entry to be passed is as follows:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-10-000-(a)	Other Liabilities- Creditors.* Or ---- Expense **	Dr.	10,000		Journal, Ledger and Register of Transfer Advice
470-20-000-(a)	To Inter Unit Account – AU***	Cr.		10,000	

* Type of payable if the liability is accrued.

** Name of expense head if the expense is not accrued.

*** Specify name of the accounting unit (AU).

(a) Insert Detailed Head Codes of Account as applicable.

20.7 Accounting for transfer of assets/liabilities between Accounting Units (AU's)

Similar to collections and payments, the Municipalities shall also be allowed to transfer assets and liabilities from one Accounting Unit (AU) to another Accounting Unit (AU) for various purposes. In order to account for these transactions, the 'Originating Accounting Unit (AU)' shall raise an Advice of Transfer (IUT-01) on the 'Responding Accounting Unit (AU)'.

- 20.7.1 Recording of Transfer of Assets:** The 'Originating Accounting Unit (AU)' shall raise the Advice for Transfer – Debit (ATD) when there is a transfer of fixed assets/ stocks/other assets. The accounting entry for the Advice for Transfer-Debit (ATD) raised is as follows:

- **In the books of the 'Originating' Accounting Unit (AU)'**: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
470-20-000-(a)	Inter Unit Account – AU*	Dr.	1,00,000		Journal, Ledger and Register of Transfer Advice, Register of Fixed Assets and Register of Stocks.
470-20-000-(a)	Inter Unit Account – AU*	Dr.	20,000		
410-(b)	To Fixed Assets--**	Cr.		1,00,000	
430-(b)	To Stock in hand--**	Cr.		20,000	

* Specify name of the accounting unit (AU) as a detailed head code.

** Specify name of the assets.

(a) Insert Detailed Head Codes of Account as applicable.

(b) Insert Minor Head Codes of account as applicable.

➤ In the books of the 'Responding Accounting Unit (AU)': -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
410-(b)	Fixed Assets--*	Dr.	1,00,000		Journal, Ledger and Register of Transfer Advice, Register of Fixed Assets
430-(b)	Stock in hand	Dr.	20,000		
470-20-000-(a)	Inter Unit Account – AU**	Cr.		1,00,000	
470-20-000-(a)	Inter Unit Account – AU*	Cr.		20,000	

* Specify name of the assets.

** Specify name of the accounting unit (AU) as a detailed head code.

(a) Insert Detailed Head Codes of Account as applicable.

(b) Insert Minor Head Codes of account as applicable.

20.7.2 Recording of Transfer of Liability:

The 'Originating accounting unit (AU)' shall raise the Advice for Transfer – Credit (ATC) when there is a transfer of liabilities. The accounting entry for the Advice for Transfer-Debit (ATD) raised is as follows:

➤ In the books of the 'Originating AU':

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-10-000-(a)	---- Liability Account **	Dr.	1,00,000		Journal, Ledger and Register of Transfer Advice.
470-20-000-(a)	To Inter Unit Account – AU*	Cr.		1,00,000	

* Specify name of the liabilities.

** Specify name of the accounting unit (AU) as detailed head code.

(a) Insert Detailed Head Codes of Account as applicable.

➤ In the books of the 'Responding Accounting Unit (AU)':

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
470-20-000-(a)	To Inter Unit Account – AU*	Dr.	1,00,000		Journal, Ledger and Register of Transfer Advice.
350-10-000-(a)	----Liability Account**	Cr.		1,00,000	

* Specify name of the accounting unit (AU) as detailed head code.

** Specify name of the liabilities.

(a) Insert Detailed Head Codes of account as applicable.

20.8 Accounting for non – acceptance of Advice for Transfer – Debit (ATD)/ Advice for Transfer – Credit (ATC) raised.

20.8.01 If the 'Responding accounting unit (AU)' finds that the Advice for Transfer-Debit (ATD)/ Advice for Transfer – Credit (ATC) is not acceptable, it shall return the Advice for Transfer-Debit (ATD)/ Advice for Transfer – Credit (ATC) to the 'Originating accounting unit (AU)' giving reasons and supporting documents for non-acceptance of the Advice for Transfer-Debit (ATD)/ Advice for Transfer – Credit (ATC). The examples of reasons for non-acceptance shall be either that the Advice for Transfer-Debit (ATD)/ Advice for Transfer – Credit (ATC) have been raised on the wrong accounting unit (AU) or for an incorrect value. The 'Originating accounting unit (AU)' shall, after analyzing the reasons given for non-acceptance, either cancel the Advice for Transfer-Debit (ATD)/ Advice for Transfer – Credit (ATC) or modify the same.

20.8.02 **Recording of Cancellation of Advice for Transfer-Debit (ATD)/ Advice for Transfer – Credit (ATC):** If the reasons claimed in the Advice for Transfer-Debit (ATD)/ Advice for Transfer – Credit (ATC) are justifiable, then the accounting units (AUs) Accounts Branch shall cancel the Advice for Transfer-Debit (ATD)/ Advice for Transfer – Credit (ATC). On cancellation, Accounts Branch of the 'original accounting unit (AU)' shall reverse the entry passed by it on raising the Advice for Transfer-Debits (ATDs)/ Advice for Transfer – Credits (ATCs) in its books.

The 'Originating accounting unit (AU)' shall update the Register of 'Inter Unit Transaction (IUT) Advice for the reversal entry made above with the reasons for cancellation.

20.9 Part acceptance of the Advice for Transfer-Debit (ATD)/ATC

There are chances that the 'Responding accounting unit (AU)' might accept part amounts of Advice for Transfer-Debits (ATDs)/ Advice for Transfer – Credits (ATCs) instead of non-acceptance of the whole document. In such circumstances, the 'Responding accounting unit (AU)' may account for debits and credits to the extent it has accepted and intimates the 'Originating accounting unit (AU)' accordingly.

The 'Originating accounting unit (AU)', in such circumstances, shall follow the following accounting procedure if the reasons for rejection claimed by the 'Responding accounting unit (AU)' are found justified in order to rectify the accounting records of its books:

- **Step 1:** Cancel the original Advice for Transfer-Debit (ATD)/ Advice for Transfer – Credit (ATC): For cancellation of the Advice for Transfer-Debit (ATD) or Advice for Transfer – Credit (ATC), which is being modified, the Accounts Branch of the 'Originating accounting unit (AU)' shall follow the procedure described in Para 20.08.02 above.
- **Step 2:** Raising of revised Advice for Transfer-Debit (ATD)/ Advice for Transfer – Credit (ATC): For raising a revised Advice for Transfer-Debit (ATD)/ Advice for Transfer – Credit (ATC), the 'Originating accounting units (AUs)' Accounts Branch shall follow the procedure described in Paras 20.05 and 20.06 above.

The 'Originating Accounting Units (AUs)' Accounts Branch shall update the Register of 'Inter Unit Transaction (IUT) Advice for the same along-with the reasons for modification.

20.10 Internal controls

The following internal controls shall be observed by the Municipality in respect of 'Inter Unit Transaction (IUT) within the Municipality:

- All the accounting units (AUs) shall generate monthly statement of accounts of other accounting units (AUs)accounts for circulation. The competent authority, before forwarding to other accounting units (AUs), shall verify these statements. Each accounting unit (AU) shall then reconcile their records based on the statement of accounts received from other accounting unit (AU) for the differences, if any.
- Originals of all the cancelled Advice for Transfer-Debits (ATDs)/ Advice for Transfer – Credits (ATCs) shall be filed in the 'office file' with approval and reasons with justification for cancellation.
- On a half yearly basis, the reconciliation statements of individual accounting unit (AU) shall be submitted at the Head Office of the Municipality and the Head of the Accounts Branch shall ensure that the combined balance under all 'Inter Unit Transaction (IUT) account heads are tallied with the balance appearing in the Advice for Transfer-Debit (ATDC).
- In case of any disputed 'Inter Unit Transactions (IUTs) identified during the reconciliation process, the Municipality's Accounts Branch shall take appropriate action in resolving the disputed 'Inter Unit Transactions (IUTs).
- At the period end, based on the review of reconciliation of accounting unit (AU)account balances referred above, the Head of the Municipalities/Accounts Branch shall ensure that the balance of all

'Inter Unit Transaction (IUT) Account heads is nullified in the consolidated accounting statement of the Municipality.

20.11 Presentation in financial statements

The various heads of account used for the accounting of Inter Unit Transaction (IUT) shall not be reflected in the Consolidated Financial Statements of the Municipality as they shall have a nil balance after adjustments. However, if Financial Statement is prepared at the accounting unit (AU) level, then Inter Unit Transactions (IUT) balances will appear in the Financial Statements. All such Financial Statements and Schedules shall be affixed with signature and seal of designated authorities.

CHAPTER-21
INVESTMENTS

21.1 Introduction

This chapter contains accounting system in relation to investment transactions, i.e., transactions dealing with surplus or other funds.

The Municipality invests surplus funds available with it as per state laws under which it was constituted.

Investment means assets held not for operational purposes or for rendering services and comprises financial assets resulting from investments of cash surpluses (e.g., securities, shares, debentures, etc.).

Investments are assets held by a Municipality for earning income by way of dividends, interest, and rentals, for capital appreciation, or for other benefits to the investing Municipality.

A separate Account Code has to be assigned for each type of the investments made by the Municipality.

21.2 Classification of Investment:

Investments shall be classified based on the maturity profile / nature into short-term and long-term.

Current investment is an investment that is by its nature readily realizable and is intended to be held for not more than one year from the date on which such investment is made.

Long term investment is an investment other than a current investment.

21.3 Basic Terms

Fair value is the amount for which an asset may be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction. Under appropriate circumstances, market value or net realizable value provides evidence of fair value.

Market value is the amount obtainable from the sale of an investment in an open market, net of expenses necessarily to be incurred on or before disposal.

Investment Income means Income in the form of interest, dividends, and capital gains collected upon the sale of an Investment.

Cost of Investments

- The cost of an investment includes acquisition charges such as brokerage, fees and duties.
- If an investment is acquired in exchange, or part exchange, for another asset, the acquisition cost of the investment is determined by reference to the fair value of the asset given up. It may be appropriate to consider the fair value of the investment acquired if it is more clearly evident.
- Interest, dividends and rentals receivables in connection with an investment are generally regarded as income, being the return on the investment. However, in some circumstances, such inflows represent a recovery of cost and do not form part of income. For example, when unpaid interest has accrued before the acquisition of an interest-bearing investment and is therefore included in the price paid for the investment, the subsequent receipt of interest is allocated between pre-acquisition and post-acquisition periods; the pre-acquisition portion is deducted from cost. When dividends on equity are declared from pre-acquisition profits, a similar treatment may apply. If it is difficult to make such an allocation except on an arbitrary basis, the cost of investment is normally reduced by dividends receivable only if they clearly represent a recovery of a part.

A separate code of account has to be assigned for each type of the investments made by the Municipality.

21.4 Principles Guiding Investment of surplus funds: Government of India has issued certain guiding principles for making investments out of surplus funds of Public Sector Undertaking (PSU)/Autonomous Bodies, which are listed as under. However, investments shall be made strictly as per guidelines issued by Government of Haryana, Finance Department:

- (a) Investment shall be made only in instruments with maximum safety.
- (b) There shall be no element of speculation on the yield obtaining from the investment.
- (c) There shall be a proper commercial appreciation before any investment decision of surplus funds is taken. The surplus availability may be worked out for a period of minimum one year at any point of time.
- (d) Funds shall not be invested at a particular rate of interest for a particular period of time while such bodies are resorting to borrowings at an equal rate or higher rate of interest for its requirements for the same period of time.
- (e) Investment decision shall be based on sound commercial judgement. The availability shall be worked out based on cash flow estimates taking into account working capital requirements, replacement of assets and other foreseeable demands.

- (f) The remaining period of maturity of any instrument of investment shall not exceed one year from the date of investment, where the investment is made in an instrument already issued. Where investment is made in an instrument newly issued, the final maturity of the instrument shall not exceed one year. However, only in case of term deposits with banks, it may be up to three years.

21.4.1 Eligible Investment: Investments may be made in Term deposit with any scheduled commercial bank (i.e., banks incorporated in India) and with a paid up capital of minimum ₹100 crores, fulfilling the capital adequacy norms as prescribed by RBI from time to time. These adequacy norms shall be reflected in the last published balance sheet, subject to principles outlined in the previous paragraph:

21.4.2 Authority Competent to Invest: Decision on Investment of surplus funds shall be taken by the municipality concerned. However, decision involving short-term surplus funds up to one year maturity may be delegated up to a limit of investment to Chief Municipal Officer. Where such delegation will be made, the delegation orders shall spell out the levels of approval and the powers of each official, which shall be strictly observed.

21.5 ACCOUNTING PRINCIPLES

The following accounting principles shall govern the recording, accounting and treatment of transactions relating to Investments:

- Investment shall be recognized at cost of investment. The cost of investment shall include cost incurred in acquiring investment and other incidental expenses incurred for its acquisition.
- All long-term investments shall be carried / stated in the books of accounts at their cost. However, in the event of any permanent diminution in their value as on the date of balance sheet, these shall be provided for.
- Short-term investments shall be carried at their cost or market value (if quoted), whichever is lower.
- Interest on investments shall be recognized as and when due. At period- ends, interest shall be accrued proportionately.
- Dividend on investments shall be recognized on actual receipt.
- Profit/loss, if any, arising on disposal of investment (net of selling expense such as commission, brokerage, etc.) from the Municipal Fund shall be recognized in the year when such disposal takes place.
- Income on investments made from Special Fund and Grants under specific purpose shall be recognized and credited to Special Fund and Grants for Specific purpose respectively, whenever accrued. Profit/loss, if any, arising on disposal of investments (net of selling expense such as commission, brokerage, etc.) Made from the Special Fund and Grants under specific purpose shall be recognized and credited/debited to Special Fund Account and Grant under specific purpose Account respectively. However, interest or gains from an investment made from grants received as reimbursements, shall be credited to municipal / general fund of the Municipality instead of the Grant account.

21.6 ACCOUNTING RECORDS AND PROCEDURES

This para describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to investments. For the purposes of accounting of investments, the register applicable is specific to investments, e.g., Investment Register - Form GEN-45. The Accounts Branch shall maintain an Investment Register in Form GEN-45. Details of investment made from the Municipal Fund, various Special Funds and Grants for specific purpose shall be recorded separately in the Investment Register.

21.7 Investment from Municipal Fund, Special Funds and Grant for specific purposes

For investment made from the Municipal Fund, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
420-(a)	Municipal Fund Investment*	Dr.	10,000		Cash Book, Ledger and Investment Register
450-21-000-(b)	To Bank Account**	Cr.		10,000	

*Separate folios shall be maintained in respect of each of the investments made in the Investment Register.

** Specify name of the Bank and Account number.

(a) Insert Minor and Detailed Head Codes of Account as applicable.

(b) Insert Detailed Head Codes of Account as applicable.

Note: The postings in the Ledger Account of “Municipal Fund Investment” Account shall be carried out as indicated in Chapter 4—General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book.

Recording of investment made from Special Funds: -

For investment made from Special Funds, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
421-(a)	Special Fund Investment*	Dr.	10,000		Cash Book, Ledger, Investment Register and Special Fund Register
450-41-000-(b)	To Designated Bank Account**	Cr.		10,000	

*Separate accounts shall be maintained for investments made from different funds.

**Specify name of the bank.

(a) Insert Minor and Detailed Head Codes of Account as applicable.

(b) Insert Detailed Head Codes of Account as applicable.

Recording of investment made from Grants for specific purposes: -

For investment made from Grants for specific purposes, the Accounts Branch shall pass the following entry: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
421-(a)	Grant Investment*	Dr.	10,000		Cash Book, Ledger, Investment and Grant Register
450-41-000-(b)	To Designated Bank A/c**	Cr.		10,000	

*Separate accounts shall be maintained for investments made from different grants for specific purposes, such as, Grants from Central Government, State Government and Others.

**Specify name of the bank.

(a) Insert Minor and Detailed Head Codes of Account as applicable.

(b) Insert Detailed Head Codes of Account as applicable.

Designated bank accounts of Special Funds and Grants shall be credited for investment made from respective funds and grants.

21.8 Income from Investment

Recording of receipt of interest/dividend on investments from the Municipal Fund: -

To record the receipt of interest/dividend on the Municipal Fund Investments, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr. /Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account**	Dr.	1,000		Cash Book, Ledger and Investment Register
170-10-000-(a)	To Income from Investments-Interest	Cr.		800	
170-20-000-(a)	To Income from Investments-Dividends	Cr.		200	

*Specify name of the bank.

(a) Insert Detailed Head Codes of Account as applicable.

Recording of receipt of interest/dividend on investments from the Special Funds 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. To record the receipt of interest/dividend on investments made from Special Funds or Grants, the Accounts Branch shall pass the following entries:

(a) Recording of interest/dividend received on Special Fund Investments: -

To record the interest/dividend received on Special Fund Investments, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-41-000-(a)	Designated Bank Account**	Dr.	1,000		Cash Book, Ledger, Investment Register, Special Fund Register and Register of Sinking Fund
311-10-000-(a)	To Special Funds**	Cr.		1,000	

*Specify name of Bank and Account number.

** Specify name of the Special Fund.

(a) Insert Detailed Head Codes of Account as applicable.

(b) Recording of interest/dividend received on Grant Investments: -

To record the interest/dividend received on Grant Investments, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-41-000-(a)	Designated Bank Account**	Dr.	1,000		Cash Book, Ledger, Investment Register and Grant Register.
320-(b)	To Grants for specific purpose**	Cr.		1,000	

*Specify name of Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

(b) Insert Minor and Detailed Head Codes of Account as applicable.

Interest earned on investments made from Special Funds and Grants shall be updated in the Investment Register along with Special Funds Register Grants Register.

21.9 Reinvestment of interest amounts

Investments are re-invested along with interest on many occasions: -

To re-invest the investments along with interest, interest earned will be transferred to Municipal Fund Investment Account for which the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
420-(a)	Municipal Fund-Investments**	Dr.	1,000		Ledger and Investment Register.
170-10-000-(b)	To Income from Investments-Interest	Cr.		1,000	

(a) Insert Detailed Head Codes of Account as applicable.

(b) Insert Minor and Detailed Head Codes of Account as applicable.

Similar entries will be passed for other funds.

21.10 Period-end Procedures

At period-end, interest shall be accrued on investments made from the date of last receipt of interest till the end of the accounting period. The accrual of interest shall include both interests due for receipt and interests not due for receipt. This may be explained with the help of an illustration. For instance, assume interest on Municipal Fund Investment of ₹1 lac is payable half yearly on 30th June and 31st December at 10% per annum, which implies that interest of ₹5000 is receivable on 31st December 2020 of the current accounting year and ₹5000 is receivable on 30th June 2021 of the next accounting year. However, interest for the period from the date of last receipt, i.e., 30th December 2020 to the end of the accounting year needs to be accounted in the books of account as interest is computed on the basis of time elapsed. Thus, ₹2500 (10% on ₹1 lac for 3 months), i.e., interest for the intervening period shall be recorded in the books of accounts. In the case interest due for half year ended 31st December of ₹5,000 which is not received till March i.e. Year end, it shall be accounted as 'Interests accrued and due' and the interest accrued for the three months period up to 31st March, 2021 of ₹2,500 shall be accounted as 'Interest accrued but not due'.

Recording of Interest accrued on Municipal Fund Investments: -

At period-end, to record the interest accrued on Municipal Fund Investments, the Accounts Branch shall pass the following entry: -

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-40-000-02	Receivable from Other sources interest accrued and due on Municipal Fund Investment	Dr.	5,000		Journal Book, Ledger and Investment Register.
431-40-000-03	Receivable from Other Sources-Interest accrued and not due on Municipal Fund	Dr.	2,500		
170-10-000-(a)	To Investment Income-Interest from Municipal Fund Investments	Cr.		7,500	

(a) Insert Detailed Head Codes of Account as applicable.

(a) Recording of Interest accrued on Investments made from the Special Funds:-

In case the investment in the illustration is made from the Special Fund, 'interest accrued and due on Investments' and 'interest accrued and not due on Investments' shall be added to the respective Special Fund for which the Accounts Branch shall pass the following entry: -

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-40-000-02	Receivable from Other sources- interest accrued and due on Special Fund Investment	Dr.	5,000		Journal Book, Ledger and Investment Register.
431-40-000-03	Receivable from Other Sources-Interest accrued and not due on Special Fund Investment	Dr.	2,500		
311-10-000-(a)	To Special Fund*	Cr.		7,500	

*Specify name of the Special Fund.

(a) Insert Detailed Head Codes of Account as applicable.

(b) Recording of interest accrued on investments made from the Grants: - In case the investment in the illustration is made from funds received in the form of Grant, 'interest accrued and due on investments' and 'interest accrued and not due on investments' shall be added to the respective Grant for which the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-40-000-02	Receivable from Other sources- interest accrued and due on Grant Investment	Dr.	5,000		Journal Book, Ledger and Investment Register.
431-40-000-03	Receivable from Other Sources-Interest accrued and not due on Grant Investment	Dr.	2,500		
320-(a)	To Grant for specific purpose	Cr.		7,500	

(a) Insert Minor and Detailed Head Codes of Account as applicable.

Reversal of Interest accrued on Municipal Fund Investments and Grants received as reimbursements:

At the beginning of the next accounting period, the entry for accrual of interest on Municipal Fund Investment shall be reversed by passing the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
170-10-000-(a)	Investment Income-Interest from Municipal Fund Investment	Dr.	7,500		Journal Book, Ledger and Investment Register.
431-40-000-02	Receivable from Other Sources-Interest accrued and due on Municipal Fund Investment	Cr.		5,000	
431-40-000-03	Receivable from Other Sources-Interest accrued and not due on Municipal Fund Investment	Cr.		2,500	

(a) Insert Detailed Head Codes of Account as applicable.

Reversal of Interest accrued on investments made from Special Funds:

At the beginning of the next accounting period, the entry for accrual of interest on Investments made from the Special Funds shall be reversed by passing the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
311-10-000-(a)	Special Fund*	Dr.	7,500		Journal Book, Ledger and Investment Register.
431-40-000-02	Receivable from Other Sources-Interest accrued and due on Special Fund Investment	Cr.		5,000	
431-40-000-03	Receivable from Other Sources-Interest accrued and not due on Special Fund Investment	Cr.		2,500	

(a) Insert Detailed Head Codes of Account as applicable.

Through the above reversing entries passed above, the entry for period end interest income passed in the current accounting period shall be reversed in the next accounting period. Money received during the next

accounting period in respect of the concerned head of accounts shall be recorded by credits to the concerned head of accounts in the same manner as receipt of interest income accruing and arising in the next period.

The debits made in the interest income account through above entries shall be for a temporary period and shall automatically be set-off when credits shall be given in the next accounting period. Through this, interest of ₹7,500 is recognized as an income of the current accounting period and not as an income of the next accounting period when money is actually received.

21.11 Maturity/Disposal of Investment

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 depending on whether the amount received on disposal of investment is more or less than the cost of investment. 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 whereas, in case of Special Funds Investments or Grants Investments, the profit realized or loss incurred shall be adjusted in the Special Fund or Grant.

This is explained with the following illustration wherein an original investment which had cost ₹9000 is disposed under three different alternative scenarios resulting in no profit or loss in Scenario I, profit in Scenario II and loss in Scenario III.

(a) **Investment is disposed of at ₹9000 and thus only cost is recovered:** - In this case, the Accounts Branch shall pass the following entries for money realized:

➤ In case of Municipal Fund Investments: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account*	Dr.	9,000		Cash Book, Ledger and Investment Register.
420-(a)	To Municipal Fund Investment	Cr.		9,000	

*Specify name of the Bank and Account number.

(a) Insert Detailed Codes of Account as applicable.

➤ In case of Special Fund Investments:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-61-000-(a)	Designated Bank Account*	Dr.	9,000		Cash Book, Ledger, Investment Register, Special Fund Register and Register of Sinking Fund.
421-(b)	To Special Fund Investment**	Cr.		9,000	

* Specify name of the Bank and Account number.

**Separate accounts shall be maintained for investments made from different funds such as provident fund, pension fund, sinking fund, etc.

(a) Insert Detailed Head Codes of Account as applicable.

(b) Insert Minor and Detailed Head Codes of Account as applicable.

➤ In case of Grant Investments:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
450-61-000-(a)	Designated Bank Account*	Dr.	9,000		Cash Book, Ledger, Investment Register, and Grant Register.
421-(b)	To Grant Investment**	Cr.		9,000	

Separate accounts shall be maintained for investments made from different grants for specific purposes, such as Grants from Central Government, State Government and others.

(a) Insert Detailed Head Codes of Account as applicable.

(b) Insert Minor and Detailed Head Codes of Account as applicable.

- (b) Suppose investment instead of being disposed of at ₹9000 is disposed of at ₹9,500 (after deducting cost of disposal of investment such as brokerage, commission, etc.), thus resulting in a profit of ₹500. The Accounts Branch shall pass the following entry for money received and profit realized on disposal of investment: -

(i) **For money realized on disposal of investment:** - Entries referred to in (a) above shall be passed for money realized on disposal of investment.

(ii) **For recording profit realized on disposal of investment:**

In case of Municipal Fund Investments

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
420-(a)	Municipal Fund Investment	Dr.	500		Journal Book, Ledger, and Investment Register
170-40-000-(b)	To Profit on sale of Investment	Cr.		500	

(a) Insert Minor and Detailed Head Codes of Account as applicable.

(b) Insert Detailed Head Codes of Account as applicable.

In case of Special Fund Investments: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
421-(a)	Special Fund Investment *	Dr.	500		Journal Book, Ledger, Special Fund Register and Register of Sinking Fund.
311-10-000-(b)	To Special Fund**	Cr.		500	

* Separate accounts shall be maintained for investments made from different funds etc.

** Specify name of the Special Fund.

(a) Insert Minor and Detailed Head Codes of Account as applicable.

(b) Insert Detailed Head Codes of Account as applicable.

In case of Grant Investments

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
421-(a)	Grant Investment *	Dr.	500		Journal Book, Ledger, Investment Register and Grant Register.
320-(a)	To Grants for Specific Purposes	Cr.		500	

* Separate accounts shall be maintained for investments made from different grants for specific purposes, such as Grants from Central Government, State Government and Others.

(a) Insert Minor and Detailed Head Codes of Account as applicable.

(c) Suppose the investment is disposed at ₹8500 (after deducting cost of disposal of Investment such as brokerage, commission, etc.), thus resulting in a loss of ₹500, the Accounts Branch shall pass the following entries for money received and loss incurred on disposal of investment:

(i) For money realized on disposal of investment: - Entries referred to in (a) above shall be passed for money realized on disposal of investment, i.e., ₹ 8,500.

(ii) **For recording loss incurred on disposal of investment:**

In case of Municipal Fund Investments

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
271-20-000-(a)	Loss on sale of Investments	Dr.	500		Journal Book, Ledger, Investment Register.
420-(b)	To Municipal Fund Investment	Cr.		500	

* Separate folios shall be maintained in respect of each of the investments made in the Investment Register.

(a) Insert Detailed Codes of Account as applicable.

(b) Insert Minor and Detailed Codes of Account as applicable.

In case of Special Fund Investments

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
271-20-000-(a)	Loss on sale of investment	Dr.	500		Journal Book, Ledger, Investment Register, Special Fund register and Register of Sinking Fund.
421-(b)	To Special Fund	Cr.		500	

* Specify name of the Special Fund.

** Separate accounts shall be maintained for investments made from different funds such as, provident fund, pension fund, etc.

(a) Insert Detailed Codes of Account as applicable.

(b) Insert Minor and Detailed Codes of Account as applicable.

In case of Grant Investments

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
271-20-000-(a)	Loss on sale of investment	Dr.	500		Journal Book, Ledger, Investment Register and Grant Register.
421-(b)	To Grant Investment	Cr.		500	

*Separate accounts shall be maintained for investments made from different grants for specific purposes, such as Grants from Central Government, State Government and Others.

(a) Insert Detailed Codes of Account as applicable.

(b) Insert Minor and Detailed Codes of Account as applicable

Profit or Loss arising on disposal of Special Funds Investments and Grants Investments shall be updated in the Special Funds Register and Grants Register.

21.12 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 being less than the carrying value of the investments at the end of period, the diminution in the value of investments shall be accounted as charge to the Income and expenditure account in the case of General 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.

At the end of the financial year, the Accounts Branch has to ascertain whether any amount has to be provided towards diminution or decline in value of the investments. The provision required in accordance with the accounting principle shall be calculated investment wise. The total amount of provision so calculated shall 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 the provision calculated, such excess in the books shall have to be written back. For the purpose of calculation for provision, calculation sheet as provided in Form IN- 2 shall be used. To record the diminution in value of long-term investments and fall in the value of short-term investments, the Accounts Branch shall pass the following entries:

In case of Municipal Fund Investments

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
270-20-000 (a) 420-(b)	Diminution in the value of Assets-Investments To Municipal Fund Investments*	Dr. Cr.	500	500	Journal Book, Ledger and Investment Register.

* In the case of long-term investment, the account to be credited is 'Provision for decline in the value of investments' (under the account head 420-90-(a) and the Investment value will be shown net of the balance in this account).

- (a) Insert Detailed Head Codes of Account as applicable.
(b) Insert Minor and Detailed Head Codes of Account as applicable.

In case of Grants

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
270-20-000-(a) 421-(b)	Grants for specific purposes To Grant Investments*	Dr. Cr.	200	200	Journal Book, Ledger and Investment Register and Grant Register.

* Separate accounts shall be maintained for investments made from different grants of specific purposes.

- (a) Insert Detailed Codes of Account as applicable.
(b) Insert Minor and Detailed Head Codes of Account as applicable

Investments, after provision for diminution, shall be carried in Financial Statements at the reduced value. Any appreciation in market value of both short-term and long-term investments over the cost of investments shall be ignored. If the appreciation is in respect of investments for which provision for diminution in value or fall in value was made in earlier years, the value of the said investments shall be appreciated by an amount not greater than the provision for diminution / fall in value made in earlier years. To record the appreciation in value of investment, the Accounts Branch shall pass the following entries:

In case of Municipal Fund Investment

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
420-(a)	Municipal Fund Investment	Dr.	200		Journal Book, Ledger and Investment Register.
170-80-(b)	To Appreciation in value of Investment	Cr.		200	

(a) Insert Minor and Detailed Codes of Account as applicable.

(b) Insert Detailed Head Codes of Account as applicable

Note 1: It is presumed that the market value of current investments increases as follows:

- Investments in respect of which diminution in value had been provided in earlier years- Rs 250.
- Investment in respect of which no diminution was provided—₹50.

Note 2: The appreciation in value of investments for which diminution provision was provided in earlier years shall be restricted to provision for diminution provided. Thus, the appreciation in value of such investments is restricted to ₹200/- (equivalent to diminution provided) despite increase in market value by ₹250. In respect of investments for which no diminution was provided in earlier years, the increase in market value of ₹50 shall be ignored.

In case of Special Funds Investments: -

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
421-(a)	Special Fund Investment	Dr.	200		Journal, Ledger, Investment Register, Special Fund Register of Sinking Fund.
311-10-000-(b)	To Special Fund*	Cr.		200	

* Specify the name of the Special Fund.

(a) Insert Minor and Detailed Head Codes of Account as applicable.

(b) Insert Detailed Head Codes of Account as applicable.

In case of Grant Investments:-

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
421-(a)	Grant Investment*	Dr.	200		Journal Book, Ledger, Investment Register and Grant Register.
311-10-(b)	To Grants for specific purpose	Cr.		200	

(a) Insert Minor and Detailed Head Codes of Account as applicable.

(b) Insert Detailed Head Codes of Account as applicable

Investments, whose value has appreciated on account of reversal in diminution in value, shall be disclosed in the Financial Statements at their increased value.

21.13 Internal Control

The following internal controls shall be observed by the Municipality:

- The Head of the Accounts Branch shall ensure that investments are made as per the laws applicable.
- At the end of every month, the Head of the Accounts Branch or other officer designated in this behalf shall reconcile the ledger balance of various Investment Accounts with the Investment Register.
- At the end of the financial year, the Head of the Accounts Branch shall conduct physical verification of investments and reconcile the balance as denoted in the investments with the balance in ledger accounts. Each of the investment certificate/instrument/document shall be tallied with the Investment Register.
- The Head of the Accounts Branch or other officer designated in this behalf shall review the Investment Register on a weekly basis to identify and list investments maturing within the next two weeks for information of the Municipality.
- The Head of the Accounts Branch shall ensure that interest/dividend on investments is actually received as per the terms of the investments.
- The Head of the Accounts Branch shall ensure that the investments at the end of the financial year are valued at cost or market price, whichever is less. Further, they shall ensure that investments are not stated over the original cost of acquisition.
- The Chief Municipal Officer may prescribe appropriate MIS Reports at their level for monitoring.
- The Head of the Accounts Branch shall certify all Reconciliation Statements.

21.14 Presentation in financial statements

The various heads of accounts used for the accounting of investments related transactions shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the Municipality. These Financial Statements and schedules shall be affixed with signature/seal of authorized staff. The schedules of Income and Expenditure Statement in respect of the income earned from Municipal Fund Investments are provided in Part-II of this Account Code. The Balance Sheet Abstracts in respect of Investments are provided in Part-II of this Account Code.

CHAPTER-22
MERGER/DE-MERGER OF LOCAL BODIES

22.1 Introduction

This section explains accounting principles and procedures to be followed by the Municipalities for the merger of Municipality /Undertakings.

Additions to or merger in Municipality may happen under the following circumstances.

- Merger between two or more local bodies for up-gradation or for some administrative reasons
- Merger of any undertaking / Boards (para-state agencies) which performs some of the functions assigned to the Local Bodies.

The Municipality /Undertaking into which other municipalities/Undertakings are to be merged shall be called as 'Ultimate Municipality /Undertaking'.

22.2 ACCOUNTING PRINCIPLES

The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Addition to/Merger of Local Bodies/undertakings:

The financial statements of the merging local bodies/undertakings shall be consolidated at the cut-off dates under the pooling of interest method. The assets, liabilities, reserves and fund balances of the merging local bodies are recorded at their existing carrying amounts. However, it must be ensured that accounting principles adopted for preparation of financial statements of merging local bodies shall be same.

The financial statements prepared on consolidation shall disclose

- Names of the local bodies merged
- Authority under which the merger has taken place
- Effective date of merger
- Principles adopted for consolidation

22.3 ACCOUNTING RECORDS AND PROCEDURES

This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related addition to or merger of municipalities.

Incorporation of balances of the extended area in the books of ultimate Municipality /Undertaking:

The financial statements of the individual Municipality/undertakings under the merger shall be prepared at the cut off dates and finalized.

Once the financial statements are finalized, the closing balances as at the cutoff date shall be carried over to the ultimate Municipality accounts to which the operations are merged.

The following accounting entries shall be passed in the books of the ultimate Municipality /Undertaking for incorporating the assets and liabilities of individual municipalities /Undertakings to be merged in the books of the Ultimate Municipality Undertaking:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
410-(a)	Fixed assets	Dr	1,20,000		Journal Book, Ledger The following Registers will Be updated:
412-(a)	Capital work in progress	Dr	53,000		
430-(a)	Sundry Debtors	Dr	2,10,000		
450-21-000-(b)	Municipal Fund Bank	Dr	25,000		
311-10-000-(b)	To Special fund	Cr		60,000	I. Fixed Assets II. Capital Work in Progress III. Special Funds IV. Loans V. Deposits Received VI. Provision For expenses
330-(a)	To Secured Loans	Cr		80,000	
340-(a)	To Deposits received	Cr		40,000	
350-(a)	To Other liabilities	Cr		97,000	
360-10-000-(b)	To Provision for expenses	Cr		16,000	
411-(a)	To Accumulated Depreciation	Cr		45,000	
432-(a)	To Accumulated Provision for Receivables	Cr		20,000	
310-(a)	To Municipal fund	Cr		50,000	

(a) Insert Minor and Detailed Head Codes of accounts as applicable.

(b) Insert Detailed Head Codes of accounts as applicable

Note: Since the incorporation of account balances is made under the line-by-line method, the account balances are incorporated without netting off e.g. Sundry Debtors and Provision for doubtful receivables.

The financial statements of the Ultimate Municipality /Undertaking after the merger shall be treated as the Opening Balance Sheet for the subsequent year.

22.4 Negative Municipal Fund Account balances

In case of Municipal fund account balances of one or more municipalities under merger is negative, these negative balances will get adjusted on incorporation of the account balances of the individual municipalities into the Municipal fund account balance of the Ultimate Municipality.

Further, the 'General/Municipal' Fund Account Schedule shall be disclosed under liabilities and as a separate line item in the financial statements of the Municipalities irrespective of the nature of balance it carries.

22.5 Adjustment of inter- Municipality /undertaking transactions

Inter- Municipality /Undertaking transactions shall be those transactions wherein the services /goods of one Municipality are availed by other Municipality /Undertakings. Examples of inter Municipality /Undertaking transactions are as follows:

- Supply of water by 'Town Municipality' to 'School Boards and Primary Education Societies'
- Loans and advances between the local bodies/undertakings;
- Interest on loans and advances between the local bodies/undertakings;

Adjustment entries in respect of inter Municipality/Undertaking transactions: Inter Municipality/Undertaking balances, if any, will have to be first matched. If there are any differences, it has to be reconciled. Once the balances are matched, the accounting entries that are to be passed in the books of Ultimate Municipality /Undertaking for the adjustments are explained with the following example.

- Adjustment of Loans received amounting to ₹ 1,00,000 from the Ultimate Municipality/Undertaking by other municipalities/Undertakings under merger;
- Adjustment of an amount totaling to ₹ 23,000 receivable by the Ultimate Municipality /Undertaking from other Municipalities/Undertakings;
- Adjustment of interest on loans by Ultimate Municipality/Undertaking to other Municipalities/Undertakings amounting to ₹ 10, 000.

For elimination of the inter municipalities/Undertaking transaction

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
330- (a)	Loans	Dr	1,00,000		Journal Book, Ledger Register of Loans, Register of Provisions
350-(a)	Other Liabilities	Dr	23,000		
360-20-000-(b)	Provision for Interest	Dr	10,000		
460-(a)	To Loans and Advances	Cr		1,00,000	
431-(a)	To Sundry Debtors	Cr		23,000	
460-80-000-(b)	To Interest receivable – Loans and advances	Cr		10,000	

(a) Insert Minor and Detailed Head Codes of accounts as applicable.

(b) Insert Detailed Head Codes of accounts as applicable

Differing accounting principles

In case, the accounting principles adopted by Municipalities/Undertakings differ, a uniform set of accounting principles are to be adopted following the merger. The effect of the changes to the accounting principle shall be reported as 'Prior period and extraordinary items and changes in accounting principles' in the first year of merged accounts.

22.6 INTERNAL CONTROLS

The following internal controls shall be observed by the Municipality in respect of Merger of two or more Municipalities and its related transactions:

- The account balances of the financial statements of the individual Municipalities' / Undertakings' under merger shall be verified by the Accounts Branch before incorporation of their balances in the books of the Ultimate Municipality /Undertaking.

-
- The Accounts Branch of the Ultimate Municipality / Undertaking shall compare the Municipalities' / Undertakings' balances and differences, if any, identified have to be reconciled and rectified before incorporating the balances in the books of Ultimate Municipality / Undertaking.
 - All the Municipalities' / Undertakings' transactions shall be identified and ensured that these are appropriately adjusted in the books of ultimate Municipality / Undertaking.

CHAPTER-23
AUDIT AND ACCOUNTS

23.1 Introduction

The Municipal Account as contained in the financial statements including the accounts of special funds, if any, and the balance sheet shall be examined and audited for every financial year by Director Local Audit or his equivalent authority or an Auditor appointed by the State Government in Finance Department. In addition to the annual audit as prescribed in the (clause), the **state government in Finance Department** may appoint any other auditor for the following audits:-

- (a) Internal Audit
- (b) Concurrent Audit
- (c) Special Audits ordered by the State Government
- (d) Grant Audit
- (e) Performance Audit
- (f) Social Audit
- (g) Any other audit

23.1.1 The State Government may, however, direct that the accounts of a specified Municipality be audited from day to day by one or more resident auditors on the establishment of the Director, Local Audit Haryana.

23.1.2 In addition to the ordinary audit against statute rules and orders, higher audit will be conducted with reference to the canons of financial propriety reproduced below:-

- (i) Every Public Officer shall exercise the same vigilance in respect of expenditure incurred from Government Revenues or other public funds as a person of ordinary prudence shall exercise, in respect of the expenditure of his own money.
- (ii) Money borrowed on the security of allocated revenues shall be expended on those objects only for which, as provided by rules, made under the Act, money may be so borrowed. If the money is utilized on works which are not productive, arrangements shall be made for the amortization for the debt.
- (iii) No authority shall exercise its powers of sanctioning expenditure to pass an order which will be directly to its own advantage.
- (iv) Government revenues of public funds shall not be utilized for the benefit of a particular person or section of the community unless: -
 - The amount of expenditure involved is significant, or
 - A claim for the amount shall be enforced in a court of law, or
 - The expenditure is in pursuance of recognized policy or custom.

23.1.3 The Municipality shall pay to Government an audit fee calculated, according to the number of auditors engaged on auditing the accounts of the Municipality.

23.1.4 The audit fee payable under the provisions of sub-para (2) shall be paid by means of a book transfer from the municipal fund made by the bank on the requisition of the auditor conducting the audit.

“The state Government may, however, direct that the accounts of a specified committee be audited on day to day basis by one or more resident auditors on the establishment of the Director, Local Audit, Haryana.”

Note – In Municipality in which Resident Audit Schemes are in operation, the Municipality will be required to pay the cost of establishment of audit staff in the shape of audit fee as worked out and intimated by the Director, Local Audit, Haryana or such smaller sum, as the Government may determine.

23.1.5 The Municipality shall produce, at the time of audit, all such accounts, registers, documents and papers, as may be required, by the audit officer for the purpose of the audit.

23.1.6 It shall be open to an audit officer by public notice or otherwise, to invite the public, to assist in his audit, by the production of receipts, passes or other documents issued by employees of the Municipality in acknowledgement of money paid to the Municipality.

23.1.7 After each audit of its accounts, the Municipality shall deal promptly with the objection statement, audit requisitions and audit note sent by the audit officers and shall, as soon as possible, decide upon the action to be taken on the objections and suggestions made by the audit officer; the action so taken shall be indicated on an interleaved copy of the audit note, and one copy of such annotated copy of the audit note shall be produced for the information of inspecting

officers at their next visit, one copy shall be forwarded to the Director, Local Audit, Haryana and Director, Urban Local Bodies through Commissioner or District Municipal Commissioner, as the case may be.

- 23.1.8 The Municipality shall deal promptly with the audit note. It shall, within a month of the receipt thereof, convene a special meeting of the Municipality, to consider the objections and suggestions made by the Auditor and to decide upon the action to be taken, in regard thereto, and the decision so taken, shall be indicated on an interleaved copy which shall be sent to the Director, Local Audit, Haryana within three months of the date of the receipt of the audit note. A copy with two spare copies shall, at the same time, be sent to the District Municipal Commissioner and Director, Urban Local Bodies. A similar copy shall be kept in the office of the Municipality and shall be placed before the Inspecting Officers at their next visit. The Auditor so appointed shall, upon completion of audit of the accounts, issue a report on the financial statements of the Municipality. The Director, Local Audit, Haryana report on the Balance Sheet, Income and Expenditure Statement, Receipts and Payments Statement and Cash Flow Statement shall be addressed to the Authority (as required by the relevant Act), of the Municipality, with a copy being forwarded to the Chief Municipal Officer.
- The Report of the Director, Local Audit Haryana shall state:
- 23.1.9 Whether he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purposes of his audit;
- 23.1.10 Whether, in his opinion, proper books of account as required by Authority (as required by the relevant Act), the Haryana Municipal Account Code, 2025, the Rules and any other stipulations have been kept by the Municipality, so far as it appears, from his examination of those books;
- 23.1.11 Whether the Municipality's Balance Sheet, Income and Expenditure Statement, Receipts and Payments statement and Cash Flow statement dealt with by the report are in agreement with the books of accounts;
- 23.1.12 Whether appropriate internal controls have been adhered to;
- 23.1.13 Whether all the payments have been made in accordance with the law;
- 23.1.14 Whether any deficiency or loss appears to have been caused by the gross negligence or misconduct of any person (if yes, the amount of loss shall be quantified);
- 23.1.15 Whether any sum received for and on behalf of the Municipality, which ought to have been brought into account, of the Municipality, by any person has been so brought; and
- 23.1.16 Whether any material impropriety or irregularity, other than those mentioned above, has been observed by him during the course of audit of accounts.
- 23.1.17 Where any of the matters referred to in the above para are answered adversely or with a qualification, the auditor's report shall state the reason for the same and with further explanations and inclusion of statistical impact if possible.

23.2 Annexure to the report of the Municipality Auditor

Besides the above Audit Report, the Director, Local Audit, Haryana shall comment in respect of the following matters in the Annexure to the Audit Report after verification from Accounts Branch:

- 23.2.1 whether all the expenditures incurred by the Municipality are authorized by appropriate provision in the sanctioned budget, whether made originally or subsequently?
- 23.2.2 whether all sums due to and received by the Municipality have been brought to account within the prescribed time limits?
- 23.2.3 whether all transactions (incomes, expenditures, assets and liabilities) are correctly classified?
- 23.2.4 whether in respect of all bills for charges on account of all works and other expenditure, proper certificates have been furnished in support of them and that no deviation has been made from the sanctioned plans and the estimates without the sanction of the competent authority?
- 23.2.5 whether the amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order?
- 23.2.6 whether the Special Funds, have been created as per the provisions of relevant statutes and whether the Special Funds have been utilized for the purposes for which created?
- 23.2.7 whether the Municipality is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets; whether these fixed assets have been physically verified by the management at reasonable intervals; Whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt within the books of account?
- 23.2.8 whether physical verification has been conducted by the Municipality at reasonable intervals in respect of stores?

- 23.2.9 whether the procedures of physical verification of stores followed by the Municipality are reasonable and adequate? If not, the inadequacies in such procedures shall be reported;
- 23.2.10 whether any material discrepancies have been noticed on physical verification of stores as compared to book records, and if so, whether the same have been properly dealt within the books of account?
- 23.2.11 whether the valuation of stores is in accordance with the accounting principles laid down in the Haryana Municipal Account Code 2025? Whether the basis of valuation of stores is same as in the preceding year? If there is any deviation in the basis of valuation, the effect of such deviation, if material, shall be reported;
- 23.2.12 whether the parties to whom the loans, or advances in the nature of loans, have been given by the Municipality are repaying the principal amounts as stipulated and are also regular in payment of the interest and if not, whether reasonable steps have been taken by the Municipality for recovery of the principal and interest?
- 23.2.13 whether there exists an adequate internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets?
- 23.2.14 whether proper procedures are in place to identify any unserviceable or damaged stores and whether provision for the loss in this respect, if any, has been made in the accounts?
- 23.2.15 whether the Municipality is regular in depositing Provident Fund dues and Profession Tax deducted with the appropriate authorities and if not, the extent of arrears;
- 23.2.16 whether the Municipality is regular in depositing tax deducted at source (income tax and works contract tax) and other statutory dues, and if not, the nature and cause of such delay and the amount not deposited;
- 23.2.17 whether any personal expenses have been charged to revenue account; if so, the details thereof.
- The Report of the Director, Local Audit, Haryana shall also specifically report on any other matter which the Government, Municipality and/or the Authority (as required by the relevant Act), may have specifically required to be covered as a part of the Audit.

23.3 Periodical audit report/certificate

At the end of each period, the Director, Local Audit, Haryana may furnish a certificate on the quarterly coverage to the Municipal Commissioner/District Municipal Commissioner. The suggested format of the certificate may be as follows: "Certified that the accounts from ----- to ----- have been audited by me and found correct with the exception of the following items.

While furnishing periodical certificate/report, the Director, Local Audit, Haryana shall at least verify the following.

- 23.3.1 Whether the postings for the entries in the books of original entry have been correctly made in the respective ledger accounts;
- 23.3.2 Whether all the books of accounts and supplementary registers that are prescribed in the Haryana Municipal Account Code 2025 / other applicable regulations have been properly maintained by the Municipality;
- 23.3.3 Whether the Quarterly Financial Statements have been compiled on the basis of the actual entries in the books of accounts;
- 23.3.4 Whether the period-end and reconciliation procedures prescribed have been carried out.
- 23.3.5 Whether the Bank Reconciliation statements have been prepared and are appropriate.
- 23.3.6 Whether all grants received from Government have been accounted at gross value with proper entries to various accounts.

23.4 Supplementary/test audit

States may empower Comptroller and Auditor General to undertake Test Audit under its Act or under technical guidance and supervision arrangement. The Audit report prepared by the C and AG shall also be placed before the Municipality.

23.5 Audit by External Agencies

Besides the above audit, the accounts of specific loan funds, grants, etc., shall continue to be audited by auditors of agencies which have given grants, loans, etc., in the same manner as is currently happening. The audit fee, if any shall be charged to the concerned grant.

23.6 Additional Audit

In addition to the audit by the Director, Local Audit, Haryana, the State Government in the Urban Local Bodies Department may additionally get the accounts of the Municipalities audited under the following circumstances:

- Internal Audit
- Concurrent Audit
- Special Audits ordered by the State Government.

The State Government may also define the guidelines under which these Audits are to be undertaken. Internal Audit may be undertaken whenever the revenue collections are greater than ₹25 cores and concurrent audit may be undertaken when the revenue collections are greater than ₹100 cores.

These Special audits may be required to ensure that the accounts and financial statements of the Municipalities have been prepared in accordance with provisions of the Haryana Municipal Account Code 2025 and other relevant provisions of laws in force or for the objectives under which the audits have been ordered by the State Governments.

23.7 Embezzlements:

23.7.1 Whenever an embezzlement of Municipality money or property is discovered, an inquiry shall at once, be instituted by the Chief Municipal Officer and the fact of the embezzlement shall immediately be reported by him direct to the Director, Urban Local Bodies, Haryana who may, if he thinks fit, investigate the matter through Director, Local Audit, Haryana. Cases involving embezzlement in excess of ₹1,000 shall be reported to the Police after the Director, Local Audit, and Haryana, has inquired into the matter and is satisfied that there does exist a prima facie case of embezzlement.

23.7.2 Whenever, in any circumstances, an irregularity likely to be connected with embezzlement or the fraudulent loss of money or property is discovered, a report shall at once be sent by the Chief Municipal Officer to the Director, Urban Local Bodies, Haryana through District Municipal Commissioner.

CHAPTER-24
SPECIAL FUND

24.1 Introduction

Municipality may, as per relevant statutes, constitute special funds for any purpose mentioned in the statute. The statutes may also prescribe the manner in which such funds shall be constituted and disposed of.

24.2 Purpose for creation of Special Fund:

Special funds shall be created for objects for which it is considered essential to allocate separate funds from the Municipal Funds or by earmarking certain percentage of specific receipts of the Municipality. A separate account shall 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.

24.3 Accounting principles

The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to Special Funds:

- (a) Special Funds shall be treated as a liability on their creation.
- (b) Income on investments made from Special Fund shall be recognized and credited to Special Fund, whenever accrued. Profit/loss, if any, arising on disposal of investments made from the Special Fund shall be recognized and credited/debited to Special Fund Account.
- (c) Any expenditure of a revenue nature, which is incurred specifically on scheme/project for which a special fund has been created, shall be charged to that Special Fund.
- (d) On completion of the construction of a fixed asset and/or on acquisition of a fixed asset out of a Special Fund, the amount equivalent to the cost of such fixed asset shall be transferred from the respective Special Fund to the Special Fund (Utilized).

24.4 Creation of Funds

Special Funds are created as an 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. The Accounts Branch shall maintain a Special Fund Register in Form SF-1 where details of each fund created, expenditure incurred in respect of each fund, etc., is separately recorded.

- (a) **On creation of Special Funds:** - The Accounts Branch shall enter the details of the order approving the creation of fund in the Special Fund Register and pass the following entry:

Code of Account	Accounting Entry	Dr/ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
310-10-000-(a)	Municipal Fund	Dr.	10,00,000		Journal Book Ledger and Special Fund Register
311-(b)	To Special Fund*	Cr.		10,00,000	

*Specify the name of the special fund.

- (a) Insert Detailed Head Code of Account as applicable.
- (b) Insert Minor Head Codes and detailed code as applicable.

- (b) **Recording of contribution to Special funds from earmarked collection:** The Accounts Branch as per the decision of the municipality shall transfer the earmarked collection accounted as revenue to the special funds. Accounting entry for transfer of these amounts to Special fund is as follows:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount(₹)	Credit Amount(₹)	Book to be entered into
1	2	3	4	5	6
290-(a)	Transfer to _____	Dr.	10,00,000		Journal Book Ledger and Special Fund Register
311-(a)	To _____ Special Fund	Cr.		10,00,000	

(a) Insert Minor Head Code of Account as applicable.

- (c) **Recording of transfer of money to Designated Special Fund Bank Account:** - For transferring the funds to a separate bank account, Accounts Branch shall transfer the amount from Main Bank Account to Special Fund Bank Account and pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-41-(a)	Designated Bank account	Dr.	1,00,000		Cash Book and Special Fund Cash Book
450-21-000-02	To Bank Account*	Cr.		1,00,000	

*Specify the name of the Bank and Account number.

Note: A Separate Cash Book shall be maintained for Special Funds.

a) Insert Detailed Head Codes of Account as applicable.

- (d) **On creation of Welfare Fund:** As per relevant act, an amount of surplus of the Transport Undertaking acquired or established by the municipality may be transferred to the Municipal Fund for credit to the Welfare Fund constituted under the rules provided in Act. On receipt of contribution from the Transport Undertaking, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./Cr.	Debit Amount(₹)	Credit Amount(₹)	Books to be entered into
1	2	3	4	5	6
450-41-000-(a)	Designated Bank account*	Dr.	25,000		Cash Book and Special Fund Cash Book
311-(b)	To Welfare Fund	Cr.		25,000	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

(b) Insert Minor and detailed Codes of Account as Applicable.

(e) Collection of Special Funds shall be made along with other collections. For example, Municipality may collect Tree Authority Cess along with Property Tax. The accounting treatment in such cases is described below.

(f) At the end of every month, the Accounts Branch shall also identify the transactions pertaining to Tree Authority Cess collected along with the property and other taxes, the accounting process in respect of which has been described in Chapter on Property and Other Taxes. The Accounts Branch shall transfer the amount of the cess thus collected from Municipal Fund to Tree Authority Fund. In addition, money will be transferred from Main Bank Account to Tree Authority Fund Bank Account.

24.5 Development Fund:

In respect of development charges, the amount collected shall be transferred to Development Fund. In addition, money equal to development charges so collected shall be transferred from the Main Bank Account to Development Fund Bank Account. Similar procedure shall be followed for identifying transactions and transferring an equivalent amount to designated bank account pertaining to various other Special Funds created/ought to be created.

24.6 Utilization of funds

Special Funds shall be utilized for the purpose for which they are created. The expenditure incurred may be either revenue or capital expenditure. The accounting procedure to be followed is described below.

Utilization of Special Fund for Revenue Expenditure

(a) The accounting procedure to be followed in respect of revenue expenditure incurred against Special Fund shall be the same as what is described in Chapter of Municipal Works for repairs and maintenance expenses, on Stores for stores purchased, and on Other Revenue Expenditures for other revenue expenditures.

(b) Payment of advance to contractor/supplier in respect of a Special Fund: -

Any advance made to a supplier/contractor in respect of a project/scheme to be carried out against a Special Fund, shall be payable from the Designated Special Fund Bank Account only and not from the Main Bank Account.

(c) Recording of liability on receipt of contractor/supplier bill: -

On receipt of processed bill in respect of material supplied or services rendered or works executed which is of a revenue nature, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr/ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
311-(a) 350-10-000-(b)	Special Fund To Pay against Special Fund	Dr. Cr.	10,000	10,000	Journal Ledger and Grant Reg.

(a) Insert Minor and Detailed Code of Account as applicable.

(b) Insert Detailed Head Code of account as applicable.

(d) Recording of deductions from contractor's/supplier's bill: -

If Security or any tax on behalf of Government or advance provided to contractor/supplier is deducted or any other deduction is made from the processed bill, the amount payable shall be reduced for the deduction made and the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount(₹)	Credit Amount(₹)	Books to be entered into
1	2	3	4	5	6
350-10-000-(a)	Creditors-Payable Against specific grants	Dr.	4,000		Journal Book, Ledger and Special Fund Register
340-10-000-(a)	To Deposit From Contractors Security Deposit Special Funds	Cr.		1,000	
350-20-000-(a)	To TDS Special Funds	Cr.		500	
350-20-000-(a)	To Works Contractors Special Funds	Cr.		1,000	
460-40-000-(a)	To Advance For Supplier and Contractor Special Funds	Cr.		1,500	

(a) Insert Detailed Head Codes of Account as applicable.

(e) Recording of payment to the contractor/supplier: -

Such payments shall be made only from the bank account maintained for that Special Fund. On payment, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount(₹)	Credit Amount(₹)	Books to be entered into
1	2	3	4	5	6
350-10-000-(a)	Payable against Special Funds	Dr.	6,000		Special Fund Cash Book, Special Fund Register and Ledger
450-41-000-(a)	To Designated Bank Account*	Cr.		6,000	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

(f) Recording of payment for deductions made: -

Deductions made shall also be paid from the respective Designated Special Fund Bank Account. On payment of deductions made, Accounts Branch shall pass following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount(₹)	Credit Amount(₹)	Books to be entered into
1	2	3	4	5	6
350-20-000-(a)	TDS-Special Funds Works contract Tax-Special Funds	Dr.	500		Special Fund Cash Book, Special Fund Register and Ledger
450-41-000-(a)	To Designated Bank Account*	Cr.		500	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Code of Account as applicable.

(g) Recording of transfer of money from Designated Special Fund Bank Account to Main Bank Account on utilization of Common Stores: -

The amount equivalent to the common stores utilized for the purpose of the Special Fund shall be transferred from the Special Fund Bank Account to Main Bank Account before issue of any common stores. Accounts Branch shall update the Special Fund Register (Form SF-1) and pass the following entry: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount(₹)	Credit Amount(₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-01	Main Bank Account**	Dr.	1,000		Journal Book, Ledger and Special Fund Register
450-41-000-(a)	To Designated Bank Account**	Cr.		1,000	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

(h) Recording of utilization of Common Stores for special funds: -

For common stores consumed, the Accounts Branch shall pass the following entry: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount(₹)	Credit Amount(₹)	Books to be entered into
1	2	3	4	5	6
311-(a)	Special Fund*	Dr.	1,000		Journal, Ledger and Special Fund Register
430-10-000-(b)	To Purchase of Stores	Cr.		1,000	

*Specify the name of the Special Fund.

(a) Insert Minor and Detail Codes of Account as applicable.

(b) Insert Detailed Codes of Account as applicable.

24.7 Advance paid to contractors/suppliers

As mentioned earlier, any advance payable to the contractor/supplier in respect of any work executed or services or materials received under any Special Fund shall be paid from the Designated Special Fund Bank Account.

(a) For recording tax deducted, if any, from the advance provided: - Suppose an advance of 10,000 is granted to a contractor from which ₹500 is deducted on account of income tax. On deduction, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount(₹)	Credit Amount(₹)	Books to be entered into
1	2	3	4	5	6
460-40-000-(a)	Advance for Suppliers and Contractors-Special Funds	Dr.	10,000		Journal Book Ledger and Special Fund Register
350-20-000-(a)		Cr.		500	
350-10-000-(a)	To TDS –Special Funds To Contractor Advance Control Account Funds	Cr.		9,500	

a) Insert Detailed Head Codes of Account as applicable.

(b) For recording payment of advance: - On payment of balance advance, i.e., ₹9,500 from the Designated Special Fund Bank Account, the Accounts Branch shall pass the following entry:-

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount(₹)	Credit Amount(₹)	Books to be entered into
1	2	3	4	5	6
460-40-000-(a)	Advance for Suppliers and contractors–Special Funds	Dr.	9,500		Special Funds Cash Book, Ledger and Register
450-41-000-(a)	To Designated Bank Account*	Cr.		9,500	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

24.8 Earnest Money Deposit

(a) Any amount received or paid on account of Earnest Money Deposit in respect of any contract executed under Special Fund shall be deposited in or refunded from the respective designated Special Fund Bank Account.

(b) Recording of receipt of Earnest Money Deposit: - On receipt of Earnest Money Deposit, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-41-000-(a)	Designated Bank Account*	Dr.	1,000		Special Funds Cash Book
340-10-000-(a)	To Deposit From Contractors- EMD Special Funds	Cr.		1,000	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

(c) Recording of refund of Earnest Money Deposit: - On refund of Earnest Money Deposit to the unsuccessful bidder, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-(a)	Deposit From Contractors– EMD Special Funds	Dr.	900		Special Fund Cash Book, Ledger and Special Fund Register
450-41-000-(a)	To Designated Special Fund Bank Account*	Cr.		900	

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

(d) Conversion of Earnest Money Deposit into Security Deposit: - On receipt of intimation from the concerned department for conversion of Earnest Money Deposit of the successful bidder into Security Deposit payable by him, the Accounts Branch shall pass the following entry: -

Code of Account	Accounting Entry	Dr/ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-(a)	Deposit From Contractors–EMD Special Funds	Dr.	900		Special Fund Cash Book, Ledger and Special Fund Register
340-10-000-(a)	To Deposit Security Deposit Special Fund	Cr.		900	

(a) Insert Detailed Head Codes of Account as applicable.

24.9 Security Deposit: -

Any amount received/paid on account of Security Deposit in respect of any contract/executed under Special Fund shall be deposited in or refunded from the respective Designated Special Fund Bank Account. The accounting procedure to be followed for the same is described in Chapter 19 on Municipal Works, reference to which is invited.

(a) Recording of receipt of Security Deposit: - On receipt of Security Deposit, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr/ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-41-000-(a) 340-10-000-(a)	Designated Bank Account* To Deposit from Contractors-Security Deposit Special Funds	Dr. Cr.	5,000	5,000	Special Fund Cash Book, Ledger and Special Funds Register

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

(b) Recording of refund of Security Deposit: - On refund of Security Deposit, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr/ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-(a) 450-41-000-(a)	Deposit from Contractors- Security Deposit Special Funds To Designated Special Fund Bank Account*	Dr. Cr.	6,000	6,000	Special Fund Cash Book, Ledger and Special Funds Register

*Specify the name of the Bank and Account number.

(a) Insert Detailed Head Codes of Account as applicable.

24.10 Utilization of Special Fund for Capital Expenditure

The accounting procedures and entries to be recorded for:

- Advance provided to the contractor/supplier,
- Recovery of advance provided to contractor/supplier,
- Receipt of Earnest Money Deposit (EMD) from the bidders and its refund to unsuccessful bidders;
- Conversion of EMD of successful bidder into Security Deposit;
- Security Deposit received from contractor/supplier,
- Security Deposit deducted from the contractor's/supplier's bill,
- Refund of Security Deposit,
- Deduction of tax from the contractor's/supplier's bill,
- Payment of amounts deducted by the relevant authorities, etc. Shall be the same as described in the Section "Utilization of Special Funds for Revenue Expenditure" above.

(a) Recording of receipt of bill for capital work-in-progress: - On receipt of a progress bill in respect of capital works being executed under Special Fund, the Accounts Branch shall pass the following entry: -

Code of Account	Accounting Entry	Dr/ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
412-(a) 350-10-000-(b)	Capital Work-in- Progress-against Special Funds To Payables against Special Funds	Dr. Cr.	1,00,000	1,00,000	Journal Book, Ledger and Special Fund Register

(a) Insert Minor and Detailed Head Codes of Account as applicable.

(b) Insert the Detailed head code of account as applicable

(b) Recording of receipt of bill for fixed asset purchased/acquired: - On receipt of bill in respect of fixed asset purchased/acquired under Special Fund, the Accounts Branch shall pass the following entry :-

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
410-(a)	Fixed Assets*	Dr.	50,000		Journal Book and Ledger
350-10-(b)	To Payables against Special Funds	Cr.		50,000	

(a) Insert Minor and Detailed Code of Account as applicable.

(b) Insert Detailed Head Code of Account as applicable.

(c) Recording of payment made: -

Payment in respect of any expenditure incurred for purchase, acquisition or construction of any fixed asset under any Special Fund shall be made from the Bank Account maintained for that Special Fund. On payment, the Accounts Branch shall pass the following entry: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-10-000-(a)	Payables against Special Funds	Dr.	1,50,000		Special Fund Cash Book, Special Fund Register and Ledger
450-41-000-(a)	To Designated Bank Account*	Cr.		1,50,000	

a) Insert Detailed Head Code of Account as applicable.

* Specify the bank name and account number

(d) Recording of 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 Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
410-(a)	Fixed Assets(Name of the Fixed Asset)	Dr.	1,00,000		Journal Book and Ledger
412-(a)	To Capital Work-in-Progress-against Specific Grant	Cr.		1,00,000	

a) Insert Minor and Detailed Head Code of Account as applicable.

(e) Recording of transfer of funds from Special Fund to Special Fund (Utilized) on capitalization:-

On capitalization of capital work-in-progress or on purchase /acquisition of fixed asset, an amount equivalent to the amount of expenditure incurred and capitalized shall be transferred from Special Fund to Special Fund (Utilized). For this, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
311-(a)	_____Special Fund*	Dr.	1,50,000		Journal, Ledger and Special Fund Register
312-30-000-(b)	To Special Fund (Utilized)*	Cr.		1,50,000	

*Specify name of the fund.

(a) Insert Minor and Detailed Head Codes of Account as applicable.

(b) Insert Detailed Head Codes of Account as applicable.

24.11 Investment of Special Funds

Investments made in respect of Special Fund shall be entered in a Special Fund Investment Register (**Form GEN-45**). The accounting procedures/ entries to be followed/ passed in respect of investments of such moneys are similar to those followed in respect of other investments. They relate to investments, maturity of investment, recording of interest, profit/loss on sale/maturity of investments, etc. These have been described in Chapter 21 on Investments.

Interest earned on Investments, profit/ loss on disposal of Investments, if any, shall be updated in the Special Fund Register (**Form SF-1**) by the Accounts Branch.

24.12 Period end procedures

At period-end, interest shall be accrued on investments made from the date of last receipt of interest till the end of the accounting period. The accrual of interest shall include both interests due for receipt and interests not due for receipt. This may be explained with the help of an illustration. For instance, assume interest on Municipal Fund Investment of ₹ 1 lac is payable half yearly on 30th June and 31st December at 10% per annum, which implies that interest of ₹ 5000 is receivable on 31st December of the current accounting period and ₹ 5000 is receivable on 30th June of the next accounting period. However, interest for the period from the date of last receipt, i.e. 30th December to the end of the accounting period needs to be accounted in the books of account as interest is computed on the basis of time elapsed. Thus, ₹2500 (10% on ₹ 1 lac for 3 months), i.e. interest for the intervening period shall be recorded in the books of accounts. In case the interest due for half year ended 31st December of ₹5,000 which is not received till March, it shall be accounted as 'Interests accrued and due' and the interest accrued for the three months period upto 31st March of ₹ 2,500 shall be accounted as 'Interest accrued but not due'.

(a) Recording of Interest accrued on Municipal Fund Investments

At period-end, to record the interest accrued on Municipal Fund Investments, the Accounts Branch shall pass the following entry: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-40-000-02	Receivable from other sources interest accrued and due on Municipal Fund Investment	Dr.	5,000		Journal Book, Ledger and Special Fund Register
431-40-000-03	Receivable from other sources – Interest accrued but not due on Municipal Fund	Dr.	2,500		
170-10-000-(a)	To Investment Income- Interest on Municipal Fund Investments.	Cr.		7,500	

(a) Insert Detailed Code of Account as applicable.

(b) For Recording of Interest accrued on Special Fund:

In case the investment in the illustration is made from the Special Fund, 'Interest accrued and due on Investments' and 'Interest accrued and not due on Investments' shall be added to the respective Special Fund for which the Accounts Department shall pass the following entry:-

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-40-000-02	Receivable from other sources interest accrued and due on Special Fund Investment	Dr.	5,000		Journal Book, Ledger and Special Fund Register
431-40-000-03	Receivable from other sources – Interest accrued but not due on Special Fund	Dr.	2,500		
311-10-000-(a)	To Special Fund*.	Cr.		7,500	

*Specify name of the Special Fund

(a) Insert Detailed Code of Account as applicable.

(c) Recording of Interest accrued on investments made from the Grants:

In case the investment in the illustration is made from funds received in the form of Grant, 'Interest accrued and due on investments' and 'Interest accrued and not due on investments' shall be added to the respective Grant for which the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
431-40-000-02	Receivable from other sources interest accrued and due on Grant Investment	Dr.	5,000		Journal Book, Ledger and Special Fund Register
431-40-000-03	Receivable from other sources – Interest accrued but not due on Grant Investment	Dr.	2,500		
320-(a)	To Grant for specific purpose.	Cr.		7,500	

(a) Insert Minor and Detailed code of account as applicable.

24.13 Internal controls

The following internal controls shall be observed by the Municipality: -

- The Head of the Accounts Branch shall, before transferring the money from main bank account to the respective designated special fund bank account, ensure that the fund created is recorded in the Special Fund Register. Further, it shall be ensured that the Journal Voucher in Form No. GEN-7 prepared to record the transaction, shall provide reference of the Special Fund Register.
- The Head of the Accounts Branch and other officer designated in this behalf shall ensure timely transfer of mandatory contribution to Special Fund Bank Accounts.
- The Head of the Accounts Branch and /or other officer designated in this behalf, shall ensure that the amount of Special Fund shall not be utilized for the purposes other than for which the fund is created.
- Bank reconciliation of Special Fund Bank Accounts shall be carried out on a monthly basis by the department/office responsible for operating the bank account.

- The Head of the Accounts Branch and/or other officer designated in this behalf shall regularly match the expenditure from a Special Fund to the reduction in the balance of the Special Fund.
- At the end of every month, the Head of the Accounts Branch and/or other officer designated in this behalf shall reconcile the ledger balance of the Special Fund Account with the Special Fund Register and the Special Fund bank account balance.
- The Head of the Accounts Branch shall reconcile the expenditure incurred towards backward class's welfare activities and ensure that the unspent balance is transferred to the Backward Classes Welfare Fund Bank Account.
- The Chief Municipal Officer shall specify such appropriate calendar of returns /reports for monitoring.
- All reconciliation Statements shall be certified and verified by the Head of the Accounts Branch.

24.14 Presentation in Financial Statements

24.14.1 The various heads of accounts used for the accounting of Special Funds shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the Municipality. All these financial statements and Schedules shall be affixed with signature and seal of designated authorities.

24.14.2 For the purposes of classifying the income and expenditure, a classified abstract shall be maintained in **Form GEN-3** in two volumes, one for income and one for expenditure, a separate page of which shall be assigned to each head of account under which income or expenditure has been budgeted for, and the items pertaining to these heads shall be taken from the General Cash-book (**Form GEN-2**) either as they occur or in the aggregate for the day and entered in the appropriate columns of the abstract, and at the end of each month, the monthly and progressive totals shall be entered under each heads of the abstract.

CHAPTER-25**BUDGET****25.1 Introduction**

Municipality form an integral and important constituent of local governance in India. The Constitution of India vide Article 246(3) and entry 5 of the State List place local governments within the legislative competence of the State Governments. Therefore, each Municipality is constituted under a state legislation which provides the preamble and framework to the functioning of a Municipality stating its constitution, powers and functioning.

Article 243-W of the constitution inserted by the 74th constitution (Amendment) Act, 1992 enhances the status of Municipalities resulting in devolution of more functions and funds by which the responsibilities of Municipalities have increased and diversified.

Government of India (GOI), based on the recommendations of the 11th Finance Commission, issued guidelines to the Comptroller and Auditor General (CAG) of India, to prescribe the formats of budget and accounts for Panchayati Raj institutions and Municipalities.

The National Municipal Accounts Manual (NMAM) developed by CAG was made available to State Governments in December 2004 to be used by all Municipalities across the country with a request to State Governments for development of State specific Budget and Accounts Code.

Keeping the National Municipal Accounts Manual guidelines in view, the State Budget Code has now been prepared for all Municipalities in Haryana. This Code facilitates Preparation, Maintenance and Monitoring of Budget of Municipalities in Haryana. The procedures, rules and formats suggested in the Code are based on the broad guidelines given in the National Municipal Accounts Manual, the Haryana Municipalities Act, 1973(24 of 1973), the Haryana Municipalities (Preparation of Budget Allotment and Transfer of Funds) Rules, 2009.

25.2 Meaning of Budget

Budget is a summary of anticipated expenditure along with proposals as to how to meet them for a Financial Year. Two types of Budget forms are used for preparation of budget viz. Budget Working Sheets (BWS-1, 2 and 3) and BUD Form. Receipts and Expenditure are classified as Revenue Receipts, Capital Receipts, Revenue Expenditure and Capital Expenditure. It plays an important role in planning and controlling operations of the Municipalities. It reflects principles, policies, priorities and programmes of the Municipalities. Budget is a tool for optimal deployment of limited resources for the best possible utility and to achieve the maximum. It communicates financial objectives and resources requirement to staff, administrators, elected representatives and the public in order to secure their support for planned allocation of resources and for performance objectives. The approved budget shall be viewed as a transparent-show piece of the objectives and targets of the municipality in achieving the goals.

25.3 Need for preparing budget in Municipalities

Realistic budget estimate acts not only as a tool for financial planning and control, but also as the most significant instrument to steer the development of the Municipality for achieving the aspirations of the people.

25.4 Form of budget and date of submission:

The Corporation or the Council or the Committee, as the case may be, shall, each year on or before the prescribed date, submit in duplicate an estimate of its income and expenditure in the ensuing financial year (hereinafter called the budget) to the following authorities: A new form BUD-4 has been inserted for preparation of budget. Detailed proforma is placed under Part-II.

Serial Number.	Municipality	Authority to whom budget is submitted
1	2	3
1.	Corporations	Administrative Secretary to Government of Haryana, Department of Urban Local Bodies
2.	Councils	Divisional Commissioner
3.	Committees	District Municipal Commissioner

Estimates shall be made for each of the Accounting Subject under every Budgeting Centre. Hence a budget code is defined as a combination of Budget Centre and Account Code. The Codification Structure has been defined.

Budget shall reflect estimated Revenue Income and Expenditure, Revenue Surplus/ Deficit, Inflows and Outflows and Opening and Closing balances for capital heads.

25.5 Budget Preparation Process and Timelines

The budget shall be prepared as specified in the Standard Operating Procedure (SOP) issued by Department of Urban Local Bodies, Haryana from time to time.

25.6 Budget Preparation**Norms to be followed:****Always**

- Include all Receipts and Payments in the Budget
- Adopt a balanced Budget — revenues plus opening carry-over funds minus closing carry-over funds must be equal to or greater than expenditure.
- Be aware that some revenues have restrictions as to how they have to be spent.
- Classify estimates under appropriate fund, function, field (location) and finance (account head).
- Maintain 5% statutory minimum balance (working balance/cash balance) of the receipts after deducting Government Grants and Endowment funds.

Avoid

- Borrowing money to support revenue expenses.
- Over-estimating Receipts and under-estimating Payments.
- Agreeing to continue a service or operate a facility even though there is no revenue to support it and when it cannot be made self-supporting.
- Spending all the revenues received in a year without setting aside funds for emergencies.

Don't

- Use deductions from pay-bills, work bills and contingent bills to pay other expenses.
- Spend specific purpose Grants, Loans, Contributions and Funds for other purposes.
- Lend money to community originations or individuals.
- Let bills or taxes owed to the municipality go unpaid.

25.7 Approach to Prepare Budget

Traditionally, Budgets of Municipalities in Haryana are being drawn up with

- Revenue receipts and expenditure
- Capital receipts and expenditure
- Loan repayments
- Receipt and payment of revenue, capital, advances and deposits
- Cash balance at the end of the financial year.
- Section-wise Budget allocations for receipt and expenditure
- Budget estimates are being normally done based on the previous year and current year trends.
- Participation of elected body is mostly confined to reviews

Though this process enables clear and easy identification of cash inflow and outflow during the financial year and closing balance at the end of the fiscal year, it may not be fully used as a tool for municipal management for measuring and promoting accountability on the part of municipal functionaries. The focus of this Budgeting Code is, therefore, to bring in the responsibility and cost center concept into the Budgeting exercise by building a close linkage between:

- The function (responsibility center)
- The field as identifiable by the geographical boundaries over which the cost is incurred (cost center)
- The functionary (executive/official)
- The finance as identifiable with the value associated.
- The account as identifiable to the nature of transaction, and
- The quantitative information

The objective, therefore, in this Budgeting exercise has been to arrive at a scientific basis for building linkage between the function, field, functionary, costing and finance aspects, into Budgeting methodology. To facilitate tracking and monitoring, Budget Heads and Account Codes will be one and the same. The classification of Budget Heads is based on the principal objective of enforcement of accountability.

25.8 Responsibility Centres: The Function and Functionary Linkage

As a first step to this, all the possible activities of the Municipal Corporations/ Municipalities have been grouped into several functions or responsibility centers. For each of these functions, further subdivisions have been identified to fix the functionary responsible for each aspect of the function. These functions are set out in Annexure-1 with respective codes, which has been placed in Part-II of this Account Code.

Function code is a two (2) digit code and sub-function code is four (4) digit code. The first two digits in the code structure are indicative of the function to which it belongs, and the next two digits are indicative of the running serial allotted to each sub-function.

All the functions will be linked to Functionaries as part of organizational delegation of powers and responsibilities. Each functionary may be responsible for one or more functions (responsibility centers) based on the allocation.

25.9 Main Budget Form:

Budget shall be prepared for each of the revenue and capital account heads in form BUD-1 (specimen has been provided in Part-II of this Code). This form is to be prepared by individual budgeting units for each of the Major and Minor Code of Account along with the details of the function and functionaries responsible for discharge of the functions and field towards which it relates.

25.10 Bottom-Up approach - Start work at local unit level

The basis for preparing the Budget will be the inputs from various functionaries drawn from the requisitions, requirements and actual performance of the Municipality. Budget preparation shall be based on a bottom-up approach. Estimates shall be made from the lowest unit and then consolidated at the Head Office. A consolidation will be made in the Form given as BUD-2. The consolidated Budget shall be presented in a summary Form (in Form BUD-3 to BUD-7). Detailed Budget will also form part of the Budget Document of the Municipality.

25.10.1 Budget Preparation Process

Budget preparation process mainly comprises of three (3) stages and each phase has to be carried out in sequential order.

- In the 1st stage, estimations will be made based on the previous performance of the Municipality, Government schemes and directions, requisitions and needs of people in the Municipality.
- In the 2nd stage, Budget will be reviewed and compliances with Act, Rules and Government Orders in preparation of Budget.
- In the 3rd stage, Budget approval and sanction process will be done.

25.11 Act, Rules and Government Orders Related to Municipal Budget Preparation

Municipalities shall prepare their Budgets by following the procedures and timelines given in the Standard Operating Procedures issued by the State Government from time to time.

25.12 Some important provisions to be considered for Preparation of Budget and Transfer of Funds

- 25.12.1 The Commissioner/Executive Officer/Secretary (as the case may be) shall pay prompt attention to the remarks, if any, made by the Auditor in regard to the expenditure as compared with the budget allotment.
- 25.12.2 All allotments made in the budget shall lapse at the end of the year and no part of any allotment, remaining unexpended at the end of the year, shall be reserved or appropriated by transfer to deposits or any other head or drawn in order to avoid lapse for disbursements after the end of the year.
- 25.12.3 Due provision has to be made for all obligatory charges, discharge of liabilities in respect of loans and for the other commitments. Provision also has to be made for recurring Government grants and also non-recurring grants, which are anticipated during the Budget year.
- 25.12.4 Percentage as directed by the State Government of the developmental expenditure has to be earmarked in the Budget estimate for the development of Schedule Castes areas and welfare of Woman and Children respectively.
- 25.12.5 Further, Percentage as directed by the state government of the net funds available shall be spent in slum areas, priority being on provision of Water Supply and Sanitation.
- 25.12.6 Government has issued instructions for allocation of funds for developmental works.

25.13 Enclosures to the Budget

The following documents have to be enclosed to the Budget

- Explanatory Note
- Statement showing the Revenue Income and Expenditure for the last three years.
- Proforma showing the amounts provided for the benefit of SCS, STS, Women and children
- Proforma showing the amounts allocated for development works.
- D.C.B. Statement.
- Statement showing the rates of Taxation.
- Special Grants Accounts for capital works.
- Loan Account
- Statement showing the financial position
- Annual Accounts for previous year.
- Council Resolution approving the Budget

25.14 Statutory Closing Balance (Working Balance/Cash and Bank Balances)

Municipality shall ensure to provide minimum working balance of 5% on estimated receipts of the year excluding Endowments, Government grants, loans, advances and deposits. The specific grants / contribution balances shall be excluded from cash balance.

While preparing the Budget, closing cash balance has to be arrived at and percentage has to be worked out. The calculated percentage shall be 5% or more. If it is less than 5%, then measures have to be initiated to improve the closing cash balance so as to meet the norms specified in the Act. Reducing the payments or increasing the receipts after careful review may achieve this.

Calculation of Statutory Closing Balance (Working Balance/Cash and Bank Balances)**Calculation of % Percentage Cash Balance to Receipts**

Major Head	Major Head Description	Amount
1	2	3
110	Tax Revenue	200.00
120	Assigned Revenue and Compensations	50.00
130	Rental Income from Municipal Properties	60.00
140	Fees and User Charges	125.00
150	Sale and Hire Charges	25.00
170	Income From Investments	5.00
171	Interest Earned	25.00
180	Other Income	10.00
Total (A)		500.00
450	Cash and Bank Balance (B)	65.00
320	Balance of Grants/Contributions for Specific purpose (C)	30.00
% Percentage of Cash Balance = (B - C) X 100 / A		7%

Estimate for all obligatory charges shall be made in the budget. It is desirable that allocation for the maintenance of infrastructure at standard rates mentioned below may be provided. These are indicative only.

Infrastructure Facility	Standard Rate
Buildings	2.5% of Capital Cost (Capital Cost at the beginning of the year)
Cement Concrete (CC) Roads	₹ 500/- Per KM p.a. (Length of road at the beginning of the year)
Block Topped (B.T) Road	₹ 3,650/- Per KM p.a. (Length of road at the beginning of the year)
Water Bound Macadam Road	₹ 3,000/- Per KM p.a. (Length of road at the beginning of the year)
Un-metalled Road	₹ 1,500/- Per KM p.a. (Length of road at the beginning of the year)

Estimates for revenue expenditure, loan repayments and minimum working balances have to be made before budget allocation for capital works. Surplus balance available for capital works shall be utilized for capital works as prescribed by the Government.

Management Information System (MIS) reports are necessary in Municipalities for measuring its activities in a more meaningful and transparent manner. MIS not only provides information on accounting and financial aspects, but also covers nonfinancial aspects/information in an integrated mode. The object of development of MIS reports is to provide the performance details/ statistical data of the activities of the Municipalities in various forms. MIS reports serve as critical inputs for any decision making on any of the conducts of the Municipalities.

MIS reports are prepared from the accounting and other records maintained for the conduct of the Municipality activities. These basic data are to be maintained properly in order that the MIS reports prepared based on the records are correct and accurate. Therefore, establishment and ensuring of maintenance of proper accounting and other records is key for effective MIS records (MIS Format is given in Part-II of this Code).

As explained earlier, MIS covers non-financial aspects of the activities also. For example, the data on education, i.e., number of schools under Municipality, number of teachers, number of students, and the pass percentage form part of such data. If these data are used integrally with financial aspects results in preparation of various analytical reports like cost-of-service delivery.

Municipalities may also prepare the following reports on a periodical basis and submit them to various authorities for review, analysis and decision-making purposes.

- Statement of Receivables (Form BUD-9)
- Statement of Payables (Form BUD – 10)

25.15 Budget Maintenance and Monitoring

Once the Corporation/Council sanctions Budget estimates, the same shall be adopted for the financial year. All expenditure during the year shall be regulated in accordance with the allotments made in the budget for the year.

The process of Budget Maintenance has been shown and explained below:

If increase in estimate in respect of any proposal does not result in reduction in fund balance below statutory minimum, then application for re-appropriation shall be made. If increase in estimate in respect of any proposal results in reduction in fund balance below statutory minimum, then application for additional allotment shall be made.

The above procedure shall be followed in regard to “new activity” also.

25.16 Re-appropriation

Necessity for budget re-appropriation arises when any unexpended saving of budgetary allocation under a budget is transferred to another budget head. Such transfers of budgetary allocation may be within two or more budgetary heads in the same group or between different groups. A re-appropriation shall result in a fall in the budgetary allocation for the transferor budget head and an increase in the budgetary allocation for the transferee budget head. Re-appropriation shall not result in any change in the closing fund balance.

All cases of re-appropriation involving saving of more than ₹ 10 lakhs for the one plan head to another shall have to be referred to the Director, Urban Local Bodies Haryana for a decision giving detailed justification in support of the proposal.

In the case of re-appropriation involving saving less than ₹ 10 lakhs, the competent authority as the case may, is competent to sanction re-appropriation of funds from one head of account to another head of account.

25.17 Additional Allotment

An additional allotment arises when any amount over and above the amount already allocated is sought to be added in the budget originally allocated. This is different from re-appropriation. As such additional budget shall result in an enhancement in the budgetary allocation under one or more budget heads. However, it needs to be noted that such sanction of additional budget does not result in any change in the closing fund balance as originally arrived in the approved / sanctioned budget.

In case of Corporation, on recommendation of the Standing Committee/Commissioner, the Corporation may increase budget grant to meet the special or unforeseen expenditure by additional allotment. But such additional sanction shall not result in reduction of working balance below the prescribed statutory minimum balance.

Application for additional allotment shall be made by the Account Officer and shall be submitted to the Corporation in time to obtain its sanction before end of the year. In respect of Council and Committee, additional allotments must be sanctioned by the Director, Urban Local Bodies Haryana.

25.18 Revised Estimate

A Revised Estimate is an estimate of the probable receipts and disbursements for a year framed in the course of the year with reference to the transactions already recorded.

The revised budget estimate for the current year and budget estimate for the ensuing year have to be framed simultaneously and as carefully as possible. All the possible resources of income have to be

explored, but the amounts that are expected to be realized need not be overestimated. Overestimating of revenue to show the prescribed minimum working balance is unwarranted optimism and shows carelessness in the preparation of budget. Similarly, expenditure need not be underestimated, but need to be provided on a realistic scale so as to avoid incurring of expenditure in excess of allotments made in the sanctioned budget. Resorting of percentage cut in salaries of the establishment or withholding of increments to avoid a deficit is also to be avoided. A proper budget will, therefore, be one wherein neither the income nor the expenditure is either over-estimated or under-estimated. A Municipal Council is not expected to save any appreciable amount and show large surplus. It needs to collect as much revenue as is ensured for meeting all its normal expenses and to maintain the minimum working balance of 5% as provided in the Rules.

The Revised Estimate for the current year is the basis for working out the probable receipts of the coming year. 5% increase over the receipts of the revised estimate wherever possible, may be adopted in the budget estimate for the coming year.

25.19 Budget Estimate

It is a statement of the estimated receipts and expenditure of a municipality for a financial year. It is prepared before the commencement of the year with the object of enabling the authorities subsequently to exercise control over the expenditure and to ensure that it is kept within the authorized allotments and to watch that the revenue anticipated is fully realized. It is a forecast of what will be received and what will be paid during a financial year and whether the receipts will be sufficient to meet the expenditure.

25.20 Supplemental Estimate

It is a statement done in the event of sudden fall in the revenue or increase in the expenditure during the course of a year on account of abnormal or unforeseen circumstances which necessitates supplemental budget involving increased taxation or redistribution of allotments for expenditure. Generally, it will not happen in Municipalities.

25.21 Guidelines for Preparation of Revised Budget Estimate and Budget Estimate

For preparation of Revised Budget Estimate for the Current year, the actual opening balance in the Cash Books as on 1st April shall be adopted as Opening Balance in the Revised Budget Estimate. For example, if the Revised Budget Estimate is for the current year 2021-22 and the Budget Estimate is for 2022-23, the Opening Balance in the Revised Budget Estimate for the year 2021-22 shall be the total of actual Opening Balances of all Cash Books as on 1st April 2021. Similarly, the Closing Balance arrived at for the Revised Budget Estimate of a year shall be adopted as Opening Balance for the Budget Estimate of the ensuing year. This shall be scrupulously followed:

Receipts

- Demand Collection and Balance (DCB) Statement shall be prepared for all Tax and Non-Tax items. For arriving at the estimated collections in the Revised Budget Estimate, 50% collections from Arrear Demand and 90% collections from the Current Demand shall be taken.
- The assigned Revenue and Non-plan grants that are being received every year shall be shown as Receipts in the Budget Estimate. All anticipated special Government Grants shall also be shown as receipts and the said grants shall also be shown as expenditure towards the respective purposes for which the Special Grants are sanctioned.
- The provision for Receipts pertaining to Surcharge on Stamp Duty, Entertainment Tax etc., shall be arrived at based on 5% increase over the average Receipts of the preceding 3 years. The contributions receivable towards granting water supply connections shall be estimated duly keeping in view the number of connections to be sanctioned.
- The total expenditure towards salaries of Teaching and Non-Teaching staff of secondary schools may be taken as Grant-in-aid towards Salaries of Teaching staff.
- In respect of Elementary Education, the Salary Grant shall be arrived at by deducting the current year's demand under Education Tax component of Property Tax from the total expenditure on teaching staff.
- The deductions effected from pay bills, work bills and other bills towards Provident Fund, Group Insurance scheme, Life Insurance, Profession Tax, Deposits, Advances, Income Tax, Sales Tax, seignior age charges, Pension Contributions / Grant etc., shall be shown as receipts under "Recoveries Payable".
- The pensioner contributions of all municipal employees shall be calculated as per prevailing rate prescribed by act or notification issued by government of Haryana. These contributions shall be worked out by different Sections which prepare Pay Bills for a year in the month of March, and to be shown as expenditure on par with salaries and credited to "Pension-cum-Gratuity Fund" in "Recoveries Payable" Subsidiary Account.

Expenditure:

- Schedules shall be prepared for Pay and Allowances of all categories of establishments. The expenditure on Salaries in the Revised Budget shall be arrived at by adding 5% of the total expenditure on salaries for the Months up to October or November, as the case may be, and at the same rates for the remaining months of the current year.
- For Budget proposals, the expenditure on salaries shall be arrived at by adding 5% to the total expenditure and also provision for addition of one increment and Dearness Allowance to each employee.
- Provision shall be made for all anticipated special Government Grants and works to be executed from out of the said grants. In case it is considered that the works cannot be executed during the year, the surplus amount may be invested in short term deposits under “Other Investments – Fixed Deposits with Banks”.
- Provision shall be made for exhibiting all deductions effected in pay / work bills meant for remittance to other authorities as remittances to different authorities on payment side.
- Provision shall be made for completion of all Spill Over Works, Maintenance Works, important and urgent contingent expenditure like Street Lighting Charges, Maintenance of Public Health, Lighting, Water Supply, Schools etc., For all obligatory expenditure such as Law Charges, Court Decrees, Repayment of loan installments, Election expenditure and the like, due provision shall be made.
- After providing the expenditure for all obligatory items as specified above, the balance available may be apportioned towards capital works (development works) like Roads, Drains, Water supply, Lighting etc.
- Finally, it shall be ensured that the working balance shall not be less than 5% of the total Receipts excluding Govt. Grants, Loans, Deposits, Advances and Endowments.

25.22 Budget Watch Register

The Budget Watch Register shall be maintained by not only the Accounts Branch but also by concerned Branches. While the individual entries in the Budget Watch Register are to be made by the concerned staff in the Accounts Branch, it is the responsibility of the Head of the Accounts Branch to ensure that the Budget Watch Register (Format at Part-II) is maintained up to date by posting all the entries therein.

After the Corporation/Council approves the Budget, the Budget allocations under different heads are posted Section-wise in the Budget Watch Register. The Budget Watch Register enables the Municipality to capture budget proposals for each budget head and function. It monitors actual expenditure as and when bills are admitted against the sanctioned proposals.

As and when a work is taken up or whenever a payment is to be made for establishment and administrative expenses, the Budget allocation shall be verified by the Finance / Accounts Branch. If the expenditure is within the budgetary allocation, the bill will be admitted, after making an entry in the Budget Watch Register. If the expenditure is beyond the budgetary allocation, the bill will not be admitted, unless there is re-appropriation of the budgetary allocation with the approval of the Council/concerned authority. Thus, a bill is admitted only after ensuring that it is within the budgetary allocation.

At any point of time, the Budget Watch Register will indicate the budgetary allocation, the cumulative payments made till that date under the relevant Budget head and the balance available under the relevant Budget head.

25.23 Variance Analysis

The expenditure, both revenue and capital, shall be controlled to a great extent by using the Budget Watch Register. Further, some of the items of expenditure relate to the level of activity, though expressed in absolute figure in the Budget, the expenditure may, still be incurred, though there is shortfall in the level of activity. Such co-relation of the expenditure with the level of activity may not be feasible on day-to-day basis, through the Budget Watch Register. Hence, budgetary control has to be exercised by analyzing the variance between actual and budgeted receipts and payments.

The Variance Analysis Report shall be prepared at the end of every quarter and submitted to the Standing Committee/Council. The format for the variance analysis report is given in the BUD-8 (as provided in Part-II of this Code). This report will highlight the variances between the actual and budgeted revenue receipts and payments.

In addition to the variance report on revenue receipts and payments, every Municipality shall also prepare a Revenue Trend Analysis Report on monthly basis and place it before the Standing Committee/Council. The format for the Revenue Trend Analysis Report is given in the Appendix 3.3 (as provided in Part-II of this Code). This report will highlight the trend in the actual revenue generation under various Budget Heads.

In order to ascertain the position relating to the Capital and Maintenance Works, every Municipality shall also prepare a Ward-wise Works Liability Summary Report and place it before the Standing

Committee/Council. The format for this Report is given in the Appendix 3.4 (as provided in Part-II of this Code). This report will highlight the status of the pending bills on works ward-wise.

25.24 Overruns

In the event of overruns in the expenditure on capital account or revenue account, the Municipality shall revise its Budget estimate and place it before the Municipality for its approval. However, should there be any need for re-appropriation from one head to another; the Municipality shall do so with the approval of the Competent Authority, provided there is no reduction in the working balance or closing cash balance. Such changes shall also be intimated to the Audit.

CHAPTER-26**GOODS & SERVICE TAX****26.1 Accounting Entries**

The following accounting entries shall be used for recording, accounting and treatment of transactions relating to Goods and Service Tax:

26.1.1 Treatment of Purchase of Goods/Expenditure under Goods and Service Tax:

In pursuance of the provisions contained in Section 17 (5) of the CGST Act, 2017 any entity registered under Goods and Service Tax cannot claim the input tax credit of Goods and Service Tax on Purchases and/or expenses made for self use. Only the goods and services procured for the purpose of resale in the business qualifies the claim of input tax credit. Although municipalities are involved in providing various services, but its services are covered under exempted services under Article 243 of Constitution of India. Hence, no accounting treatment will be given to the purchase/expenditure by the Municipalities.

26.1.2 Entry for Sale of Goods under Goods and Service Tax:**26.1.2.1 Sales made within the state (Intra-State):**

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-(a)	Bank Account*	Dr.	116		Cash Book and Ledger
150-(b)	To Sale A/c	Cr.		100	
350-20-000-12	To Output CGST A/c	Cr.		8	
350-20-000-13	To Output SGST A/c	Cr.		8	

a) Insert detailed code as applicable.

b) Insert minor and detailed code as applicable.

*Specify name of the bank branch.

26.1.2.2 Sales made to other state (Inter State):

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	Bank Account*	Dr.	116		Cash Book and Ledger
150-(b)	To Sale A/c	Cr.		100	
350-20-000-14	To Output IGST A/c	Cr.		16	

a) Insert detailed code as applicable.

b) Insert minor and detailed code as applicable.

*Specify name of the bank branch.

26.1.2.3 Sales made outside the country:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-(a)	Bank Account*	Dr.	100		Cash Book and Ledger
150-(b)	To Sale A/c (Export Sale is exempt)	Cr.		100	

a) Insert detailed code as applicable

b) Insert minor and detailed code as applicable

* Specify the name of the bank branch

26.1.2.4 Set off and Payment Output Goods and Service Tax: Amount of Goods and Service Tax collected on various services provided by municipalities is deposited with the taxation authorities without setting off, as no input Goods and Service Tax is available to municipalities on its purchases or expenses. Accounts Branch shall record the following journal entry in the books for making payment of Output Goods and Service Tax:

Code of Account 1	Accounting Entry 2	Dr./ Cr. 3	Debit Amount (₹) 4	Credit Amount (₹) 5	Books to be entered into 6
350-20-000-12	Output SGST A/c	Dr.	700		Cash Book and Ledger
450-21-000-(a)	To Bank A/c*	Cr.		200	

a) Insert detailed code as applicable.

* Specify name of the bank branch

CHAPTER-27

PREPARATION OF OPENING BALANCE SHEET

27.1 Opening Balance Sheet in Municipalities:

- (i) In the first year, under these provisions, the Municipality shall determine the opening balances of the assets and liabilities at the beginning of the period and this statement shall be called the Opening Balance Sheet.
- (ii) The Opening Balance Sheet shall be prepared separately for each fund.
- (iii) In order to determine the balances, the Municipality shall prepare an inventory of all its assets and liabilities and value them based on their original cost, appropriately depreciated in the case of fixed assets, to arrive at the current book value.
- (iv) In case the Municipality is unable to determine the actual cost of a fixed asset with reasonable accuracy, it shall use the current standard cost rates prescribed by the Government, deflate it to the year of purchase and then depreciate them, to arrive at the current book value of the asset.

27.2 Adoption of Opening Balance Sheet:

When the Opening Balance Sheet is prepared by the Municipality, it shall be laid before the Municipality for adoption by it.

27.3 Opening Balance Sheet Adjustments:

27.3.1 If, after the Opening Balance Sheet is prepared, any error or omission is noticed, such error or omission shall be incorporated in the opening balance sheet figure, by routing it through an 'Opening Balance Sheet Adjustment' account.

27.3.2 Such adjustments in the Opening Balance Sheet may be carried out up to two years after the preparation of the opening balance sheet. Any such adjustment shall be placed before the Municipality for approval before it is included in the accounts.

27.3.3 The guidelines as given below shall be followed by the Municipality at the time of preparation of opening balance sheet. The formats for the same are given as *Annexure I* in Part-II of this Code.

27.4 Guidelines for Preparing the Opening Balance Sheet**Common Guidelines:**

27.4.1 All assets, which are under the ownership and permissive possession of the Municipality, shall be accounted for. Similarly, all liabilities to be paid shall also be brought in the books. In case of Hospitals and Schools, if the asset is under a separate legal entity, then it shall not form a part of the Municipality's Balance Sheet;

27.4.2 The separate legal entity includes hospitals, dispensaries, schools, maternity centres, nursing home formed as a society, trust, co-operative society, or a company formed under section 7 or 8 of the Companies Act, 2013(Central Act 18 of 2013);

27.4.3 The mere maintenance of a register may not be taken as sufficient for arriving at the balance. The Municipality shall have to check the authenticity of all the entries. All entries shall be cross checked with source documents before its compilation in the balance sheet.

27.4.3 Assets constructed/ purchased by some other agency/ Government and handed over to the Municipality shall be accounted for based on the ownership of the asset. If the ownership remains with the other agency, then it shall not be recognized as an asset in the books of the Municipality. If there has been a transfer of ownership without any consideration, then the asset shall be valued at ₹1/- and recognized in the Opening Balance Sheet. The balance sheet shall contain disclosure in the form of Notes with respect to following:

- Assets, which are in Municipality's possession and derive economic benefits, but the ownership of which does not vest in it e.g. market constructed by Urban Administration and Development Department and handed over to the Municipality with a right to collect rent, title deed not being executed.
- The assets which are handed over to the Municipality, but the title deed has not been handed over e.g. assets purchased/constructed by PWD, CPWD, etc., and handed over to the Municipality for use and maintenance.
- Receivables from taxes, etc. not collected due to litigation.
- In case Demand and Collection Register is not updated or prepared, the Municipality shall have to prepare it and assess the amount of arrears.

27.4.4 Revenue shall be recognized only when it is measurable and there is reasonable certainty of collection. If the levy of any income or user charge is in dispute and any legal case is pending against it, it shall not be taken as the income of the Municipality.

- 27.4.5 The details of such Court cases and the amount if measurable shall be disclosed in the Notes to Accounts.
- 27.4.6 Revaluation of assets is not intended at the time of preparing the Opening Balance Sheet. The external agency, assisting the Municipality shall not consider revaluation mode for the purpose of Opening Balance Sheet and valuation shall be done based on actual price paid/payable.
- 27.4.7 Principle of conservatism shall be followed while preparing the Opening Balance Sheet.
- 27.4.8 All the figure shall be in Indian Rupees rounded up to one rupee.
- 27.4.9 In many situations, construction of an asset may be by an externally controlled Government agency. Such constructions are out of Government grants with pre-conditions that the asset so constructed shall be immediately handed over to the Municipality. In such a situation, then the whole of the capital cost of the asset as well as the grant shall have to be shown in the Books of Accounts of the said Municipality on transfer of the asset.
- 27.4.10 Valuation of fixed assets shall be done as per the following order of preference.
- 27.4.11 If both the cost and date of purchase/construction is available/ ascertainable, then original cost less depreciation. If cost is not available/ascertainable but the date of construction/ purchase is available:
-
- (i) And the asset has outlived its estimated useful life, then it shall be valued at ₹ 1/. The internal engineers of the Municipality will do estimation of useful life.
 - (ii) In case of buildings, if the building has not outlived its useful life, then valuation shall be done based on per Sq. feet rate or plinth area rate of that year. The Municipal Engineering Branch or any competent Government Authority shall issue an order specifying the plinth area rate or per Sq. feet rate to standardize the valuation. The internal engineers will conduct the exercise of estimation of value and provide it to the Accounts Branch. The value so obtained shall be depreciated to arrive at depreciated value as on 1st April, 20XX.
 - (iii) If the Standard Plinth area or per Sq. foot rate is not available, current replacement cost based on the recent plinth area rate or per Sq. foot rate as prescribed above will be taken into consideration. This shall be deflated till the year of construction based on wholesale price index (index rates are provided in Appendix-I in Part-II of the Code) and then depreciated.
 - (iv) For other assets, current replacement cost will be used. This shall be deflated till the year of construction/ purchase based on wholesale price index (index rates are provided in Appendix-1) and then depreciated. Current rates from other manufacturers may be taken e.g. in case of vehicles.
 - (v) In case neither the cost nor the date of purchase/ construction is available, valuation shall be at ₹1/- , the same being considered as the residual value.
 - (vi) In case of land where the original documents are not available, valuation may be ascertained from relevant records of the Land Revenue Department or transaction value of a similar plot in the similar area around the estimated year of transaction.

27.5 Fixed Assets

Fixed assets in the case of Municipality may broadly be classified into the following categories:

- (a) Land and Buildings
 - Land
 - Buildings
- (b) Statues and heritage assets
 - Statues and valuable works of art and antiquities
 - Heritage Buildings
- (c) Infrastructure assets
 - Roads and Pavements
 - Bridges, culverts and flyovers
 - Subways and causeways
 - Sewerage and Drainage
 - Waterways
 - Water supply and reservoirs
 - Deep tube wells
 - Parks and playgrounds
 - Street light posts and Public Lighting
- (d) Equipments
 - Plant and Machinery
 - Vehicles

- Office and other equipments
- Furniture and fixtures
- (e) Livestock
- (f) Intangibles
 - Software license fees

27.6 Valuation of fixed assets

27.6.1 General rules - Record fixed assets at cost. Cost is the amount of cash or cash equivalent paid or fair value of other consideration given to acquire an asset at the time of its acquisition or construction. All normal expenditure for making an item of asset ready for its intended use is capitalized. It also includes ancillary and necessary charges to place the asset in its intended location and condition for use e.g. freight and transportation charges, site preparation expenditure, professional fees and legal claim directly attributable to asset acquisition. Razing and removal cost (less salvage value) of structures located on land purchased as a building site are added to the cost.

- (i) For assets having useful life of more than 20 years, the residual value shall be considered as ₹ 1/- for the purpose of preparation of Opening Balance Sheet as on 1st April, 20XX, in case the original cost cannot be ascertained.
- (ii) Repairs, renovation and replacements, shall be capitalized only if such expenditure increases the capacity or operating efficiency, or extends the useful economic life of the asset. In case of buildings, improvements causing major changes in the existing structure will be capitalized.

27.6.2 Specific Rules concerning Fixed Assets

- (i) Parks and Playgrounds shall be capitalized under two categories, viz. -
 - (a) Land pertaining to Parks and Playgrounds including the cost of development of land shall be booked under 'Land';
 - (b) Other amenities of the Parks and Playgrounds shall be capitalized under the sub-head "Parks and Playgrounds" under the head "Infrastructure Assets;" and
 - (c) Any building/ structures/ plant etc. constructed/ installed in the Parks and Playgrounds and used for other purposes shall not be booked under the sub-head 'Parks and Playgrounds'. The same shall be booked under the appropriate heads/ sub-heads of assets.
- (ii) Land: If the Municipality are maintaining details with regard to land, then the Municipality must use such details for preparing the Opening Balance Sheet.
 - (a) All the land under the ownership or permissive possession of the Municipality will form a part of the Opening Balance Sheet.
 - (b) Leasehold lands acquired by the Municipality are taken as a part of assets at a total value payable as lease charges over the entire lease period and amortised equally over the lease period.
 - (c) The information kept by the Municipality in the register of lands needs to be verified and cross checked from the Books of Accounts, records, and agreement to authenticate and substantiate the information kept in the land register. The information needs to be cross verified specially with regard to the date of purchase, cost of purchase and mode of purchase.
 - (d) If the Municipality failed to maintain and update the land register, then the external agency/the-departmental team shall conduct physical verification of all lands. The Municipality will provide all technical assistance for conducting the physical verification. The GIS and records with the engineering branch will give the details of all lands within the jurisdiction of the Municipality.

27.6.3 The following recognition criteria shall be applied to arrive at the value of the lands.

- (i) Land acquired through purchase - The land will be recorded at the purchase price paid/payable and other incidental costs such as registration charges incurred to bring the asset to its present location and condition.
- (ii) Lands acquired through compulsory acquisition - The land will be recorded at the total compensation paid/ payable for the acquisition of the land. If the amount of compensation were in dispute, then the amount that will be recorded shall be based on documentary proof. The extra amount, if determinable that may be payable will be shown as contingent liabilities and will be added to the cost of land when it is finally paid to the previous owner.
- (iii) Land acquired against non-payment of taxes - The cost to be booked will be the unpaid amount of taxes after it has been finalized.
- (iv) Land acquired free of cost or donated land - If the land has been acquired by Municipality free of cost from Government/individuals or has been donated to the Municipality, then such lands

shall be recorded at nominal value of ₹1/. However, any developmental work done shall be capitalized at cost.

- (v) Vested Government lands - Where the ownership of the lands has not been transferred in favour of the Municipality, but the land is in the permissive possession of the Municipality, such lands shall be included in the Register of Land with ₹1/- as its value. There shall be a clear mention in the register that in case the Government takes back the land at any point of time in future, reversal of entry shall be made in the Register of Lands. Cost of developing such lands, if any, shall be booked under the sub-head 'Land'. **Land improvement**
- (vi) Original cost of any improvement to land such as land development and land filling will be capitalized as part of the cost of the land.
- (vii) Land acquired through Government grants - If the Municipality has purchased land from the Government grants, then the cost of the land will be shown at, gross value i.e. cost paid/payable or as determined according to the above guidelines. The grant received will be shown separately as a liability.

27.6.4 Buildings: In the case of Municipality, the term “buildings” shall include office buildings, school buildings, public conveniences, hospitals, dispensaries, maternity and child welfare centres, shopping complex, town hall buildings, community centres, staff quarters, rest house, milk dairy, workshop buildings, fire stations, stores building, covered taxi stands, covered parking areas, bus stands amongst others. The specific guideline in this regard follows below: Buildings purchased

- (i) The purchase cost of the building shall include the purchase price cost, incidental costs such as registration charges, and other costs incurred to bring the asset to its present location and condition.
- (ii) Building constructed - If the building has been constructed, then the cost of the building will be taken as the cost of construction.
- (iii) Grants received in respect of buildings - If any grant has been received by the Municipality for construction or purchase of the building, then the cost of the building will be taken as gross amount, and the grant will be shown separately as a Source of Fund in the Opening Balance Sheet. The cost of building and the amount of grant shall be reduced proportionately each year by the amount of depreciation.
- (iv) Statues and Heritage Assets: Statues and valuable works of art and antiquities shall be valued at the original cost and no depreciation shall be charged thereon. In case, the original cost is not available, or the items have been gifted to the Municipality by some other person/ authorities, the value shall be taken at ₹ 1/.
- (v) Heritage buildings declared through Gazette Notification shall have to be booked under this head and shall be valued at book value/cost of the material date. No depreciation shall be charged on such buildings. In case, the book value /cost of the material date is not available, or the items have been gifted to the Municipality by some other person/ authorities, the value shall be taken at ₹ 1/-. Material date in this case shall be the date of Gazette Notification.

27.6.5 Infrastructure Assets: Infrastructure assets are long- lived capital assets that normally are stationary in nature and may be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage system, water and sewerage systems, dams, Deep tube wells, Parks and Playgrounds, Street Light Posts etc.

- Infrastructure assets are classified as follows:
 - Roads and pavements;
 - Bridges, culverts and flyovers;
 - Subways and causeways;
 - Sewerage and drainage;
 - Waterways;
 - Water supply and reservoirs;
 - Deep tube-wells;
 - Parks and Playgrounds; and
 - Street light posts and Public Lighting.
- Details for infrastructural assets if available in the records, then cost of land shall not be taken here. However, it will be included in the valuation of lands. Only the cost of construction of infrastructure assets will be considered here.
- If the details are not available, then the Municipality must value the same while following the general valuation guidelines.

- Plant and Machinery: The cost of plant and machinery shall include, besides purchase price, costs such as site preparation costs and installation costs. Plant and Machinery will include plants, conservancy or watering carts, road rollers, earth moving vehicles, ladder, scale weights, water treatment plants, sewerage treatment plants, etc. Plant and Machineries shall be valued at cost less depreciation.
 - Vehicles: Vehicles include carts, hand rickshaws, animal drawn carts, three wheelers, four wheelers, and conservancy vehicles. Vehicles shall be valued at cost less depreciation.
 - Office and other equipment: This shall include all office and other equipments e.g. computers, photocopies, telephone, fax, fans, electrical equipments, air conditioners, etc. Office and other equipments will be valued at cost less depreciation.
- 27.7 **Furniture and fixtures:** This shall include tables, chairs, fittings, etc., and they shall be valued at cost less depreciation.
- 27.8 **Livestock:** Livestock will be valued at cost.
- 27.9 **Intangible assets** e.g. Software license fees: Intangible assets in Municipality shall generally be in the nature of expenditure on software. The Municipality will assess the expenditure made in development or purchase of the intangible asset in the last 5 years and capitalize it as fixed asset. In case the intangible asset has been provided free of cost by another Government Department, it shall not be shown in the balance sheet.
- 27.10 **Depreciation:** Depreciation shall be provided on all assets except land, on a Straight Line Method. The rate of depreciation will be determined in the following order of preference:
- (a) 100% depreciation shall be proportionately written off over the useful life of the depreciable assets. The last year's proportionate amount of depreciation shall have to be reduced by ₹1/-, which shall remain in the Books of Accounts as the 'residual value' of the asset.
 - (b) Useful life of the asset shall be estimated as set out in the *Annexure III* to this guideline.
 - (c) 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 Year.
 - (d) Purchase or construction of assets that have been done out of grants have been shown at gross value and the corresponding grant as a liability. An amount proportionate to the depreciation of the fixed asset shall be deducted from the grant as well.
- 27.11 **Capital Works in Progress:** For the purpose of Opening Balance Sheet, capital work-in-progress represents that value of incomplete works as on the Opening Balance Sheet date.
- (a) The information with regard to capital work in progress may be obtained from the Register of Works, if maintained by the Municipality. If the register of works is not maintained, then such details be collated from the Measurement Book (MB). Based on the MB, the engineer prepares a bill and sends it to the Accounts Branch, after necessary approvals, for payment. For the purpose of Opening Balance Sheet, the Municipality will value the CWIP based on the gross amount of bill sent to the Accounts Branch until 31st March, 20XX.
 - (b) In addition to the above, the valuation team shall also consider all bills till April, 20XX that pertains to works taken up prior to 31st March.
 - (c) Borrowing cost for Capital Work -In -Progress (CWIP) will also be capitalized.
 - (d) The assets, which have been commissioned and put to use before 31st March, 20XX, shall not be considered as capital work in progress, but they be booked under the respective heads of fixed assets.
 - (e) The certificate that the asset has been put to use, shall be obtained from the Engineering Branch of the Municipality.
 - (f) While valuing the Capital Work -In - Progress (CWIP), the Municipality shall ensure that no maintenance expenses have been included in the Capital Work in-progress.
- 27.12 **Long-Term Investments:** Long term investments are the investments which are held by the Municipality for more than one year. Before, incorporating the balances in the Opening Balance Sheet the Municipality will ensure a 100% physical verification of the original certificates and documents.
- (a) Cost of investments will include acquisition charges such as fees, brokerage, and duties.
 - (b) Long-term investments will be valued at cost.
- 27.13 **Current Assets:** Current assets in the case of Municipality consist of the following:
- (a) **Cash in hand:** If there is any balance of cash left with the cashier (including any petty cash) as on 31st March, 20XX, the same shall be reflected from the Cash Book. The balance of cash as per the Cash Book may be considered for the Opening Balance Sheet.
 - (b) **Cash at bank:** Cash at bank consists of balance with all banks. Which will be shown separately in the balance sheet.
 - i) The balance as per Cash Book shall appear in the balance sheet.

- ii) The difference between the Cash Book and the bank statements will be reconciled by Municipality.
- iii) A disclosure shall be made in the Notes to Accounts with regard to the following:
- The duration for which the bank reconciliation statements are pending;
 - In case there is unreconciled difference between cash book and pass book; all such items shall be disclosed separately in notes on accounts.
- (c) **Stores and spares:** Details with regard to stores and spares are maintained in register of stores and spares, which is maintained by the stores branch.
- The Municipality will prepare an updated list of items along with their quantity, value and date of purchase. In some cases, there will need to segregate items, which are although a part of stores, but shall not have been a part thereof e.g., vehicles. These will be classified in the appropriate account.
 - A list containing items, which have expired or are not in a condition to be used will be taken out from the list. The confirmation of the condemned or expired items is to be taken in the form of a certificate from the stores/engineering branch.
 - Items which are in good condition will be then divided into two categories i.e., “Category” A” and Category “B”.
 - Category “A” items, which have 80% of value and are 20% in number.
 - Category “B” items, which have 20% of value and are 80% in number.
- The analysis will be done based on unit cost of the item.
- Items in category “A” shall be physically verified to the extent of 100%.
 - Stores and spares will be valued at cost. In determination of cost, First In First Out (FIFO) used method of costing will be used.
 - The cost of inventories shall comprise all cost of purchase and cost of conversion incurred to bring the asset to its present location and condition.
- (d) **Prepaid expenses:** Expenses that have been paid in advance and relates to a period after 31st March, 20XX shall be recognized as prepaid expenses.
- (e) **Arrears of property tax:** Assessment branch determines the total amount of property tax expected to be collected during the year. The collection is the responsibility of the Tax Collection Branch.
- The total amount of property tax in arrears is ascertainable from the "Demand Collection Balance Register”.
 - Ageing will be done for the arrears of property tax and shall be shown in the Balance Sheet as Notes to Accounts. Ageing as per the following slabs will be done i.e. below 3 years, 3-5 years, 5-10 years, 10-15 years and above 15 years.
 - Arrears of sick and closed industries will be provided for 100% as provision.
- (f) **Arrears of all other taxes, licenses and fees:** This will include all other receivables other than property tax. This includes rent from municipal shops and markets, water charges and tax, Permission Fee, other fees, licenses. Water Charges and rent from municipal properties will be accounted for on accrual basis. All other forms of income will be accounted on cash basis.
- The total amount of dues is ascertainable from the Demand Collection Balance register maintained separately for each type of revenue.
 - Provision will be made similar to that followed for property tax in case of water charge and rental income.
- (g) **Interest on investments:** Interest on investments accrued and due as on 1st April, 20XX will be determined on accrual basis.
- (h) **Interest on bank deposits:** Interest on bank accounts and deposits accrued and due as on 1st April, 20XX will be determined on accrual basis.
- (i) **Interest on loans and advances:** Interest on loans and accrued and due as on 1 April 20XX will be determined on accrual basis.
- (j) **Recoverable deposits:** The Municipality may have kept deposits with third parties, with the Government, or with any other person. Based on documentary evidence and if it is classified as a deposit, it will be shown as recoverable deposits and booked as current asset. Receivables against deposit works: If the amount expended by Municipality, is more than the amount received against the deposit works, it will be shown under this head. The actual value as per the Books of Account shall be taken.
- (k) **Loans and Advances:** Loans and advances may be in the nature of:
- Advances to staff
 - Advance to contractors and suppliers

- Material cost recoverable from contractors
- 100% physical verification of documents will be done to ascertain the amount and name of party.
- The closing balance of advance is ascertainable from the "Advance Ledger", which is the advance ledger maintained separately for employees, contractors and suppliers.
- Advances to staff

All unadjusted advances to staff e.g. house building advance, festival advance, will be determined on actual basis.

No provision shall be made to the unadjusted advances to staff. An *Annexure* shall be attached to the balance sheet showing the individual person-wise break-up of various advances given under different heads.

- Advance to contractors and suppliers: Advance given to contractors and suppliers for goods and services will be accounted on actual basis.
- Material cost recoverable from contractors: Sometimes the Municipality may have provided materials to contractors for construction purposes. This shall have been provided from the stores. The value of materials issued, if recoverable from the contractor, will be shown as cost recoverable.

(l) **Current Investments:** Current investments are investments that are readily realizable and not intended to be held for more than one year.

- The Municipality shall do a 100% physical verification of the original certificates.
- Valuation will be done at cost.

(m) **Short-Term Borrowings:** Short-term borrowings are those, which are due for not more than one year as at the date of balance sheet.

- The amount of outstanding loans may be ascertained from the existing records of the Municipality.
- Short-term borrowing will be bifurcated as secured and unsecured, if any.
- The Municipality will ascertain the actual amount outstanding through confirmation of balance with the creditor and also by verifying through original documents.
- In case an amount had been received as loan, but has not still been waived off by the Government, the same will still figure in the balance sheet as a liability.
- Interest accrued and due on these loans will be included here. Calculation of interest payable shall be due on accrual basis.

27.14 **Current Liabilities:** Current liabilities will constitute the following:

(i) **Bank Overdraft:** Bank overdraft shall be verified with either the bank statement or a bank balance certificate.

(ii) **Security deposit/ Retention money/ Earnest money from contractors and suppliers:** Security deposit/ Retention money/ Earnest money is ascertainable from the deposit ledger, maintained by the Municipality.

- This amount will be ascertained/ cross-checked from the original documents.
- Deposits received but not en-cashed shall not be considered.

(iii) **Deposit Works:** Deposit works shall include the amount received from persons specifically for the construction of works. The deposit works are generally received from MPLADS, MLA funds, for specific works. The un-utilized or the balance amount of these grants will be shown under this head. If the amount is received for the construction of a specific asset for Municipality, then the CWIP/ Asset shall be shown in the Books of Account of Municipality.

(iv) **Other deposits:** Other deposits will be ascertained from original documents.

(v) **Advance collection of taxes and non-taxes:** In some cases, there may be advance collection of taxes and non-taxes like license fees, i.e. money collected by the Municipality before the due date.

- The respective branches from the various registers that they prepare will provide the amount. The team preparing the balance sheet will check the receipts from original documents and verify the register entries.
- While checking advance collection, it has to be ensured that there are zero arrears because of both principal and interest. In case there is a balance, the advance collection shall have to be adjusted with arrears first.
- Only in case of zero arrears, an advance collection be booked, this shall be calculated on individual basis.

- (vi) Income tax deducted payable:** Income tax deducted from payments and not deposited with the Government will be accounted here.
- In case payments are regular, then the payment for March, which shall have been done in April, will be taken as a liability.
 - In case payments are not regular and there exists a default in payment, then are conciliation of deduction with payments to Government will have to be done to find out actual arrears including interest. The team will do reconciliation to find out an accurate balance.
- (vii) Sales tax deducted/Goods and Service Tax (GST) deduction/Tax Deducted at Source (TDS) payable:** Sales tax deducted from payments and not deposited with the Government will be accounted here.
- In case payments are regular, then the payment for March, which shall have been done in April, will be taken as a liability.
 - In case payments are not regular and there exists a default in payment, then a reconciliation of deduction with payments to Government will have to be done to find out actual arrears including interest and penalty. The team shall do reconciliation as is required to find out an accurate balance.
- (viii) Interest accrued but not due on loans:** Interest on borrowings, which have, although accrued but is not due will be accounted here. The team shall have to determine the amount based on original documents.
- (ix) Unpaid salary and other employee related benefits:** Any unpaid salary or employee related benefit, which is, payable shall be covered here.
- (x) Unpaid electricity bills:** Based on original bills and documents, unpaid bills of electricity will be booked as a liability.
- (xi) Unpaid bills of suppliers and contractors:** The team shall have to do a full checking of all unpaid bills due as on 1st April, 20XX and the same shall be determined on accrual basis and account for it. Approved bills may also be lying in other branches. The team must consider the same.
- (xii) Payable to Government agencies:** Some amounts may be payable to other Government agencies for which a bill may also not have been received. These will be enquired and checked with all branches to ascertain if any payments are pending with other Government agencies, which may have been pending for a long time e.g., unpaid water charges, electricity charges to State Electricity Board.
- (xiii) Recoveries from staff-payable: Certain deductions are made from staff salaries e.g., provident fund, income tax, recurring deposit, insurance premium, which are to be deposited with the concerned authorities. It may so happen that the Municipality has defaulted on one or more occasions. This amount, which is payable, will have to be booked as a liability. A reconciliation of deduction with payments to the concerned authorities will have to be done to find out actual arrears.**
- (xiv) Provisions:** The provision made against tax and non-tax receivables, shall not affect the opening/ closing balances of the Demand and Collection register and all such registers for the purpose of recovery of dues from the concerned parties. Provisioning in accounts does not amount to waiver of the demand from the concerned party. The Municipality shall not decrease its efforts in collection of arrears.
- Provision related to arrears in property tax, Water Charges and rent from municipal properties will be accounted for here.
 - Any other present obligation that may arise because of past events, which may be reliably estimated based on experience and will result in an out flow of resources, will be provided for.
- (xv) Balances of Government Grants:** Balances of all specific Government Grants will be shown specifically under this head. Balance of Government Grant may also be ascertained from the respective banks. The team on a test check basis may confirm the balance with the bank.
- Excess of Government grant over the cost of a fixed asset, will be shown separately as "Excess of grant over asset value".
 - Purchase or construction of assets that have been done out of grants have been shown at gross value and the corresponding grant as a liability. An amount proportionate to the depreciation of the fixed asset shall be deducted from the grant as well.
- (xvi) Long-Term Borrowings: Borrowings in the nature of long term and that are repayable after one year and that are not a part of short-term borrowings, shall constitute long-term borrowings.**
- The team shall need to go through all original papers to determine the exact liability on account of long-term borrowings.

(xvii) Municipal General Fund: The difference of all assets and liabilities shall be the opening balance of Municipal General Fund. This shall be determined as a balancing figure in the balance sheet. In case of liabilities exceeding the assets, the balance will be shown as "Capital Deficit" under Application of Funds.

(xviii) Contingent Liabilities: Contingent liabilities shall appear as a note to the balance sheet. Some instances of contingent liabilities are stated below,

- In case of compulsory acquisition of land, if the amount payable is under litigation, the extra amount that shall be paid, will be identified as contingent liabilities.
- In case of any other legal cases that may be pending in any of the courts in the country or abroad and may have a financial impact on the Municipality, an appropriate amount of compensation for these cases will be disclosed as contingent liabilities, if ascertainable.
- Any other obligation, which is a result of past activities, which may not be reliably estimated and outflow of economic resources is contingent to the happening/ non-happening of certain activities.

(xix) Capital Commitments: Capital Commitments shall appear as a note to the balance sheet. In the case of value of work sanctioned, estimate approved and all formalities have been completed but work has not commenced, such cases will form a part of capital commitment. Estimated amount of contracts remaining to be executed on capital accounts and not provided for shall form part of capital commitments.

(xx) Retirement Benefits: Retirement benefits shall not be accounted for at this stage. This may be taken up by the Municipality as a subsequent exercise. Here only the actual amount ascertained in respect of an employee who has retired/ left the organization and payable to him, will be accounted for.

27.15 Certificate for authentication of Opening Balances

Balances for Fixed Assets (tangible and intangible), Current Assets, Investments, Securities, Long Term and Short-Term Liabilities shall be prepared by each branch in respect of the assets and liabilities under their control. Before submission of balances by concerned Branch Incharge, a certificate in the following format shall also be annexed to the schedule of balances.

CERTIFICATE TO BE GIVEN BY ALL THE BRANCH HEADS IN RESPECT OF ASSETS & LIABILITIES UNDER THEIR CONTROL

Name of the Branch _____

Certificate regarding balances of assets, liabilities, loans, Investments etc.

1. It is certified that all the Fixed Assets (tangible and intangible), Current Assets, Long Term and Short-Term Liabilities etc. have been taken into account at the value they are due on the date of preparation of Opening Balance Sheet i.e., _____
2. It is further certified that the calculation sheet showing the method of valuation of Fixed Assets, Current Assets, Investments and Liabilities etc. has been annexed to the balance summary.

Seal and Signature of the Branch Incharge.

27.16 Forms and Formats:

- After the review and physical verification, the data needs to be arranged item-wise with the requisite supporting documents. While collecting and collating the information, the Municipality shall use the given formats (given in Annexure II) and consider the guidelines provided in the previous volume.
- The table below may be used for easy reference:

TABLE

Information Concerns	Use Form
	(for collection of Information)
(1)	(2)
Land	<i>Schedule B – 11</i>
Building	<i>Schedule B – 11</i>
Statues and Heritage Assets	<i>Schedule B – 11</i>
Roads, Streets, Lanes	<i>Schedule B – 11</i>

Information Concerns	Use Form
Footpaths.	<i>Schedule B – 11</i>
Bridges, Culverts, Flyovers,	<i>Schedule B – 11</i>
Sub-ways and Causeways.	<i>Schedule B – 11</i>
Drains including underground drains.	<i>Schedule B – 11</i>
Water Works Distribution	<i>Schedule B – 11</i>
Public Lighting System	<i>Schedule B – 11</i>
Lakes and Ponds.	<i>Schedule B – 11</i>
Capital Work-in-Progress	<i>Schedule B – 11</i>
Plant and Machinery	<i>Schedule B – 11</i>
Vehicles	<i>Schedule B – 11</i>
Furniture and Fixtures	<i>Schedule B – 11</i>
Office Equipment	<i>Schedule B – 11</i>
Other Equipment	<i>Schedule B – 11</i>
Live Stock	<i>Schedule B – 14</i>
Movable Assets- Computer	<i>Schedule B – 11</i>
Investments	<i>Schedule B – 12 and 13</i>
Cash Balance	<i>Schedule B-17</i>
Bank Balance	<i>Schedule B-17</i>
Details of Advances paid to suppliers/contractors.	<i>Schedule B-18</i>
Details of Advances to employees	<i>Schedule B-18</i>
Receivables (including Taxes, Water charges, Rent, etc.)	<i>Schedule B-15</i>
Grants Receivable	<i>Schedule B-4</i>
Unutilized Grants	<i>Schedule B-4</i>
Branch – wise Inventory	<i>Schedule B-14</i>
Consolidated Inventory	<i>Schedule B-14</i>
Details of Deposits made	<i>Schedule B-8</i>
Loans Taken	<i>Schedule B – 5 and 6</i>
Retirement Benefits Due	<i>Schedule B – 9</i>
Reserve Funds	<i>Schedule B – 3</i>
Details of Deposits received	<i>Schedule B – 7</i>
Bills and other payables details	<i>Schedule B – 9</i>

Information Concerns	Use Form
Earnest Money Deposit	<i>Schedule B – 7</i>
Security Deposits	<i>Schedule B – 7</i>
Other Deposits	<i>Schedule B – 7</i>
Outstanding Bills	<i>Schedule B – 9</i>
Income Tax deducted	<i>Schedule B – 9</i>
Goods and Service Tax deducted	<i>Schedule B – 9</i>

- Format of Opening Balance Sheet: The format for preparation of balance sheet has been appended to *Annexure 2*. The annexure has the format of vertical balance sheet with supporting schedules. All the formats for preparation of Opening Balance Sheet have been provided in Part-II of this Code.

CHAPTER-28**FINANCIAL STATEMENTS****28.1 Introduction:**

This chapter contains the recommendations relating to the Annual Accounts and Report to be prepared by the Urban Local Bodies. It also contains the recommendations regarding periodical financial statements. The provisions and rules of the act governing the Municipality stipulate for preparation of the Annual Administration Report and a Statement of Accounts by the Municipality. The report shall be in such form and shall contain such information as the Municipality or any other Committee constituted in this regard may from time to time direct. Preparation of Financial Statements comprising of various reports as stated below are the responsibility of the Head of the Accounts Branch. However, other reports such as Auditor's report and Chief Municipal Officers report on the financial statements shall be prepared by the Municipal Auditor and Chief Municipal Officers respectively.

28.2 Annual Financial Report (AFR): The Annual Financial Report of the Municipality shall include the following:

- Financial Statements consisting of:
 - Balance Sheet
 - Income and Expenditure Statement
 - Statement of Cash flows (a summary of an enterprise's cash flow over a given period of time)
 - Receipts and Payments Account (detailed as per the account heads);
 - Notes to Accounts; and
 - Financial Performance Indicators.
- Report of the Municipal Auditor
- Chief Municipal Officer's Report on the Annual Financial Statements and the qualifications and comments made in the Report of the Municipal Auditor; and Municipality or any other Committee constituted in this regard, Action Taken Report on the qualifications and comments made in the report of the Municipal Auditor and the Report of the Chief Municipal Officer.

28.3 Adherence to Materiality Concept: In determining the accounting treatment and manner of disclosure of an item in the Income and Expenditure Statement and/or the Balance Sheet, due consideration shall be given to the materiality of the item.**28.4 Information to be Included in Financial Statements:** The Municipality shall also prepare the financial statements like the Balance Sheet, Income and Expenditure Statement, Statement of Cash flows and Receipts and Payments Account, at the end of each quarter. Balance Sheet shall disclose figure as on a date for the current year and the previous year. Income and Expenditure Statement, Statement of Cash flows and the Receipts and Payments Account shall disclose quarterly figure, progressive year-to-date totals and the figure of the corresponding quarter of the previous year and the quarterly movements in various accounts. In addition, the Income and Expenditure Statement shall also disclose the annual budget figure. In respect of the accounting year, the Municipality shall prepare all the statements and reports specified in (clause). 28.2.**28.5 Production of Financial Statement:** The Financial Statements for the first 3 (three) quarters shall be placed by the Chief Municipal Officer before the Municipality or any other Committee constituted in this regard within such period as specified in the applicable Acts.**28.6 Audit of the Annual Financial Report:** The Annual Financial Statements shall be subject to audit by a Municipal Auditor as prescribed in the provisions and rules governing the Municipalities. The requirements of the Audit Report have been laid down in on Audit Report. The Chief Municipal Officer shall prepare a report on the qualifications and comments made by the Municipal Auditor. This report shall be an integral part of the Annual Report. The Annual Financial Statements shall be approved by the Chief Municipal Officer and shall be placed along with the report of the Municipal Auditor before the Municipality, or any other Committee constituted in this regard on or before such dates as may be prescribed in the applicable Acts. The Municipality or any other Committee constituted in this regard shall prepare an Action Taken Report on the Annual Financial Statements submitted taking into consideration the qualification and comments made in the report of the Municipal Auditor. The Municipality or any other Committee constituted in this regard shall approve the Annual Financial Statements and Report and place them before the General Body on or such date as may be specified in the applicable Acts. The General Body shall adopt the Annual Report not later than such date as may be specified in the applicable acts. The amounts in the annual financial statements and the

schedules forming part of the financial statements shall be stated in Units of Rupees. It shall be disclosed in Thousands / Lakhs of Rupees if a Municipality decides so with the approval of the state government.

- 28.7 Trial Balance:** The process of preparation of the Financial Statements shall be preceded by preparation of a Trial Balance. The Trial Balance is a list of closing balances in all the accounts in the Ledger and the Cash Books. The purpose of preparing a Trial Balance is to determine the equality of posted debits and credits, and to generate a basic summary of accounts for facilitating preparation of the Financial Statements like Income and Expenditure Statement, Balance Sheet, Statement of Cash flows and Receipts and Payments account. The Financial Statements are essentially drawn from the Trial Balance. The Trial Balance shall be prepared as shown in Table 28.1.

Table 28.1
Trial Balance for the period from _____ to _____

Code No	Particulars	Debit (₹)	Credit (₹)
1	2	3	4
		:	:
	Total		

28.8 Facts that shall be noted while preparing the Trial Balance:

- The income accounts shall generally have credit balances and the expense accounts shall generally have debit balances.
- The asset accounts shall generally have debit balances and the liability accounts and the reserve funds shall generally have credit balances.

28.9 Steps involved in the preparation of a Trial Balance:

- All the ledger accounts shall be closed at period end and the debit or credit balance shall be calculated.
- The debit balances shall be posted in the debit column of the Trial Balance and the credit balances in the credit column of the Trial Balance.
- The posting of Ledger Accounts in the Trial Balance shall be in the same order as shown in the Chart of Accounts.
- The Cash Books shall be closed, and the balances shall be posted in the Trial Balance.
- Both the Debit Column and the Credit Column of the Trial Balance shall be totalled.

28.10 Agreement of Trial Balance: Since every debit entry has a corresponding credit entry, the sum-total of the debit balances in various account heads shall be equal to the sum-total of the credit balances in the other account heads. While, generally, a tallied Trial Balance will be a first test of accuracy, it is possible that the Trial Balance may tally even if the following has happened:

- Omission of an entry in the original books of entry, viz., Cash Book and Journal Book, in which case neither debit, nor credit will be recorded;
- Wrong entry in the original books of entry;
- Posting of an entry on the wrong sides in such a manner that they compensate;
- Posting of an entry in wrong account head but on the correct side;
- Double posting of an entry in a ledger account;
- Compensating errors such as salaries paid recorded as ₹ 2,000 instead of actual of ₹ 2,500 and Repairs and Maintenance recorded as ₹ 1,500 instead of actual of ₹ 1,000.

28.11 Errors and their rectification: In case, the Trial Balance does not tally, some of the steps that shall be taken for finding those errors and rectifying them are as follows:

- Check for totalling errors in the Trial Balance;
- Ensure that the cash and bank balance is not omitted from inclusion into the Trial Balance;
- Check the ledger account totals and their postings in the Trial Balance;
- Check the journal to see that the total debits and credits for each entry tally;
- Verify the postings to the ledger accounts from the books of original entries, i.e., the Cash Book and Journal to ensure that no error is made while posting entries in ledgers.

28.12 Basis of Financial Statement: From the Trial Balance prepared, the Municipality shall prepare Balance Sheet and Income and Expenditure Statement. While preparing the Balance Sheet and the Income and Expenditure Statement, the following shall be done:

- The balances in the assets accounts, which generally have a debit balance and are recorded on the debit side of the Trial Balance, shall be posted on the Asset side of the Balance Sheet;

- The balances in the liabilities accounts, which generally have a credit balance and are recorded on the credit side of the Trial Balance, shall be posted on the Liability side of the Balance Sheet;
- The balances in the income accounts, which generally have a credit balance and are recorded on the credit side of the Trial Balance, shall be posted on the Income side of the Income and Expenditure Statement;
- The balances in the expense accounts, which generally have a debit balance and are recorded on the debit side of the Trial Balance, shall be posted on the Expenditure side of the Income and Expenditure Statement;
- The excess of income earned by the Municipality over expenses incurred by the Municipality shall be transferred to and added to the Municipal Fund in the Balance Sheet. Likewise, excess of expenses incurred over income earned shall be transferred to and reduced from the Municipal Fund in the Balance Sheet.
- No items in the trial balance are left out without carrying them either to Income and Expenditure Account or the Balance sheet.

28.13 Transfer of Balances to Balance Sheet: Wherever a reference to Schedules has been made in the Financial Statements, the effects mentioned above shall be given in the Schedules first. From the Schedules, the balances shall be transferred to the Financial Statements.

28.14 Consolidation of Individual Accounting Unit's Trial Balance: As explained in Chapter Inter Unit Transactions each accounting unit shall maintain its books of account independently. The AUs shall generate trial balance at the period ends. The Trial Balances of each accounting unit (AU) as at the period ends shall be forwarded to the head office of Municipality for consolidation purposes. Consolidation of the trial balances of the AUs shall be done on a line-by-line basis. Format for consolidation of trial balance is given in Table 28.2 below:

Table 28.2
Trial Balance for the period from _____ to _____

Account Code	Account Head	Amount (₹)												
		Unit A		Unit B		Unit C		Head office		Adjustment		Consolidated balance		
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	

- All the inter-unit transaction account balances shall be nullified on consolidation of the accounts at the period ends by the Head office. For this purpose, the Inter Unit Transactions (IUTs) shall be reconciled, and the balances shall match as explained in Chapter Inter Unit Transactions.
- All Financial statements shall then be prepared based on consolidated Trial Balance as arrived at for the Municipality as a whole.

28.15 Income and Expenditure Statement: The Municipality shall also prepare an Income and Expenditure Statement for every accounting period. The Income and Expenditure Statement discloses the results of the working of the Municipality during the period covered by the statement. It shows incomes and expenditures of the Municipality for an accounting period and the excess of income over expenditure or vice-versa for that period.

- Since the Financial Statements are prepared under accrual basis, the Income and Expenditure Statement shall include all the income earned during the year whether actually received or not and all the expenditure incurred whether actually paid or not.
- The Income and Expenditure Statement is drawn from the Trial Balance. The various heads of incomes and expenditures shall be posted from the Trial Balance to the Income and Expenditure Statement.
- Any income or expenditure under a particular individual head, which is more than 1% of the total gross income of the Municipality or ₹1,00,000 whichever is higher, shall be shown separately in the Schedules annexed to the Income and Expenditure Statement.
- If detailed information required to be given under any of the items or sub items cannot be conveniently shown in the format for the Income and Expenditure Statement or the Balance Sheet itself, as the case may be, such information may be furnished in a separate schedule or schedules to be annexed to and forming part of the Income and Expenditure Statement and the Balance Sheet.
- The Income and Expenditure Statement shall be prepared in the format shown in Table 28.3

Table 28.3
Income and Expenditure Statement for the period from _____ to _____

Code	Item/Head of Account	Schedule No.		
1	2	3		
	INCOME			
110-(a)	Tax Revenue			
120-(a)	Assigned Revenues and Compensations			
130-(a)	Rental Income from Municipal Properties			
140-(a)	Fee and User Charges			
150-(a)	Sale and Hire Charges			
160-(a)	Revenue Grants, Contribution and Subsidies			
170-(a)	Income from Investments			
171-(a)	Interest Earned			
180-(a)	Other Income			
A	Total-INCOME			
	EXPENDITURE			
210-(a)	Establishment Expenses			
220-(a)	Administrative Expenses			
230-(a)	Operation and Maintenance Expenses			
240-(a)	Interest and Finance Charges			
250-(a)	Programme Expenses			
260-(a)	Revenue Grants, Contribution and Subsidies			
270-(a)	Provisions and Write-Offs			
271-(a)	Miscellaneous Expenses			
272-(a)	Depreciation			
B	Total-EXPENDITURE			
	Gross surplus/deficit of income over expenditure before Prior Period Items			
	<i>Add:</i> Prior Period Items (Net)			
	Gross surplus/deficit or income over expenditure after prior period items			
290-(a)	<i>Less:</i> Transfer to Reserve Funds)			
	Net Balance being surplus/deficit			

28.16 Balance Sheet: The Municipality shall prepare a Balance Sheet at the end of each accounting period. The Balance Sheet is a statement, which reflects the financial position of the Municipality as on a particular date. It presents the assets, liabilities and reserves of an entity on a specified date.

- The Balance Sheet is also drawn from the Trial Balance. Assets, liabilities and reserve heads shall be posted from the Trial Balance to the Balance Sheet as discussed above.
- The details of various Balance Sheet items shall be given in separate schedules attached to the Balance Sheet. The contents and formats for the various schedules to the Balance Sheet have been shown subsequent to the schedules of Income and Expenditure Statement.
- The Balance Sheet shall be prepared in the format shown in Table 28.4.

Table 28.4

Balance Sheet of _____ Municipality as on _____

Code No	Description of items	Schedule No.	Current Year Amount (₹)	Previous Year Amount (₹)
	LIABILITIES			
	Reserve and Surplus			
310	Municipal (General) Fund	B-1		
311	Earmarked Funds	B-2		
312	Reserves	B-3		
	Total Reserves and Surplus			
320	Grants, Contributions for specific purposes	B-4		
	Loans			
330	Secured Loans	B-5		
331	Unsecured Loans	B-6		
	Total Loans			
	Current Liabilities and Provisions			
340	Deposits Received	B-7		
341	Deposit works	B-8		
350	Other Liabilities (Sundry Creditors)	B-9		
360	Provisions	B-10		
	Total Current Liabilities and Provisions			
	TOTAL LIABILITIES			
	ASSETS			
	Fixed Assets			
410	Gross Block	B-11		
411	Less: Accumulated Depreciation			
412	Net Block			
	Capital Work-in-Progress			
	Total Fixed Assets			
	Investments			
420	Investment – General Fund	B-12		
421	Investments – Other Funds	B-13		
	Total Investments			
	Current Assets, Loans and Advances			
430	Stock in Hand (Inventories)	B-14		
	Sundry Debtors (Receivables)			
431	Gross amount outstanding	B-15		
432	Less: Accumulated provision against bad and doubtful Receivables			
	Net amount outstanding			
440	Prepaid Expenses	B-16		
450	Cash and Bank Balances	B-17		
460	Loans, advances and deposits	B-18		
461	Less: Accumulated provision against Loans			
	Net Amount outstanding			
	Total Current Assets, Loans and Advances			
470	Other Assets	B-19		
480	Miscellaneous Expenditure (to the extent not written off)	B-20		
	TOTAL ASSETS			

- 28.17 Fund Accounts of the Municipalities:** Municipalities may maintain separate accounts for every fund. State Government may determine the funds for which Municipalities shall maintain separate books. For all those funds, Municipalities shall maintain separate set of books of accounts. The accounting principles and procedures to be adopted shall be same across all funds. Trial balance shall be generated for each of the Fund and the financial statements as explained above shall be prepared for each of the Fund separately and then consolidated to present the Municipality level position.
- 28.18 Financial Statements for Merger of Municipalities:** In case the financial statements are prepared on account of merger of two or more Municipalities the accounting principles and disclosures in the merged financial statements is covered in Chapter Merger to which reference is invited.
- 28.19** The various schedules to the Income and Expenditure Account have been provided in the Part-II of this Account Code.
- 28.20 Cash Flow Statement:** Cash Flow statement is prepared in order to have information about the cash flows of an enterprise useful in providing users of financial statements with a basis to assess the ability of the enterprise to generate cash and cash equivalents and the needs of the enterprise to utilise those cash flows.
- A Cash Flow Statement, when used in conjunction with the other Financial Statements, provides information that enables users to evaluate the changes in assets and liabilities of a Municipality, its financial status, and the actual performance in terms of cash inflows and outflows.
 - All Municipalities shall prepare a Statement of Cash flows apart from Income and Expenditure, Balance sheet and Receipts and Payments statements.
- 28.21 Guidelines for Preparation of the Cash flow Statements:** The cash flow statement shall report cash flows during the period classified by operating, investing and financing activities. A Municipality presents its cash flows from operating, investing and financing activities in a manner, which is most appropriate to its activities. Classification by activity provides information that allows users to assess the impact of those activities on the financial position of the enterprise and the amount of its cash and cash equivalents. This information may also be used to evaluate the relationships among those activities. The cash flow statement shall be prepared as shown in Table 31.5.
- 28.22 Steps in Preparation of Cash Flow Statement:** Cash flow statement of a Municipality shall be prepared by ascertaining the cash flow from each of the activity as explained in the previous para. Therefore, steps involved in determining the cash flows from each of the activity are explained in the following paras separately.
- 28.23 Cash Flow from Operating Activities:** Operating activities are the principal activities contributing to or utilising the cash resources of the Municipality and other activities that are not investing or financing activities. Identification of transactions into operating or other activities primarily depends on whether the result of the activity is captured in Income and Expenditure statement and is not related to Investing or Financing activities. The steps involved in calculation of cash flow from Operating Activities are as follows:
- (i) The amount of excess of income over expenditure (or vice versa) as per 'the Income and Expenditure Account' shall be entered in the Cash flow statement under 'Operating activities': (which shall be the gross cash flow from operating activities)
 - (ii) The amount of excess of income over expenditure (taken in the previous step) includes certain non-cash and non-operating incomes and expenditures. These shall be adjusted to the Gross cash flow to determine the net cash flow from operating activities. Adjustments required for expenditure will be added and adjustments in respect of income will be deducted from the Gross Cash Flow. A generalised list of such adjustments under incomes and expenses are given below:
 - (iii) Expenditure:
 - Depreciations
 - Write off
 - Provisions
 - Decline in the value of investment
 - (iv) Income
 - Interest on deposits/loan received
 - Investment incomes
 - Profit or sale arising out of Assets
 - Appreciation in the value of Investments
 - (v) The net cash flows as determined in the previous step shall be adjusted for changes in working capital: (movement in current assets and current liabilities excepting those current assets relating to 'Investing' or 'Financing' activity, for example loans and advances to employees is considered under financing activity).
 - (vi) Changes during the period in current assets and liabilities are as follows:

Current Assets/Liabilities	Current year	Previous year	Movements
	(Col 1)	(Col 2)	(Col 1 – Col 2)
1	2	3	4
Inventories			
Receivables of Revenues			
Prepaid expenses			
Employee related payables			
Provision for expenses			

(vii) The cash flows arising from any extra ordinary item shall be disclosed separately and classified as cash flows from operating activities unless they shall be identified with financing or investing activities and this amount shall be added to 'cash flow from operating activities' as determined in the previous step. Few examples of extra ordinary items are as follows:

- c) Cyclone relief funds received;
- d) Receipts and payments on account of prior period income and expenses;

(viii) The total amount of cash flows from operating activities as determined in the previous step shall be shown as 'net cash generated from or (used in) operating activities'.

28.24 Cash Flows from Investing Activities: Investing activities generally involves acquisition and disposal of long-term assets and investments not included in cash equivalents. The steps involved in calculation of cash flow from Investigating Activities are as follows:

- (a) All the movement of cash flows on account of the following shall be shown as separate line items under the 'Investing activities':
 - Acquisition of fixed assets;
 - Purchase of investment in shares/equity or any other mode;
 - Fixed Deposits with banks and other financial institutions
 - Amounts expensed/ utilised from Fund accounts
- (b) It is to be noted that while calculating the movement of funds/grants account, any amount included by transfer from General/municipal fund shall be adjusted, as there is no real cash inflows to the fund/grant accounts.
- (c) All items of incomes and expenditures in the nature of 'investing activities', which are adjusted while calculating cash flows from operating activities shall be considered appropriately for inclusion in the calculation of cash flows from investing activities. Also these items are to be included as separate line items. Examples of such items are:
 - Interest received,
 - Dividend received,
 - proceeds from disposal of assets/investments
- (d) The amount of cash flows from investing activities as calculated above shall be shown as 'Net cash generated from/ (used in) investing activities'.

28.25 Cash Flows from Financing Activities: Financing activities are activities that result in changes in the size and composition Loans received by the Municipalities. The steps involved in calculation of cash flow from Financing Activities are as follows:

- (1) The movement in loans availed by the Municipalities and loans and other advances given to employees/ others shall be shown on a net basis instead of showing the amount of loans received / repaid during the year. Examples of such items are as follows:
 - Movement in loans from Central Government
 - Movement in Loans from State Government
 - Movement in Loans and advances to employees
 - Interest and finance expenses paid

<u>Movements in loans are calculated as follows:</u>	<u>Amount(₹)</u>
Loan amounts received during the period	XXX
Less: Loan amounts repaid during the year	XXX
Net movement amount of loans received/(repaid)	<u>XX/(XX)</u>

- (2) Funds/grants received during the period under reporting shall be shown separately as amounts received under any fund/grant are in the nature of financing activities. Examples of such funds/grants are as follows:

- Earmarked funds
 - Special grants
 - Specific grants
- 3) All items of incomes and expenditures in the nature of ‘financing activities’, which are adjusted while calculating cash flows from, operating activities shall be considered appropriately for inclusion in the calculation of cash flows from investing activities. Examples of such items are as follows:
- Interest and finance charge
 - Discounts
- 28.26 **Cash and Cash Equivalents at the End of the Period:** The total of net cash flows generated from / (used in) each of operating, investing and financing activities, shall be shown as net increase / (decrease) in cash and cash equivalents during the period under reporting. In order to arrive at the ‘Cash and cash equivalents at the end of the period under reporting’, the amount of cash and cash equivalents at the beginning of the period under reporting shall be added to ‘net increase/ (decrease) in cash and cash equivalents’ during the period. It shall be ensured that the amount of cash and cash equivalents at the end of the period under reporting shall be tallied with the total cash and bank balances at the end of the period as disclosed in the balance sheet of the Municipality.

Table 28.5
Statement of Cash Flow

Particulars	Previous Year (₹)		Current Year (₹)	
a. Cash flows from Operating Activities				
Gross surplus/(deficit) over expenditure				
<u>Adjustment for</u>				
<i>Add:</i>				
Depreciation				
Interest and Finance Charges				
<i>Less:</i>				
Profit on disposal of assets				
Dividend Income				
Investment Income				
Adjusted income over expenditure before effecting changes in current assets and liabilities and extra ordinary items.				

Particulars	Previous Year (₹)		Current Year (₹)	
Changes in current assets and current liabilities				
(Increase)/decrease in Sundry Debtors				
(Increase)/decrease in Stock in hand				
(Increase)/decrease in prepaid expenses				
(Increase)/decrease in other current assets				
(Decrease)/ increase in Deposits received				
(Decrease)/ increase in Deposits works				
(Decrease)/ increase in other current liabilities				
(Decrease)/ increase in provisions				
Extra ordinary items (Specify)				
Net cash generated from/(used in) Operating Activities (a)				
b. Cash Flow from Investigating Activities				
(Purchase) of fixed assets and CWIP				
(Increase) / Decrease in Special funds/grants				
(Increase) / Decrease in Earmarked funds				
(Purchase) of Investments				
<i>Add:</i>				
Proceeds from disposal of assets				
Proceeds from disposal of investments				
Investment income received				
Interest income received				

Particulars	Previous Year (₹)	Current Year (₹)
Net cash generated from/(used in) Investing activities (b)		
c.Cash Flow from Financing Activities		
<i>Add:</i>		
Loans from banks/others received		
<i>Less:</i>		
Loans repaid during the period		
Loans and advances to employees		
Loans to others		
Finance expenses		
Net cash generated from/(used in) Financing Activities (c)		
Net increase/decrease in cash and cash equivalents (a+b+c)		
Cash and cash equivalents at beginning of period		
Cash and cash equivalents at end of period		
Cash and Cash equivalents at the end of the year comprises of the following account balances at the end of the year:		
i. Cash Balances		
ii. Bank Balances		
iii. Scheduled co-operative banks		
iv. Balances with Post offices		
v. Balances with other banks		
TOTAL		

Note: items in () brackets denote as that they are to be deducted

28.27 Receipt and Payment Account: The Receipts and Payments Account shows the sources of funds and the applications of funds during the accounting reporting periods. The Receipt and Payment Account shall be prepared from the Balance Sheet, Income and Expenditure Statement, Ledgers and Cash Book. Following steps are involved in preparation of Receipt and Payment Account:

- (a) The opening and closing cash and bank balances shall be ascertained and entered:
- (b) For revenue income accounted for on actual receipt basis, the amounts as appearing in the Income and Expenditure Statement shall be reflected directly in the Receipts and Payments Account.
- (c) For revenue income accounted for on accrual basis, the following shall be done:

Receivables at the beginning of the period	₹XXX
Add: Bills raised/income accounted during period	₹XXX
Less: Receivables at the end of the period	₹XXX
Cash received during the year	₹XXX

 This amount shall be reflected in the receipt side of the Receipts and Payments Account.
- (d) For revenue payments which are accounted for on accrual basis, the following shall be done:

Payables at the beginning of the period	₹XXX
Add: Bills received/Expenditure Account during the period	₹XXX
Less: Payables at the end of the period	₹XXX
Cash paid during the year	₹XXX

 This amount shall be reflected in the payment side of the Receipts and Payments Account.
- For Non-operating items – Ledger accounts shall be scrutinised for each of the items listing out the total cash inflow and outflow during the period under consideration. The increase or decrease in the amount outstanding in respect of the relevant item in the Balance Sheet in comparison to the previous period's figure shall tally with the net cash flow. For instance, while ascertaining the cash flow in respect of loan, all the loan ledger accounts shall be scrutinised to prepare a list of cash inflow and outflow in various loan ledger accounts. The difference between the total cash inflow and outflow of all the loan ledger accounts shall tally with the amount received or paid in respect of loan. This shall also be available from the Balance Sheet itself in terms of increase or decrease of the amount of loan in relation to the previous period's figure.
- The Receipt and Payment Account shall be prepared as shown in Table 28.6. It should be noted that the following gives an illustrative list of receipt and payment.

- The Receipt and Payment Account shall be prepared as shown in Table 28.6. It should be noted that the following gives an illustrative list of receipt and payments.

(e) The Receipts and Payments Account shall be prepared as shown in Table 28.6. It should be noted that the following gives an illustrative list of receipts and payments.

The following shall be noted in relation to preparation of Receipts and Payments Account:

- The receipts considered are on cash basis and does not take into account the receivables. Similarly, the payments considered are on cash basis and does not take into account the payables.
- Non-cash items like Depreciation, Miscellaneous Expenditure (written off), Profit/Loss on disposal of Fixed Assets, Profit/Loss on disposal of Investments will not be considered while preparing this statement.

If any loan is obtained by the Municipality in such a way that the disbursement of installments is directly made to the appointed Contractor, then the loan, though not directly received in cash by the Municipality, shall be shown as 'Receipts'. Similarly, corresponding payments made to the Contractor, though not made in cash by the Municipality, shall be shown as 'Payments'.

Table 28.6
Receipts and Payments Account for the period from _____ to _____

Code No.	Head of Account	Current Period Amount (₹)	Corresponding Previous Period Amount (₹)	Code No.	Head of Account	Current Period Amount (₹)	Corresponding Previous Period Amount (₹)
	Opening Balances# Cash balances including Imprest Balances with Banks (including balances in designated bank accounts)						
	Operating Receipts				Operating Payments		
1-10	Tax Revenue			2-10	Establishment Expenses		
1-20	Assigned Revenues and Compensations			2-20	Administrative Expenses		
1-30	Rental income from Municipal Properties			2-30	Operations and Maintenance		
1-40	Fees and User Charges			2-40	Interest and Finance Charges		
1-50	Sale and Hire Charges			2-50	Programme Expenses		
1-60	Revenue Grants, Contributions and Subsidies			2-60	Revenue Grants, Contributions and Subsidies		
1-70	Income from Investments						
1-71	Interest Earned			4-30	Purchase of Stores		
1-80	Other Income				Other Collections on behalf of State and Central Government		
	Non-Operating Receipts				Non-Operating Payments		

Code No.	Head of Account	Current Period Amount (₹)	Corresponding Previous Period Amount (₹)	Code No.	Head of Account	Current Period Amount (₹)	Corresponding Previous Period Amount (₹)
3-30/31	Loans Received			3-50	Other Payables		
3-40	Deposits Received			3-50	Refunds Payable		
3-20	Grants and contribution for specific purposes			**	Repayment of Loans		
*	Sale proceeds from Assets			**	Refund of Deposits		
*	Realisation of Investment – General Fund			4-10	Acquisition / Purchase of Fixed Assets		
*	Realisation of Investment – Other Funds			4-12	Capital Work – in – Progress		
3-41	Deposit works			3-41	Deposit works		
3-50	Revenue Collected in			4-20	Investments –		
*	Advance			4-21	General Fund Investments – Other Funds		
*	Loans and Advances to Employees (recovery)			4-60	Loans and Advances to Employees		
*	Other Loans and Advances (recovery)			4-40	Prepaid Expenses		
	Deposits with External Agencies (recovery)			4-60	Other Loans and Advances		
	Other Receipts [specify]			4-60	Deposits with External Agencies		
					Other Payments [specify]		
					Closing Balances #		
					Cash balances including Imprest		
					Balances with Banks (including balances in designated bank accounts)		
	GRAND TOTAL				GRAND TOTAL		

Balances banks operate for Grants and special funds

* Details in respect of these items will be available in the corresponding asset ledger accounts

** Details in respect of these items will be available in the corresponding liability ledger accounts

NOTES TO ACCOUNTS

The notes to accounts shall comprise of Statement of Significant Accounting Principles, Statements on Contingent Liabilities, Subsidy report and Other disclosures.

28.28 STATEMENT OF SIGNIFICANT ACCOUNTING PRINCIPLES

The **Statement of Significant Accounting Principles** shall state important accounting principles followed by the Municipality in respect of accounting for its transactions and in the preparation and presentation of the Financial Statements.

- Where any of the accounting principles adopted by the Municipality while preparing its Financial Statements is not in conformity with the principles prescribed in this Haryana Municipal Account Code 2025, **municipality shall comply with the instruction contained in (clause) 1.9 of this Code.** The disclosure of such deviation reasons thereof and financial effect thereof shall be made in the section "Other Disclosures". In case the financial effect thereof is not ascertainable, either wholly or in part, the fact that it is not so ascertainable shall be indicated.
- Likewise, any change in the accounting principles which has no material effect on the Financial Statements for the current period but which is reasonably expected to have a material effect in later periods, the fact of such change shall be appropriately disclosed in the period in which the change is adopted.
- The statement of significant accounting principles to be disclosed in the financial statements is given below.

-BASIS OF ACCOUNTING

The financial statements are prepared on a going concern and under historical cost basis under accrual basis of accounting. The method of accounting is the double entry system.

-RECOGNITION OF REVENUE**Revenue**

Property and Other Taxes are recognised in the period in which they become due, and demands are ascertainable.

Revenues in respect of Profession Tax on Organisations / entities are accrued in the year to which it pertains and when demands are raised.

Permission Fee are accrued based on Demand or the contract. Revenue in respect of Trade License Fees is accrued in the year to which it pertains and when Demands are raised.

Assigned revenues like Entertainment Tax, Duty / Surcharge on transfer of Immovable properties is accounted during the year only upon actual receipt. However, at year-end, they are accrued if sanction order (or proceedings) is passed, and the amount is ascertained.

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

Provision against receivables.

Prudential norms are applied based on type of income and age of receivable. Based on the principle on provisioning, incomes that have been accrued and are doubtful of recovery are provided for.

28.29 RECOGNITION OF EXPENDITURE

- Expenses on Salaries, bonus and other allowances are recognised as and when they are due for payment.
- All revenue expenditures are treated as expenditures in the period in which they are incurred.
- In case of works, expenditures are accrued as soon as the work has been measured and becomes due for payment.
- Provision for expenses is made at the year-end for all bills received up to a cut off date.

28.30 Fixed Assets Recognition

All Fixed Assets are carried at cost less accumulated depreciation. The cost of fixed assets includes cost incurred/money spent in acquiring or installing or constructing the fixed asset, interest on borrowings directly attributable to acquisition or construction of qualifying fixed assets up to the date of commissioning of the assets and other incidental and indirect expenses incurred up to that date.

- All assets costing less than ₹ 5,000/- shall be expensed / charged to Income and Expenditure Account in the year of purchase.
- Any Fixed Asset, which has been acquired free of cost or in respect of which no payment has been made, is recorded at nominal value of ₹1/-.
- Depreciation: Depreciation is provided on Straight Line Method
- Revaluation of Fixed Assets: Revaluation of fixed assets is undertaken either at the time of issue of municipal bonds or when commercial development / lease of properties is made.
- Increase in net book value arising on revaluation is credited to 'Revaluation Reserve Account'. Decrease in net book value is charged to Income and Expenditure account.
- Revaluation reserve is amortised by equivalent amount of depreciation charged on the revalued portion

- of the cost of the fixed assets.
- Borrowing cost: Borrowing cost is recognised as revenue expenditure on accrual basis except in the case of fixed assets.
- Inventories: Inventories are valued as follows:
 - Raw materials are valued at Cost based on first in first out method
 - Finished goods are valued at lower of the cost or market value.
- Grants: Grants which are of revenue nature, are recognised as income on actual receipt
- General Grants: Grants, which are re-imbusement of specific revenue expenditure is recognised as income in the accounting period in which the corresponding revenue expenditure is charged to the Income and Expenditure Account.
- Grant received towards capital expenditure is treated as a liability till such time the fixed asset is constructed or acquired. On construction/acquisition of fixed asset, the grant corresponding to the value of the asset so constructed/acquired is treated as a capital receipt and transferred to capital contribution.
- Employee benefits: Separate Funds are formed for meeting the pension and other retirement benefits including Gratuity and Leave encashment.
- Contribution towards Pension and other retirement benefit funds are recognised as and when it is due.
- Investments
 - All investments are initially recognised at Cost. The cost of investment shall include cost incurred in acquiring the investment and other incidental expenses incurred for its acquisition.
 - Long-term investments are carried at their cost. However, in the event of any permanent diminution in their value as on the date of balance sheet, these are to be provided for.
 - Short-term investments are carried at their cost or market value (if quoted), whichever is lower.

28.31 STATEMENT ON CONTINGENT LIABILITIES

The Contingent Liabilities represent an obligation, relating to a past transaction or other event or condition, that may arise in consequence of a future event now deemed possible but not probable. They represent a claim against the Municipality which is contingent on the happening of a future uncertain event, the financial implications of which may or may not be ascertainable at the end of an accounting period. The following shall be disclosed by the Municipality in the 'Statement on Contingent Liabilities':

- Amount of Capital Contracts remaining to be executed and not provided for;
- Amount of claim in respect of suits filed against the Municipality for which the Municipality may be liable, in case the Municipality loses suits;
- Claim against the Municipality not acknowledged as debts; and
- Other money for which the Municipality is contingently liable.

28.32 SUBSIDY REPORT

In accordance with the provisions and rules of the act governing the Municipality, and instructions of the Government, the Municipality shall prepare a Subsidy Report on the following services, which shall be annexed to the Annual Financial Statements:

- Water supply and disposal of sewage;
- Scavenging, transporting and disposal of wastes;
- Municipal transport; and
- Street lighting.
- Hospitals
- Schools

The Subsidy Report may be prepared in the illustrative format provided below in Table 28.7. However, the Municipalities shall adopt those formats as given in the rules and provisions of the act governing the Municipalities and the local needs.

Table 28.7
Subsidy Report _____ for the period from _____ to _____

Particulars	Current year's figure Amount (₹)	Previous year's figure Amount (₹)
EXPENDITURE		
Establishment expense		
Administration expenses		
Operation and Maintenance Expenses		
Interest on Loans and Financial Charges		

Particulars	Current year's figure Amount (₹)	Previous year's figure Amount (₹)
Depreciation		
Other Expenses		
TOTAL EXPENDITURE (A)		
INCOME		
Charges levied on rendering of Services		
Taxes levied		
Other Income		
TOTAL INCOME (B)		
SUBSIDY PROVIDED (A-B)		

The Subsidy, as computed above, indicates the extent of deficit of income as compared to the expenditure.

28.33 OTHER DISCLOSURES

This section shall give other important financial information about the Municipality, which have not been disclosed in the Financial Statements. These shall include:

- Details of the expenses incurred under various Government Circulars together with the details, in broad terms, of the beneficiaries;
- Details of honorarium paid to Councillors and Mayor;
- The following shall be disclosed separately in case of each of the incomes of the Municipality:
- Amount of refunds, remissions and write-offs made during the year, and Arrears collected during the year.

In addition to disclosures required to be made as specified above, the Municipality may also furnish information in respect of the following;

- Percentage of properties defaulting on Property tax both in terms of number and value in comparison to total properties and income earned;
- Number of municipal hospital beds, dispensaries and other medical facilities per 1000 citizens in the municipal area;
- Details about the various health programs undertaken by the Municipality from its own resources and the section of the population being benefited;
- Percentage of connections, category-wise, defaulting on payment of water supply charges both in terms of number and value in comparison with the total number of connections and demand raised together with the remedial measures taken;
- Details about the water purification and water distributed and billed in terms of quantity;
- Number of lamp-posts erected and the areas in which they are erected (the expenses incurred in respect of the street lighting shall be given in the Subsidy Report);
- Age analysis of receivables;
- Age analysis of payables; and
- Such other details as the Municipality may decide to give for better disclosure and governance.

CHIEF MUNICIPAL OFFICER'S REPORT ON THE QUALIFICATIONS AND COMMENTS MADE IN THE REPORT OF THE MUNICIPAL AUDITOR

- The Chief Municipal Officer shall in his report include his comments on the report of the Municipal Auditor, including explanations relating to qualifications mentioned by the Municipal Auditor, stating clearly the facts of the matter and the steps taken in respect of those qualifications. The Chief Municipal Officer shall also comment upon the performance of the Municipality based upon the results of the Financial Performance Indicators. In respect of any adverse performance, as reflected by the result of any Performance Indicator, the Chief Municipal Officer shall, in his report, explain the reason therefore and shall also state the steps taken to improve performance in that area.
- Further, the Chief Municipal Officer's Report shall state that the books of accounts are maintained in the manner as required by the Act and the Haryana Municipal Account Code 2025 and that proper accounting principles have been adopted and applied consistently while accounting for the transactions and preparing the Annual Financial Statements.

28.34 MUNICIPALITY OR CONTITUTED COMMITTEE'S ACTION TAKEN REPORT

- The Municipality or any other Committee constituted in this regard shall prepare an Action Taken Report on the Annual Financial Statements submitted to it for approval. The Report shall in addition to such information as may be prescribed by the Government, provide details of the action taken by

the Municipality in respect of the qualifications made in the Report of the Municipal Auditor and the Chief Municipal Officer's Report.

- The Action Taken Report shall contain a section for Municipalities, or any other Committee constituted in this regard comments on the comments and qualifications contained in the Report of the Municipal Auditor and the Chief Municipal Officer's Report.

28.35 FINANCIAL RATIO ANALYSIS

- A ratio is an arithmetical relationship between two figures. Ratios are indicators of performance of the Municipality. Financial Ratio Analysis is a study of ratios between various items or groups of items in the Financial Statements of the municipality.
- On preparation of Financial Statements, the Accounts Branch shall compute and present the following Financial Ratios as depicted in Table 28.8 below.

Table 28.8
Financial Ratios as on _____

Serial Number	Particulars	Current Year	Previous Year
Income Ratios			
1	Tax Revenue to Total Income Ratio... (%)		
2	Property and Other Taxes to Total Income Ratio... (%)		
3	Octroi/Cess to Total Income Ratio... (%)		
4	Assigned Revenues and Compensations to Total Income Ratio... (%)		
5	Rental Income from Municipal Properties to Total Income Ratio... (%)		
6	Fees and User Charges to Total Income Ratio... (%)		
7	Revenue Grants, Contributions and Subsidies to Total Income Ratio... (%)		
Expense Ratios			
8	Establishment Expenses to Total Income Ratio... (%)		
9	Administrative Expenses to Total Income Ratio... (%)		
10	Operations and Maintenance to Total Income Ratio... (%)		
11	Interest Expense to Total Income Ratio... (%)		
Net Income Ratios			
12	Cash Surplus / Deficit to Total Income Ratio... (%)		
Efficiency Ratios			
13	Gross Property Tax Receivables Ratio... (No. of Days)		
14	Gross Cess Receivables Ratio... (No. of Days)		
15	Property Tax Receivable to Property Tax Income Ratio... (%)		
16	Cess Receivable to Cess Income Ratio... (%)		
17	Operations and Maintenance to Gross Fixed Assets Ratio... (%)		
18	Interest Expense to Loans Ratio... (%)		
Leverage Ratios			
19	Loans to Reserves Ratio or Debt-Equity Ratio... (times)		
20	Interest Coverage Ratio... (times)		
21	Debt Service Coverage Ratio... (times)		
Investment Ratios			
22	Earmarked Fund Investments to Earmarked Funds Ratio... (%)		
23	Interest on Investments Ratio... (%)		
Liquidity Ratio			
24	Current Assets to Current Liabilities Ratio... (times)		
Asset Ratios			
25	Fixed Assets to Total Assets Ratio... (%)		
Performance Ratios			
26	Income per Employee... (₹)		
27	Expenditure per Employee... (₹)		
28	Income per Citizen... (₹)		
29	Expenditure per Citizen... (₹)		

The financial Ratios shall be calculated by the Accounts Branch as shown in Table 28.9 below:

Table 28.9
Financial Ratio Analysis

Sr. No	Financial Ratio	Method of Computation	Schedule s to be referred	Description of the Ratio
	Income Ratios			
1	Tax Revenue to Total Income Ratio... (%)	$\frac{\text{Tax Revenue}}{\text{Total Income}} \times 100$	I-1	These Ratios depict the share of each income in the Total Income of the municipality. Higher share of an individual income in the total income shows a high dependability on that source and therefore a high risk. The municipality shall try and develop other sources of income to reduce this risk.
1A	Property and Other Taxes to Total Income Ratio... (%)	$\frac{\text{Property and Other Taxes}}{\text{Total Income}} \times 100$	I-1(a)	
1B	Octroi/Cess to Total Income Ratio... (%)	$\frac{\text{Octroi/Cess}}{\text{Total Income}} \times 100$	I-1(b)	
2	Assigned Revenues and Compensations to Total Income Ratio... (%)	$\frac{\text{Assigned Revenues and Compensations}}{\text{Total Income}} \times 100$	I-2	
3	Rental Income from Municipal Properties to Total Income Ratio (%)	$\frac{\text{Rental Income from Municipal Properties}}{\text{Total Income}} \times 100$	I-3	
4	Fees and User Charges to Total Income Ratio... (%)	$\frac{\text{Fees and User Charges}}{\text{Total Income}} \times 100$	I-4	
5	Revenue Grants, Contributions and Subsidies to Total Income Ratio... (%)	$\frac{\text{Revenue Grants, Contributions and Subsidies}}{\text{Total Income}} \times 100$	I-6	
	Expense Ratios			
6	Establishment Expenses to Total Income Ratio (%)	$\frac{\text{Establishment Expenses}}{\text{Total Income}} \times 100$	I-10	These Ratios depict the share of each expense in the total income of the municipality. The municipality shall try and keep these ratios as low as possible so that a higher surplus may be earned. However, this shall not be at the sacrifice of service to the citizens.
7	Administrative Expenses to Total Income Ratio... (%)	$\frac{\text{Administrative Expenses}}{\text{Total Income}} \times 100$	I-11	
8	Operations and Maintenance to Total Income Ratio... (%)	$\frac{\text{Operations and Maintenance}}{\text{Total Income}} \times 100$	I-12	
9	Interest Expense to Total Income Ratio... (%)	$\frac{\text{Interest Expense}}{\text{Total Income}} \times 100$	I-13	

Sr. No	Financial Ratio	Method of Computation	Schedule s to be referred	Description of the Ratio
	Net Income Ratios			
10	Cash Surplus / Deficit to Total Income Ratio... (%)	$\frac{\text{Cash Surplus or Deficit} \times 100}{\text{Total Income}}$ <p>Where Cash Surplus or Deficit is obtained from Receipts and Payments Account as difference between Operating Receipts and Operating Expenses.</p>	Receipts and Payments Account	This ratio indicates the cash surplus or deficit generated as a percentage to the total income of the municipality.
	Efficiency Ratios			
11	Gross Property Tax Receivables Ratio... (No. of Days)	$\frac{\text{Average Gross Property Tax Receivable} \times 365}{\text{Demand for Property tax raised during the year}}$ <p>Where Average Gross Property Tax (P.T.) Receivable = $(\text{Opening P.T. Receivable} + \text{Closing P.T. Receivable})/2$</p>	B-13, I-1(a)	These ratios indicate the average number of days for which the receivables are outstanding on an average. The municipality shall try and keep these days very low.
12	Gross Cess Receivables Ratio... (No. of Days)	$\frac{\text{Average Gross Cess Receivable} \times 365}{\text{Demand for cess income raised during the year}}$ <p>Where Average Gross Cess Receivable = $(\text{Opening Cess Receivable} + \text{Closing Cess Receivable})/2$</p>	B-13, I-1(b)	
13	Property Tax Receivable to Property Tax Income Ratio... (%)	$\frac{\text{Property Tax Receivable at the end of the year} \times 100}{\text{Demand for Property tax raised during the year}}$ <p>Where Property Tax Receivable is only in respect of the financial year under consideration and represents gross amount receivable at the end of the year (i.e. without deducting provision for unrealised Property tax)</p>	B-13, I-1(a)	This ratio indicates Property tax outstanding as a percentage of current year's demand of Property tax. Efforts shall be made to keep this ratio as low as possible.
14	Cess Receivable to Cess Income Ratio... (%)	$\frac{\text{Cess Receivable at the end of the year} \times 100}{\text{Demand for cess raised during the year}}$ <p>Where Cess Receivable is only in respect of the financial year under consideration and represents gross amount receivable at the end of the year (i.e. without deducting provision for unrealised cess)</p>	B-13, I-1(b)	This ratio indicates cess outstanding as a percentage of current year's demand of cess. Efforts shall be made to keep this ratio as low as possible.

Sr. No	Financial Ratio	Method of Computation	Schedule s to be referred	Description of the Ratio
15	Inventory Ratio... (No. of Days Consumption)	$\frac{\text{Average Stock} \times 365}{\text{Store consumed during the year}}$ Where Average Stock = (Opening Stock + Closing Stock)/2		This ratio shall be calculated in respect of major stores of the municipality, for example, engineering stores, water supply stores, electricity stores, etc. This ratio indicates the average number of days of stock lying with the municipality. High number of days shall indicate that the municipality buys a lot of stock in advance, which if avoided, may result in less blockage of money into stock. The number of days shall be decided based on the emergency nature of the item and the time it shall take to procure items from the suppliers.
18	Operations and Maintenance to Gross Fixed Assets Ratio... (%)	$\frac{\text{Operations and Maintenance}}{\text{Gross Block of Fixed Assets}} \times 100$ (as at the end of the year)	I-12, B-9	This ratio indicates expenses incurred towards repairs and maintenance as a percentage of gross block of fixed assets. Although this is an essential expense to keep the assets in good working condition, higher ratio may indicate either bad maintenance or inefficient usage of the asset or frequent repairs to the same asset, both of which needs to be investigated.
19	Interest Expense to Loans Ratio... (%)	Indicate range (highest and lowest) of interest percentage and nature of loan (for highest and lowest) in respect of loans outstanding at the end of the year	B-4	This ratio indicates the range of interest expenditure on loans availed by the Municipality. The Municipality shall compare this with other Municipalities and Government Bodies to ensure that loans are availed at competitive rates.
	Leverage Ratios			
20	Loans to Reserves Ratio or Debt-Equity Ratio... (times)	$\frac{\text{Loans}}{\text{Reserves and Surplus}}$	B-1,2,3,4	This ratio measures the use of debt finance as a percentage to own funds of the Municipality.

Sr. No	Financial Ratio	Method of Computation	Schedule s to be referred	Description of the Ratio
21	Interest Coverage Ratio... (times)	$\frac{\text{Surplus} + \text{Depreciation} + \text{Interest (incl. interest capitalised)}}{\text{Interest (incl. interest capitalised)}}$	B-9, I-13	This ratio indicates the comfort level with which the Municipality may meet its interest burden. This ratio is very important from the lender's point of view also.
22	Debt Service Coverage Ratio... (times)	$\frac{\text{Surplus} + \text{Depreciation} + \text{Interest (incl. interest capitalised)}}{\text{Debt instalments to be serviced (paid) during the next year} + \text{Interest (including interest to be capitalised)}}$	Register of Loans	This ratio indicates the comfort level with which the Municipality may service (pay) its debt instalments and meets its interest burden. This ratio is very important from the lender's point of view also.
	Investment Ratios			
23	Earmarked Fund Investments to Earmarked Funds Ratio... (%)	$\frac{\text{Earmarked Fund Investments}}{\text{Earmarked Funds}} \times 100$	B-2,11	This ratio indicates the percentage of earmarked funds invested by the Municipality.
24	Interest on Investments Ratio... (%)	Indicate range (highest and lowest) of interest percentage and nature of investment (for highest and lowest) in respect of investments outstanding at the end of the year	B-10	This ratio indicates the range of interest earned on investments made by the Municipality. The Municipality shall compare this with other Municipalities and Government Bodies to ensure that investments are made at best rates.
	Liquidity Ratio			
25	Current Assets to Current Liabilities Ratio... (times)	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	B-5 to 8 and 13-16	This ratio indicates the ability of the Municipality to meet its obligations in the short run, usually one year.
	Asset Ratios			
26	Fixed Assets to Total Assets Ratio... (%)	$\frac{\text{Fixed Assets}}{\text{Total Assets}} \times 100$	B-9	This ratio indicates the share of fixed assets in the total assets of the Municipality.
	Performance Ratios			
27	Income per Employee... (₹)	$\frac{\text{Total Income as per Income and Expenditure Account}}{\text{No. of Employees of the municipality}}$	-	These ratios indicate average income earned and average expenditure incurred per employee and per citizen of the Municipality. These ratios shall be compared with other Municipalities and Government Bodies to benchmark the performance of the Municipality with others.
28	Expenditure per Employee... (₹)	$\frac{\text{Total Expenditure as per Income and Expenditure Account}}{\text{No. of Employees of the municipality}}$	-	
29	Income per Citizen... (₹)	$\frac{\text{Total Income as per Income and Expenditure Account}}{\text{No. of Citizens in the Municipal Area}}$	-	

Sr. No	Financial Ratio	Method of Computation	Schedules to be referred	Description of the Ratio
30	Expenditure per Citizen... (₹)	<u>Total Expenditure as per Income and Expenditure Account</u> No. of Citizens in the Municipal Area	-	

CHAPTER-29**RECONCILIATION PROCEDURES**

- 29.1 Introduction:** This chapter describes the reconciliation procedures to be carried out periodically in respect of accounts by the municipalities.
- 29.2 Objective of Reconciliation:** The objective of the reconciliation procedures is to ensure that if accounting information is recorded at more than one place, there are no discrepancies between the different sets of records. For example, Property tax transactions are recorded both at the Tax Branch and at the Accounts Branch. The recommended reconciliation procedures will ensure that the receivables figure is the same at both the locations and in both the sets of records. In case of differences, necessary adjustments may need to be carried out either by the Accounts Branch or the Tax Branch.
- 29.3 Duties of Accounts Branch:** The reconciliation procedures are to be carried out by the Accounts Branch, Audit Branch and the other concerned branches. The reconciliation procedure will include the following:
- Bank Reconciliation,
 - Inter-unit reconciliation
 - Reconciliation of deposits,
 - Reconciliation of receivables and collections in respect of:
 - Property and other taxes;
 - Cess;
 - User Charges;
 - Other heads of revenues.
 - Reconciliation of advances to:
 - i) Contractors/suppliers;
 - ii) Branches of the Municipality; and
 - iii) Employees of the Municipality
 - Reconciliation of loans received (borrowings),
 - Reconciliation of payables including contractors' payables,
 - Reconciliation of balances with Government, quasi-Government agencies, Government Corporations, and
 - Reconciliation of loans given to others
 - Reconciliation of the accounts for the income and expense heads falling under the following categories with the Function wise Income / Expense Subsidiary Ledgers maintained at the Accounts Branch in respect of those categories:
 - * Fees and User Charges,
 - * Sale and Hire Charges,
 - * Establishment Expenses,
 - * Administrative Expenses, and
 - * Repair and Maintenance Expense
- 29.4 Bank Reconciliation :** Bank Reconciliation is a procedure which aims at reconciling the bank balance as shown in the Cash Book of the Municipality with the bank balance as per the passbook/statement received from the bank. The Bank Reconciliation shall be carried out on a monthly basis or such other shorter time intervals as the Municipality may decide for each of the bank accounts maintained by the Municipality.
- 29.5 Factors affecting Reconciliation:** The bank balances as per the Cash Book and the Pass Book may not tally for the reasons listed in Table 29.1

Table 29.1
Factors necessitating Bank Reconciliation

Reconciliation factors	Effect on Cash Book bank balance	Effect on bank balance as per Pass Book
Cheques issued but not presented for payment	Bank balance reduces by that amount	No effect
Cheques deposited but not cleared	Bank balance increases by that amount	No effect

Reconciliation factors	Effect on Cash Book bank balance	Effect on bank balance as per Pass Book
Cheques received but not deposited	Bank balance increases to the extent of cheque received but not deposited	No effect
Debit of charges by bank for any services rendered	No effect	Bank balance reduces to the extent of charges levied
Direct deposit of amount in the bank account	No effect	Bank balance increases to the extent of deposit
Interest allowed and credited by the Bank	No effect	Bank balance increases to the extent of interest credited
Payment by the bank in respect of standing instructions given to the bank	No effect	Bank balance reduces to the extent of the payment made
Fixed Deposit or any other sum directly credited by bank to the account	No effect	Bank balance increases to the extent of money credited
Any other reason which may result in difference between bank balance as per Cash Book and Pass Book		

29.6 Reconciliation Procedure: The Bank Reconciliation shall be carried out on a monthly basis or at such shorter time intervals as the Municipality may decide. In case the Bank Reconciliation is carried out monthly, it shall be completed within the first week of the next month.

29.6.1 Receipt entries in the Cash Book

- The credit entries in the Bank Passbook shall be compared with the entries in the Receipt Register and the entries appearing in both shall be ticked (☐). The date when the cheques have been realised shall also be recorded in the Cheque Receipt Register.
- The daily total of cheques realised in the bank shall be derived from the Cheque Receipt Register and the total shall be tallied with the entry in the Cash Book.
- The unticked items represent the cheques received and deposited in the bank but not cleared for payment by the bank. Likewise, they may also represent those cases wherein cheques have been received but may not have been deposited with the bank.
- The unticked items shall appear in the Bank Reconciliation Statement (BRS) of that period. The entries appearing in the Bank Reconciliation Statement (BRS) shall be examined for credit in the subsequent period's Bank Passbook and those items, which do not reconcile shall be carried forward to the next period's Bank Reconciliation Statement (BRS).

29.6.2 Payment entries in the Cash Book

- The debit entries in the Bank Passbook shall be compared with the entries in the Cheque Issue Register and the Cash Book and the entries appearing in both shall be ticked (☐).
- The unticked item represents the cheques issued by the Municipality but not presented to the bank for payment. Likewise, it may also represent those cases wherein cheques have been drawn and entered in the Cheque Issue Register but have not been issued to the payee.
- The unticked items in the Cash Book shall appear in the Bank Reconciliation Statement of that period. The entries appearing in the statement shall be traced for payment in subsequent period's Passbook/Bank Statement and those which are not reconciled shall be carried forward to the next period's Bank Reconciliation Statement.
- All the cheques issued but not presented for payment within three months from their date of issue or as per guidelines of Reserve Bank of India issued from time to time, it would become stale and shall be re-debited to the relevant bank account with a corresponding credit entry in the Stale Cheques Account.

29.6.3 Other Entries in the Bank Passbook/Bank Statement

- There may be instances of bank charging service charges/commission or making payment against the standing instructions issued by the Municipality. Likewise, there may be instances of direct deposit with the bank by the debtor (e.g. Property tax) or credit of interest by the bank. These entries in the first instance are recorded only in the Passbook and later incorporated in the Cash Book. Care shall be taken for identifying such items at the time of reconciliation and subsequently recording them in the Cash Book. Identification of bank charges entries in the Passbook is more important as these are identified only from the process of Bank reconciliation. Further, any unduly high bank charges shall also be identified and corresponded with the Bank for clarifications. It is to be ensured that all the Bank Charges entry identified in the process of reconciliation, shall be supported with the Bank's debit advice.

29.7 Bank Reconciliation Statement

The unticked items both in the Passbook and the Cash Book shall be extracted for reconciliation in the following format classified according to their nature:

Table 29.2
Bank Reconciliation Statement for Bank as on

Particulars	Amount (₹)	Amount (₹)
Bank Balance as per Cash Book		
Add: Cheques issued but not presented into bank (a cheque-wise list to be appended)		
Add: Cheques drawn but not actually issued to parties (a list to be appended)		
Add: Cheque issued and payment stopped by Municipality (a list to be appended)		
Add: Credits of investment proceeds in Bank (e.g. Fixed Deposits) accounted by the bank but not accounted for in Cash Book		
Add: Amount (Cash or Cheque) deposited by the depositor(s) into bank but not accounted for in Cash Book		
Add: Credit given by Bank either for interest or for any other account but not accounted for in Cash Book		
Sub-total		
Less: Cheques Deposited but not cleared		
Less: Payments directly made by the bank but not accounted for in Cash Book		
Less: Cheques deposited but dishonoured		
Less: Service Charges / Bank Charges or any other charge levied by the Bank but not accounted for in Cash Book		
Bank Balance as per Pass Book/Bank Statement		

Details of the difference shall be given under each of the broad heads depicted above with a serial listings of all the cheques deposited with the bank or issued for payment, to the extent possible. Any other factor impacting the bank balance as per the Cash Book and Pass Book shall be appropriately stated.

29.8 Reconciliation of Inter Unit Transactions (IUTs):

Reconciliation of inter unit transactions is intended to identify the disputed / unaccepted inter unit transactions between an 'originating Accounting Unit (AU)' and the 'responding AU' and take appropriate action for rectification. Further, reconciliation of inter unit account is necessary in the process of consolidation of Municipality at the head office level as the balances of inter unit account balances shall be nullified. The process of inter unit account reconciliation is as follows:

- The individual units shall generate the statement of accounts of other Accounting Units (AUs) for circulation to the respective Accounting Units (AUs) on a monthly basis or such other shorter time intervals as the Municipality may decide. On receipt of the statement of accounts, the individual accounting units shall compare the balances as per their books and prepares reconciliation statement in the format given below in table 29.3 for any differences.

- Further, on a half-yearly basis or such other shorter time intervals as the Municipality may decide, the reconciliation statements prepared by the individual accounting units shall be submitted to the Head office of the Municipality. Based on review of the reconciliation statements of the individual Accounting Units (AUs), the Head of the Accounts Branch shall ensure that the all the reconciliation items are actioned and combined balance under all Inter Unit Transactions (IUTs) account heads are tallied with the balance appearing in the Register of Inter Unit Transfer. In case of any disputed inter unit transactions identified during the reconciliation process, the Municipalities' Accounts Branch shall take appropriate action in resolving the disputed Inter Unit Transactions (IUTs).

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Table 29.3

Name of the Municipality _____ Name of Accounting Unit _____
Inter Accounting Unit Reconciliation Statement for the period.....
 Accounting Unit name (recipient AU): _____ Date

Particulars	Amount (₹)		Remarks (Accepted/ Unacceptable)
	Debit	Credit	
Balance as per our books of account			
Add/ Deduct: Advice for Transfer – Credits (ATCs) raised by us but not accounted for by responding accounting unit (AU)	Add in debit balance	Deduct from credit balance	
Add/ Deduct: Advice for Transfer-Debit (ATDs) raised by us but not accounted for by responding accounting unit (AU)	Deduct from debit balance	Add in credit balance	
Add/ Deduct: Advice for Transfer – Credits (ATCs) raised by other accounting unit (AU)but not received by us	Add in debit balance	Deduct from credit balance	
Add/ Deduct: Advice for Transfer-Debit (ATDs) raised by other accounting unit (AU)but not received by us	Deduct from debit balance	Add in credit balance	
Add/ Deduct: Advice for Transfer-Debits (ATDs) received by us but not accounted for	Deduct from debit balance	Add in credit balance	
Add/ Deduct: Advice for Transfer – Credits (ATCs) received by us but not accounted for	Add in debit balance	Deduct from credit balance	
Balance as per Other accounting unit (AU) (credit/ debit)			
Prepared by: _____ Checked by : _____ Approved by : _____			

Note: Details of the difference shall be given under each of the broad heads depicted above with a serial listing of Advise Number, Date and Description.

29.9 Reconciliation of Deposits: Reconciliation of Deposits aims at reconciling the balance of Earnest Money Deposit, Security Deposit and any other deposits received by the Municipality. The reconciliation shall be

carried out between the records maintained at other branches and those maintained at the Accounts Branch. The Deposit Reconciliation shall be carried out quarterly or at such shorter time intervals as the Municipality may decide. The Branch which had received the deposits shall prepare a Reconciliation Statement of Deposits Outstanding from the Deposit Register in the format provided in Table 29.4 below for all the deposits received by it and forward it to the Accounts Branch. This statement shall be prepared for each type of deposit. In case there is a discrepancy between the records of the two, this statement may have to be prepared for each contractor/supplier.

Table 29.4
Reconciliation Statement of Deposits Outstanding with the Municipality
Received by _____ Branch as on _____

Particulars	Amount (₹)
Deposits outstanding at the beginning of the accounting period	
<u>Add:</u> Deposits received during the current accounting period (specify all the Statement of Collections through which deposit has been received)	
<u>Less:</u> Deposits returned during the current accounting period (specify all the Payment Orders through which the deposit has been refunded)	
<u>Less :</u> Deposits Adjusted (Give details)	
<u>Less :</u> Deposits Lapsed	
Deposits outstanding at the end of the accounting period	

The balances computed above shall be reconciled with the balances for Deposits shown in the Ledger of the Accounts Branch and the Deposit Register maintained by the concerned branches. The reasons for differences, if any, shall be identified and rectification entries passed wherever required by the branch, which has recorded the entry incorrectly.

29.10 Reconciliation of Receivables and Collections: The receivables and collections shall be reconciled on a quarterly basis or such other shorter time intervals as the Municipality may decide. The procedure for reconciling the outstanding balance of receivables and collections shall be the same for all kinds of receivables, viz.:

- Property Tax receivables;
- User Charges receivables;
- Cess receivables;
- Receivables on account of other heads of revenues.

29.10.1 For instance, for reconciling Property Tax receivables and collections, the following shall be done: The Property Tax Branch based on their records, especially the Demand Register and the Collection Register shall ascertain the information required in Table 29.5 below and forward the details to Accounts Branch.

Table 29.5
Reconciliation Statement of Receivables and Collection
Details for _____ Branch as on _____

Serial Number	Particulars	Amount (₹)	Amount (₹)
A	Opening Balance of Demand Outstanding		
I	Demand outstanding in respect of the previous quarters/accounting periods of the current accounting year		
II	Demand outstanding in respect of previous accounting years (This detail shall be given year-wise, wherever applicable)		
B	<u>Add:</u> Demand raised during the current Quarter/Period		
C	Total Demand Outstanding		

Serial Number	Particulars	Amount (₹)	Amount (₹)
D	Collections During The Current Quarter/Period		
i.	Collection of demand pertaining to current quarter/ accounting period		
ii.	Collection of demand pertaining to previous quarters/accounting periods of the current accounting year during the current quarter/accounting period		
iii.	Collection of demand pertaining to demand for the previous accounting years collected during the current quarter/accounting period (This detail shall be given year-wise, wherever applicable)		
iv.	Collection in advance pertaining to future accounting periods		
E	Total collections during the current quarter/accounting period (i + ii + iii + iv)		
F	Closing Balance Of Demand Outstanding		
i.	Demand outstanding in respect of the current quarters/ accounting periods [B – D(i)]		
ii.	Demand outstanding in respect of the previous quarters/accounting periods of the current accounting year [A(i) – D(ii)]		
iii.	Demand outstanding in respect of previous accounting years (This detail shall be given year-wise, wherever applicable) [A(ii) – D(iii)]		

29.10.2 The Reconciliation Statement received by the Accounts Branch shall be reconciled with the respective ledger accounts maintained by the Accounts Branch. The reasons for differences, if any, shall be identified and rectification entries passed wherever required by the branch, which has recorded the entry incorrectly.

29.11 Reconciliation of Advances Given: This section describes the reconciliation procedure to be followed on a quarterly basis or such shorter intervals as the Municipality may decide for reconciling the advances given to, namely:

- Contractors/Suppliers;
- Branches of the Municipality; and
- Employees of the Municipality.

29.12 Reconciliation of advance to Contractors/Suppliers: The concerned Branch shall maintain a record of the advances given to each of the contractors/suppliers. The Accounts Branch shall also maintain a record of the advances provided in a Register of Advances.

29.12.1 The Branch which had initially sanctioned advance to the contractor/supplier shall prepare a Reconciliation Statement of Advance Outstanding in the format provided in Table 29.6 below for all the contractors/suppliers and forward it to the Accounts Branch. In case there is a discrepancy between the records of the two branches, this statement may have to be prepared for each contractor/supplier.

Table 29.6
Reconciliation Statement of Advance Outstanding provided to Contractor/Supplier
by Branch as on

Particulars	Amount (₹)
Advance outstanding at the beginning of the accounting period	
<u>Add:</u> Further advance given during the current accounting period (specify all the Payment Orders through which advance have been provided)	
Total Advance Provided	
<u>Less:</u> Advance recovered during the current accounting period (specify all the Statement of Collection through which advance had been recovered)	

Particulars	Amount (₹)
Less : Advance Adjusted (Give details)	
Advance outstanding at the end of the accounting period	

29.12.2 The Reconciliation Statement of Advance Outstanding received by the Accounts Branch shall be reconciled with the respective ledger accounts and the Register of Advances maintained by the Accounts Branch. The reasons for differences, if any, shall be identified and rectification entries passed wherever required by the branch, which has recorded the entry incorrectly.

29.13 Reconciliation of advances to Branches: The branches receiving the advances from the Accounts Branch shall maintain a record of the advances received by them in Register of Permanent Advance. The Accounts Branch shall also maintain a record of the advances provided to the branches in a Register of Advance.

29.13.1 The head of the concerned branch shall send to the Accounts Branch a confirmation of the advances provided to his branch stating the purpose for which it was provided in the format provided in Table 29.7 below. The confirmation received shall be tallied with the Register of Advances by the Accounts Branch.

Table 29.7
Reconciliation Statement of Permanent
Advance provided to _____ Branch as on _____

Particulars	Amount (₹)
Advance outstanding at the beginning of the accounting period	
<u>Add:</u> Further advance given /replenished during the current accounting period (specify all the Payment Orders through which advance have been provided/replenished)	
Total Advance Provided	
<u>Less:</u> Expenditure incurred against the advance provided	
Advance outstanding at the end of the accounting period	

29.13.2 The reasons for differences, if any, shall be identified and rectification entries passed wherever required by the branch, which has recorded the entry incorrectly.

29.14 Reconciliation of advance given to Employees: The employees of the Municipality may be provided with two kinds of advances namely - personal advance or miscellaneous advance.

29.14.1 The details of the personal advances granted to the employees shall be recorded in a Register of Advances. The details of recovery of advances shall also be recorded in that Register. At the end of the accounting period, a confirmation statement shall be obtained from each of the employees to whom advance has been provided in the format provided in Table 29.8 below. The confirmation statement so obtained shall be reconciled with the record of the employees maintained at the Establishment Branch, where a consolidated Statement of Advance provided to Employees shall be prepared and forwarded to the Accounts Branch. The Accounts Branch shall reconcile the total amount of advance provided with the control ledger accounts.

Table 29.8
Reconciliation Statement of Personal Advance
provided to _____ (name of the employee) as on _____

Particulars	Amount (₹)
Advance outstanding at the beginning of the accounting period	
<u>Add:</u> Further advance given during the current accounting period (specify all the Payment Orders through which advance have been provided/replenished)	
Total Advance Provided	
<u>Less:</u> Advance recovered including recovery from the salary during the current accounting period	
Advance outstanding at the end of the accounting period	

- 29.14.2** In case of miscellaneous advance provided to employees for incurring expenses in the course of performing the duties of office, a confirmation statement shall be obtained from the employee for the amount advanced stating therein, the expenditure already incurred together with its details and the balance remaining in hand, in the format provided in Table 29.9 below. The statement obtained shall be confirmed with the records maintained in the Register of Advances.

Table 29.9
Reconciliation Statement of Miscellaneous Advance
provided to _____ (name of the employee) as on _____

Particulars	Amount (₹)
Advance outstanding at the beginning of the accounting period	
<u>Add:</u> Further advance given during the current accounting period (specify all the Payment Orders through which advance have been provided/replenished)	
Total Advance Provided	
<u>Less:</u> Expenditure incurred against advance provided	
<u>Less:</u> Advance adjusted (Give details)	
Advance outstanding at the end of the accounting period	

- 29.14.3** In the case of any discrepancy, measures shall be taken for rectification of the discrepancies, by way of either recovery of advance or where there is an error in accounting, by passing the necessary accounting entries.

- 29.15 Reconciliation of Loans Taken:** The Accounts Branch shall maintain a record of all the loans borrowed in Register of Loan. At the end of each accounting year, the Accounts Branch shall prepare and forward to the lender, a Confirmation Statement for loan borrowed in the format provided in Table 29.10 stating therein, the amount borrowed or disbursed directly to Executing Agency, the amount repaid and interest accrued and paid on the loan.

Table 29.10
Confirmation Statement of Loan borrowed from _____ (name of the lending agency)
as on _____

Particulars	Amount (₹)	Amount (₹)
1	2	3
Loan outstanding at the beginning of the accounting year		
Add: Instalments received during the accounting year		
Sub-total loan outstanding		
Less: Instalments paid during the accounting year		
Net Loan outstanding at the end of the accounting year (A)		
Total Interest Payable at the beginning of the accounting year		
Add: Interest accrued during the accounting year		
Total Interest Payable		
Less: Interest paid during the accounting year		
Total Interest Payable at the end of the accounting year (B)		
Total amount due (principal plus interest) at the end of the accounting year (A+B)		

- 29.15.1** Based on the reply received, the Municipality shall take steps for reconciliation of the difference, if any.

- 29.16 Reconciliation of payables (Suppliers and Contractors):** The concerned branches and the Accounts Branch maintain a Register of Bill for Payment in which all bills submitted for payment are recorded. The

concerned branch shall ascertain the information required as per Table 31.11 below and forward the details to the Accounts Branch.

Table 29.11
Reconciliation Statement of Payables
Details for ____ Branch as on ____

Serial Number	Particulars	Amount (₹)	Amount (₹)
A	Opening Balance of Unpaid Bills		
i.	Bill outstanding in respect of the previous quarters/accounting periods of the current accounting year		
ii.	Bill outstanding in respect of previous accounting years (This detail shall be given year-wise, wherever applicable)		
B	Add: Bills received during the current quarter/period		
C	Gross Total Liability Outstanding (A + B)		
D	Payments During the Current Quarter/Period		
i.	Payment of bills pertaining to current quarter/accounting period of the current accounting year		
ii.	Payment of bills pertaining to previous quarters/accounting periods of the current accounting year during the current quarter/accounting period		
iii.	Payment of bills pertaining to previous accounting years during the current quarter/accounting period (This detail shall be given year-wise, wherever applicable)		
E	Total payments during the current quarter/accounting period (i + ii + iii)		
F	Closing Balance Of Unpaid Bills		
i.	Bill outstanding in respect of the current quarters/accounting periods of the current accounting year [B – D(i)]		
ii.	Bill outstanding in respect of the previous quarters/accounting periods of the current accounting year [A(i) – D(ii)]		
iii.	Bill outstanding in respect of previous accounting years (This detail shall be given year-wise, wherever applicable) [A(ii) – D(iii)]		

29.16.1 The Reconciliation Statement received by the Accounts Branch shall be reconciled with the respective ledger accounts maintained by the Accounts Branch. The reasons for differences, if any, shall be identified and rectification entries passed wherever required by the branch, which has recorded the entry incorrectly.

29.17 Reconciliation of balances with Government, Quasi-Government Agencies, and Corporations etc.: Due to large number of transactions with various governments, quasi-government and government owned agencies; it becomes imperative to reconcile the balances between the books of account of the Municipality and the government/agencies.

29.17.1 At the end of each accounting year, the Accounts Branch shall prepare and forward to the concerned authority/agency within 15 days from the end of the accounting year, a Confirmation

Statement stating therein the amount receivable from the authority/agency in Table 29.12, or the amount payable to the authority/agency in Table 29.13, depending on whether sum is receivable from or payable to the concerned authority/agency.

Table 29.12
Confirmation Statement of balances receivable from _____ as on _____

Serial Number	Particulars	Amount (₹)	Amount (₹)
A	Amount Outstanding As At The Beginning Of The Accounting Year		
	Demand outstanding in respect of previous accounting years (This detail shall be given year-wise, wherever applicable)		
B	<u>Add:</u> Bills for Demand raised for Services rendered or Goods supplied during the current Accounting Year		
C	Gross Total Demand Outstanding (A + B)		
D	Collections Received During The Current Accounting Year		
i.	Collections pertaining to current accounting year		
ii.	Collections pertaining to previous accounting years during the current accounting year (This detail shall be given year-wise, wherever applicable)		
E	Total collections made during the current accounting year (i + ii)		
F	Closing Balance Of Demand Outstanding		
i.	Demand outstanding in respect of the current accounting year [B – D(i)]		
ii.	Demand outstanding in respect of previous accounting years (This detail shall be given year-wise, wherever applicable) [A – D(ii)]		

Table 29.13
Confirmation Statement of balances payable to _____ as on _____

Serial Number	Particulars	Amount (₹)	Amount (₹)
A	Amount Outstanding at the beginning of the Accounting Year		
	Bills outstanding in respect of previous accounting years (This detail shall be given year-wise, wherever applicable)		
B	<u>Add:</u> Bills received for payment during the current Accounting Year		
C	Gross Total Liability Outstanding (A + B)		
D	Payments made during the Current Accounting Year		
i.	Payments pertaining to current accounting year		
ii.	Payments pertaining to previous accounting years during the current accounting year (This detail shall be given year-wise, wherever applicable)		
E	Total payments made during the current accounting year (i + ii)		
F	Closing Balance of Outstanding Payments		

Serial Number	Particulars	Amount (₹)	Amount (₹)
i.	Bills outstanding in respect of the current accounting year [B – D(i)]		
ii.	Bills outstanding in respect of previous accounting years (This detail shall be given year-wise, wherever applicable) [A – D(ii)]		

29.17.2 In case, 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.

29.17.3 Based on the reply received, the Municipality shall take steps for reconciliation of the difference, if any.

29.18 Reconciliation of ledger balances in income and expense accounts with function wise/ expense subsidiary ledgers: As explained in General Accounting Procedures, Function-wise Subsidiary Ledgers are to be opened in respect of all major income and expenses. The various incomes and expense accounts are to be posted directly from the Cash Book and/or Journal to the Main Ledger in the individual ledger accounts in respect of those income and expense heads. Simultaneously, entries are to be made in the Function-wise Subsidiary Ledger so that branch-wise information is also readily available.

29.18.1 Periodically, the two sets of records viz., those in the Main Ledger and those in the Subsidiary Ledgers shall be reconciled to ensure that the totals in the respective places are matched.

CHAPTER-30**MISCELLANEOUS****30.1 Deposits****30.1.1 Register of Deposit to be maintained:**

Details with regard to all deposits made with the Municipality whether in the form of cash, Government paper or in form of security bonds shall be entered from time to time as occasion arises in a Register of Deposits to be maintained in Form GEN 18, separate pages being assigned to different classes of deposit: in the case of bonds, if property is hypothecated, a broad/detailed description of the property shall be entered in the "Remarks" columns of the registers and the Accounts Branch shall pass the following entry:-

Code of Account	Particulars	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02 340-10-000-(a)	Bank Account* To from Contractor/ Supplier Security deposit	Dr. Cr.	10,000	10,000	Cash Book and Ledger

*Specify name of bank and account number.

(a) Insert detailed Head Code of Account as applicable.

As per the terms of agreement entered into with the contractor, security deposit may be deducted from contractor's bill.

A fresh register of deposits shall be opened at the beginning of each year in which details of all deposits which have not lapsed or been returned during the previous year shall first be re-entered.

30.1.2 Lapse of Security:

A Security deposited under the provisions of any other rules or bye-laws of the Municipality, if lapsed, shall be credited to the Municipality if it remains unclaimed for more than three complete years after it has been become due. The following entry shall be passed in this regard: -

Code of Account	Particulars	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-(a)	Security from Contractor/ Supplier-Security Deposit	Dr.	5,000		Journal Book and Ledger
180-11-000-(a)	To Other Income Lapsed Deposit-Contractor/ Supplier	Cr.		5,000	

(a) Insert detailed Head Code of Account as applicable.

A security thus lapsed shall not be repaid unless the Municipality is satisfied that the item as really received, was carried to and credited as lapsed and is now claimed by the person who might have drawn it at any time, before the lapse. The repayment of the security shall be recorded in the remarks column of the registers of deposit Form GEN-18 (specimen has been provided in Part-II of this Account Code under Para 4.4) in order to ensure that a lapsed deposit is not paid more than once.

30.2 Register of Investments:

- 30.2.1 Details with regard to all investments made by the Municipality. Including fixed deposits placed with a bank but excluding investments made from provident fund balances, and investments shall be entered from time to time, as the occasion arises, in a Register of investments to be maintained in Form GEN-45 in which every entry made shall be initialed by the Secretary.
- 30.2.2 A statement showing the amount and nature of all investments recorded in the Register shall be forwarded each year with the annual account in Form IN-2.
- 30.2.3 Where the terms of sanction provide for the establishment of a sinking fund for the repayment of loan, the Municipality shall establish it and credit to it, funds from the Municipal Fund. Similarly, if the terms provide for a creation of an escrow account for repayment of loans, the Municipality shall credit to it, the income earmarked for this. The purpose of establishment of a sinking fund or an

escrow account is to accumulate money; including interest, adequate to repay the loan as per the repayment schedule.

30.3 Register of Stamps:

- 30.3.1 Every officer or employee of the Municipality in charge of stamps for postage or receipts, shall maintain a Register of Stamps in Form G-28 (the specimen of which is given in Part-II of this Account Code) in which the receipts and issue of all stamps shall be recorded as they occur.
- 30.3.2 Service Stamps shall be used by a municipal employee conducting correspondence on behalf of the Municipality.
- 30.3.3 All reference by Municipality employee on personal matters, such as leave, leave salary, pay increments, fund subscription, house rent, postings etc. Must be submitted in covers, the postage charges of which shall be borne by the said Municipality employee and not by the employer Municipality. When, however, references are forwarded officially by a superior officer, the letter may be treated like any other official's communications.
- 30.3.4 All messages regarding personal matter referred to in 30.3.3 above or other analogous matters must be paid for by the persons sending them. When a message is required on any such matter, the reply should be always prepaid.
- 30.3.5 These instructions are also applicable to the use of telephone for trunk-calls.
- 30.3.6 When it comes to the notice of audit that a letter, message or trunk-call has been made at Municipality expense instead of the expense of the officer/official concerned, recovery shall be made from the next pay bill of the officer/official who shall be informed of the reasons for the recovery. If the servant wishes to object to the recovery, he must take the matter with the Director, Local Audit, and Haryana through his Controlling Officer, who may, if he desires obtain the orders of Government.

30.4 Stores

- 30.4.1 The functions of the Stores, involving procurement, storage, issue, disposal and accounting of materials, may be performed either centrally by Central Stores (referred to as Municipality Stores) or by the Department of Stores empowered by the Municipality to perform the aforesaid functions for specific branches of the Municipality. Generally, the Municipality empowers the Municipal Works, Health - Sanitation, Health - Medical, Water Works, Workshop for Vehicles and Machinery repairs and Public Lighting branches to maintain their own stores.
- 30.4.2 The financial transactions carried out by Stores shall arise on account of:
- Receipt of Earnest Money Deposit (EMD) from the bidders to a contract.
 - Refund of EMD to the unsuccessful bidders.
 - Payment of advance to the contractor.
 - Delivery of material and its documentation.
 - Consumption of materials.
 - Payments to Suppliers.
 - Adjustments of Security Deposits.
 - Write-off / disposal of obsolete, scrap and unusable materials.
- 30.4.3 **Principles**
The following Accounting Principles shall govern the recording, accounting and treatment of transactions relating to stores:
- Expenditure in respect of material, equipment, etc., procured shall be recognized on accrual basis, i.e., on admission of bill by the Municipality in relation to materials, equipment, etc., delivered.
 - Accounting of 'goods received and accepted but no bills received' as at the cut-off date shall be accounted based on purchase orders.
 - The stock lying at the period-end shall be valued at cost in accordance with the First in – First out method.
 - Revenue in respect of disposal of material shall be recognized on actual receipt.
 - Finished goods and work-in-progress (WIP) related to goods produced for sale will be valued at cost or market value, whichever is lower. Cost of finished and work-in-progress includes all direct costs and applicable production overheads to bring the goods to the present location and condition.
- 30.4.4 This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Stores. For the purposes of accounting of Stores, there are certain forms, registers, etc., which are specific to Stores, e.g., Stores Ledger – Form ST-3. These Forms (Form ST-1 to ST-3) have been provided in Part-II of this Code.

- 30.4.5 In case tenders are floated for procuring materials, Earnest Money Deposit (EMD) may be collected from the bidders on such basis as prescribed by the Municipality at the time of submitting their tenders. A receipt shall be issued for the amount collected in Form GEN-8.
- 30.4.6 Every officer or employee of the municipality in charge of stocks of articles or materials kept for issue other than stamps shall maintain a Stock Register in Form G-29, in which shall be entered from time to time as occasion arises every transaction affecting such stocks: separate pages of the register shall be assigned to different classes of stocks.
- 30.4.7 The following procedure shall be followed for accounting of receipt of EMD:
The Stores shall prepare a Summary of Daily Collection in Form GEN-12, which shall be forwarded to the Accounts Branch.

On receipt of Summary of Daily collections, Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02 340-10-000-(a)	Bank Account* To from Contractors/ Suppliers-EMD stores	Dr. Cr.	500	500	Cash Book and Ledger

*Specify name of the Bank and account number.

(a) Insert detailed Head Codes of Account as applicable.

Note: The postings in the Ledger Account of "Earnest Money Deposit" Account shall be carried out as indicated in Chapter on – General Accounting Procedures. The postings in the Ledger Accounts shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book.

- 30.4.8 The EMD shall be refunded as per the terms of tender issued to the unsuccessful bidders. The procedure followed for accounting of refund of EMD shall be as under:
- The Store shall prepare a Payment Order (PO) in form GEN-14 for refund of deposit and make an entry in the Deposit Register Form-18 against the relevant entries made therein and then forward the Payment Order to the Accounts Branch for payment.
 - **Recording of refund of Earnest Money Deposit:**
After the receipt of approval for payment and upon payment, the Accounts Branch shall pass the following entry: -

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-(a) 450-21-000-02	From Contractors/Suppliers- EMD stores To Bank Account*	Dr. Cr.	400	400	Cash Book and Ledger

* Specify name of the Bank and account number.

(a) Insert Detailed Head Codes of Account as applicable.

- 30.4.9 **Recording for conversion of Earnest Money Deposit into Security Deposit:**
On receipt of intimation from the Stores for conversion of Earnest Money Deposit of successful bidder into Security Deposit payable by him, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
340-10-000-(a) 340-10-000-(a)	From Contractors/Suppliers- Earnest Money Deposit To from Contractor/	Dr. Cr.	100	100	Cash Book and Ledger

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
	Suppliers -Security Deposit stores				

(a) Insert Detailed Head Codes of Account as applicable.

30.4.10 Recording of additional Security Deposit received:

Where the terms of agreement entered into provide for collection of a certain percentage of Security Deposit in advance, a receipt (Form GEN – 8) shall be issued to the successful bidder for the amount collected. The procedure followed for accounting of Security Deposit is the same as described for Earnest Money Deposit. On receipt of additional Security Deposit, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account*	Dr.	100		Cash Book and Ledger
340-10-000-(a)	To from Contractor/ Suppliers -Security Deposit stores	Cr.		100	

* Specify name of the Bank and account number.

(a) Insert Detailed Head codes of Account as applicable.

30.5 Receipt of materials

30.5.1 As per the terms of the agreement with the Supplier, the materials shall be delivered to the Municipality. The Stores shall prepare a Material Receipt Note in Form ST-1.

30.5.2 From the Material Receipt Note, the Stores shall record the receipt of materials in the Stores Ledger maintained in Form ST-2.

30.5.3 On receipt of bill from the supplier, the Stores shall verify the bill received with the Material Receipt Note and record it in the Register of Bills for Payment maintained in Form GEN – 13.

30.5.4 Recording of liability due in respect of materials purchased:

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

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
430-10-000-(a)	Stock in hand-Purchase of material stores	Dr.	4,000		Journal Book and Ledger
350-10-000-(a)	To Creditors-Suppliers/ Contractors stores	Cr.		3,800	
460-40-000-(a)	To Advance to Suppliers and Contractors Stores	Cr.		200	

(a) Insert Detailed Head Codes of Account as applicable.

30.5.5 Recording of payment made to supplier:-

The procedure to be followed for approval of a supplier's bill for payment and making payment shall be the same as provided in the Chapter on - General Accounting Procedures. On receipt of Payment Order (Form GEN – 14) together with the supporting documents and on making payment, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-10-000-(a)	Creditors-Suppliers/ Contractors stores To Bank Account*	Dr.	3,800		Cash Book and Ledger
450-21-000-02		Cr.		3,800	

(a) Insert detailed Head Codes of Account as applicable.

30.6 Return of materials

30.6.1 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 concerned and make an entry for return of material in the Issue Column of the relevant folio in the Stores Ledger (Form ST-2). The details of the materials returned shall then be communicated to the Accounts Branch.

30.6.2 Recording of adjustment for material returned to Supplier, if payment is not made:

In case the payment for materials received has not been made to the supplier, for reducing the amount of liability in respect of material returned, the Accounts Branch shall pass the following entries: -

a) **On raising of the claim: -**

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
350-10-000-(a)	Creditors- Suppliers/Contractors stores To Stock in hand-Purchase of Material Stores	Dr.	1,000		Journal Book and Ledger
430-10-000-(a)		Cr.		1,000	

(a) Insert Detailed Head Codes of Account as applicable.

b) **On receipt of money from the supplier for material returned:**

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02	Bank Account* To Creditors-Suppliers/ Contractors stores	Dr.	1,000		Cash Book and Ledger
350-10-000-(a)		Cr.		1,000	

* Specify name of the Bank and account number.

(a) Insert detailed Codes of Account as applicable.

30.7 Valuation of closing stock at period-end

30.7.1 At the end of every accounting period, the Stores shall send a Statement of Closing Stock in Form ST-3. Such a statement shall consist of two parts; Part A shall show the items in respect of which the invoices/bills received from the suppliers have already been sent by the Stores to the Accounts Branch after processing by the Stores. Part B shall consist of the items for which the materials have been received and accepted by the Stores but for which the invoices/bills have not been processed as yet by the Stores. This Statement shall be drawn from the entries made in the Stores Ledger.

30.7.2 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.

30.7.3 The balances in various accounts of the item-wise Stores Ledger shall be extracted and valued as per First in First out (FIFO) Method. The First in First out FIFO Method is explained as follows:

- Under this method, the consignment of material, which shall be received first, shall be issued first.
- The example below illustrates the First in First out FIFO method:

Opening Stock of TCL Powder as on 1st March was 200 nos. Acquired at the rate of ₹ 2 per unit. Subsequent purchase and issue transactions during the month of March were as follows:

Date	Transactions	Units	Rate
Mar 2	Purchase from ABC	200 nos.	₹3/- Unit
Mar 4	Purchase from B	600 nos.	₹4/- Unit
Mar 6	Issued to Dept. X	500 nos.	
Mar 10	Purchase from B	700 nos.	₹4/- Unit
Mar 18	Issued to Dept. Y	800 nos.	
Mar 20	Purchase from C	300 nos.	₹5/- Unit
Mar 23	Issued to Dept. Z	100 nos.	
Mar 31	Issued to Dept. Q	500 nos.	
Mar 31	Purchase from ASD	200 nos.	₹6/- Unit

30.7.4 Entries in Stores Ledger for the aforesaid transactions shall be made as depicted in Table below:

Entries in Stores Ledger for the Financial Year 20XX-20XX

Item description: TCL Powder

Item Code: 5000-xxxxx

Date	RECEIPTS				ISSUES				Balance			Remarks
	MRN NO.	Qty.	Rate	Value (₹)	MRI N No.	QTY	Rate	Value (₹)	Qty	Rate	Value (₹)	
1	2	3	4	5	6	7	8	9	10	11	12	13
Mar. 1	Opening Stock	200	2	400								
Mar. 2		200	3	600					200 200 400	2 3	400 600 1000	
Mar. 4		600	4	2400					200 200 600 1000	2 3 4	400 600 2400 3400	
Mar. 6						200 200 100 500	2 3 4	400 600 400 1400	500	4	2000	
Mar. 10		700	4	2800					500 700 1200	4 4	2000 2800 4800	
Mar. 18						500 300 800	4 4	2000 1200 3200	400	4	1600	
Mar. 20		300	5	1500					400 300 700	4 5	1600 1500 3100	
Mar. 23						100	4	400	300 300 600	4 5	1200 1500 2700	
Mar.						300	4	1200	100	5	500	

Date	RECEIPTS				ISSUES				Balance			Remarks
	MRN NO.	Qty.	Rate	Value (₹)	MRI N No.	QTY	Rate	Value (₹)	Qty	Rate	Value (₹)	
1	2	3	4	5	6	7	8	9	10	11	12	13
31						200	5	1000				
						500		2200				
Mar. 31		200	6	1200					100	5	500	
									200	6	1200	
									300		1700	

MRN- Material Receipt Note.

MRIN- Material Requisition-cum-Issue Note.

Note: -Details and break up of materials issued.

Materials issued on 6th March are towards consumption for usage in production process.

Materials issued on 18th March are towards repair works of the Municipality.

Materials issued on 23rd March are to the Contractors for the works undertaken by them.

Materials issued on 31st March are to the capital works of the Municipality.

30.7.5 Accordingly, the closing stock of 300 units of TCL Powder shall be valued at ₹ 5/- for 100 units and at ₹ 6/- for the remaining 200 units. This is because the TCL Powder received earlier is still there in stock on the valuation date, which has to be valued at the rates applicable for that consignment.

30.7.6 On the basis of Statement of Closing Stock, the Accounts Branch shall compute the Stores consumed in the following manner:

- Compute the total purchases made by the Stores during the accounting period.
- The value of the purchases made in the above illustration is ₹ 8,500/-;
- Add the Opening Stock at the Stores valued at ₹ 400/- to the total purchases made to determine the total stores available for consumption. Thus, total stores available for consumption, as per above illustration, is ₹ 8,900/- computed as ₹ 8,500/- (purchases) + ₹ 400/- (opening stock) ;
- Deduct the Closing Stock valued at ₹ 1700, on the basis of Statement of Closing Stock, from the total stores available for consumption;
- The balance value represents the stores that have been consumed during the accounting period i.e. ₹ 8,900/- (total stores available for consumption) – ₹ 1,700/- (closing stock) = ₹ 7,200/- (consumption).

30.7.7 **Recording of Closing Stock:**

On the basis of Statement of Closing Stock (Form ST – 3A) received from Stores, for recording closing stock, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
230-30-(a)	Consumption of Stores (1)	Dr.	1,400		Journal Book and Ledger
230-(b)	Repairs and Maintenance (2)	Dr.	3,200		
412-(b)	Capital Work in progress (3)	Dr.	2,200		
460-40-(a)	Advance to Contractors-Material issued to Contractors/Stores (4)	Dr.	400		
430-10-(a)	Stock in hand-Stores Closing Stock	Dr.	1,700		
430-10-(a)	To stock in hands-Purchase of Material Stores	Cr.		8,500	
430-10-(a)	To stock in hand-Stores Opening Stock	Cr.		400	

(a) Insert Detailed Head Codes of account as applicable.

(b) Insert Minor and Detailed Codes of account as applicable.

Notes: -

- (1) Consumption of Stores is debited for value of materials consumed in relation to production of any goods for sale.
 - (2) Repairs and Maintenance account is debited for value of materials used for any of the repairs and maintenance of Municipality assets.
 - (3) Capital work in progress account is debited for value of materials issued to the Capital works of the Municipality assets.
 - (4) Material Issued to Contractors account is debited for value of materials issued to the contractors.
- 30.7.8 Similar entries shall also be passed in respect of consumption/Capital work in progress and closing stock at each of the other stores.
- 30.7.9 The closing stock at the end of an accounting period shall be the opening stock of the subsequent accounting period for which the Accounts Branch shall pass the following entry on the first day of the subsequent accounting period:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
430-10-000-(a)	Stock in hand-Stores Opening Stock	Dr.	1,700		Journal Book and Ledger
430-10-000-(a)	To stock in hand-Stores Closing Stock	Cr.		1,700	

(a) Insert Detailed Head Code of Account as applicable.

- 30.7.10 Similar entries shall be passed for recognizing closing stock of each of the other stores as opening stock of the subsequent accounting period.

30.8 Finished goods and Work In Progress (WIP) related to goods produced for sale

- 30.8.1 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.
- 30.8.2 The cost of finished goods and Work in Progress (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 shall be deducted from the costs of purchase;
 - Costs of direct labour for converting the materials into finished goods;
 - Variable production overheads i.e., those direct costs of production that vary directly with the volume of production, such as, Power and other consumables. The variable production overheads are allocated to per unit of production;
 - Fixed production overheads i.e., those indirect costs of production that remain constant irrespective of the volume of production, such as depreciation and maintenance costs of production facilities. The fixed production overheads are period costs, which are apportioned over the total units of production over that period.
- 30.8.3 The cost of finished goods and Work In Progress (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.
- 30.8.4 Based on these guidelines, each local body shall develop detailed guideline for each of the manufactured product meant for sale. The Cost sheet shall serve as a base for arriving at the value.

30.9 Materials purchased from any grant or special funds

- 30.9.1 The accounting procedure to be followed for purchase of material, the cost of which is met from any Grant or from funds set aside under any Special Fund, and its issue shall be the same as provided earlier. Also, the accounting treatment in respect of these shall be the same as explained in Chapter-4 General Accounting Procedure.
- 30.9.2 The materials purchased in terms of any grant or special fund shall be recorded in separate folios in the Stores Ledger or in the Stock Account of Books and Forms and the procedure to be followed for valuation of closing stock shall be the same as provided earlier.

30.10 Period end procedure

- 30.10.1 At the period-end, the Stores Branch shall ensure that all the bills in respect of stores received and accepted before the last date of the accounting period, are processed and forwarded to the Accounts Branch for accounting and payment within one month. The accounting entry to be recorded shall be the same as provided earlier on "Receipt of Materials". In addition, in respect of goods received and accepted but no bills received as at the cutoff date, shall be accounted based on purchase orders.

30.11 Disposal of material

- 30.11.1 The unutilized/unusable material in the Stores of the Municipality may be disposed of as per the principles framed by the State Government from time to time.
- 30.11.2 For such disposal of material by Stores, the accounting procedure to be followed and accounting entries to be passed for receipt and refund of Earnest Money Deposit EMD and conversion of Earnest Money Deposit (EMD) into Security Deposit shall be the same as provided earlier in this chapter.
- 30.11.3 An entry for the material disposed shall be made in the records maintained at the Stores. The accounting entries passed in respect of disposal of stores are as follows:
- (a) **Recording of receipt of sale proceeds: -**
The Stores shall prepare a Summary of Daily Collection (Form GEN –12) for sale proceeds and forward it along with the collection to the Accounts Branch. (For example an amount of ₹ 600/- realized against the sale of stores with a recorded value of 500/-). On receipt of Summary of Daily Collections, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
450-21-000-02 350-90-000-(a)	Bank Account* To sale proceeds from Stores	Dr. Cr.	600	600	Cash Book and Ledger

(a) Insert detailed code of Account as applicable.

(b) Recording of profit or loss on disposal:

In the example explained above, there is a profit amounting to ₹100/-. The Accounts Branch shall pass the following entry in respect of the same:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
350-90-000-(a)	Sale proceeds from Stores	Dr.	600		Journal Book and Ledger
430-10-000-(a)	To stock in hand-Purchase of Material store	Cr.		500	
150-12-000-(a)	To sale and Hire charges-sale of stores	Cr.		100	

(a) Insert detailed code of account as applicable.

Note: If the amount realized for sale is ₹400, the difference of ₹100 shall be debited to 'Loss to disposal of Stores'. Insert Detailed Head Codes of Account as applicable.

30.12 Write-off of material

- 30.12.1 The pilfered/damaged material in the Stores of the municipality may be written- off as per the principles framed by the State Government from time to time.

- 30.12.2 An entry for the material written-off shall be made in the records maintained at the Stores. On the basis of intimation received from the Stores, the Accounts Branch shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr.	Debit Amount (₹)	Credit Amount (₹)	Books to be entered into
1	2	3	4	5	6
270-40-000-(a)	Assets written off-Stores	Dr.	600		Journal Book and Ledger and Stores Register
430-10-000-(a)	To stock in hand-Stores Opening Stock	Cr.		600	

a) Insert Detailed Code of account as applicable.

30.13 Internal controls

- 30.13.1 The following internal controls shall be observed by the Municipality in respect of Stores related transactions:

- The Head of the Accounts Branch shall ensure budget availability with respect to the expenditure incurred at the time of accruing of the expenditure i.e. Budget monitoring shall be on accrual basis rather than payment basis.
- The Head of the Accounts Branch shall ensure that all the purchase bills/invoices were journalized before release of the payments.
- At the end of the financial year, the Stores-in-charge, the Head of the Accounts Branch and the Professional Auditor engaged by the Municipality shall physically verify the stock lying in stores and compare it with the stock as per the book records and in case of any difference, appropriate remedial steps as prescribed by the Municipality shall be taken.
- The Stores-in-charge shall ensure availability of adequate budget allocation before procuring any material, after considering all commitments made against the budget allocation.
- At the time of issue of any material to the Branches, the Stores-in-charge shall ensure that there is an adequate budget provision in respect of that branch.
- The Head of the Accounts Branch shall ensure that all the dues recoverable including advance provided to supplier has been recovered before making the final payment to the supplier. Further, it shall be ensured that only net amount has been paid to the supplier, as may be applicable to the materials actually received or accepted.
- Before releasing payment to the supplier, the Head of the Accounts Branch shall ensure that the material received is recorded in the Stores Ledger. Further, it shall be ensured that the Payment Order provides reference to the Stores Ledger where the entry for receipt of material is recorded. In addition, at the time of payment to Suppliers/contractors and any other creditors, it shall be ensured that no amount is due from them, which may be adjusted before payment.
- The Stores-in-charge shall ensure that materials in respect of which bills have been received but have not been forwarded to the Accounts Branch are stated separately in the Statement of Closing Stock (Form ST – 3A).
- The Head of the Accounts Branch shall ensure 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 (on the basis of Statement of Closing Stock in Form ST –3) and consumption of stores.
- Also, the Head of Accounts Branch shall ensure 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 Chief Municipal Officer shall specify such appropriate calendar of returns /reports for monitoring, as considered appropriate.

- 30.13.2 All Reconciliation Statements shall be certified by the Head of the Accounts Branch and verified by the Auditor of the Municipality.

30.14 Presentation in financial statements

- 30.14.1 The various heads of accounts used for the accounting of Stores shall be reflected in the Financial Statements or the Schedules attached to the Financial Statements of the Municipality. All such Financial Statements and Schedules shall be affixed with signature and seal of designated authorities.

30.14.2 The Schedules of the Income and Expenditure Statement in respect of Stores have been provided in Part-II of this Account Code.

30.15 Register of Movable Property to be maintained:

Every officer or employee of the Municipality in-charge of movable property of the Municipality other than stamps or stocks or articles or material kept for issue shall maintain a Register of Movable Property in Form GEN-31 (the specimen of which is given in Part-II of this Account Code).

30.16 Register of Suits:

30.16.1 The Municipality shall maintain a Register of Suits in Form G-32, in two volumes, one for suits in which the Municipality is the plaintiff and one, for suits in which the Municipality is the defendant, and a separate page of the register shall be allotted to each suit.

30.16.2 In the volume of the register of suits, in which the Municipality is the defendant, the amount paid in satisfaction of a decree given against the Municipality and the date of payment shall be noted in the "Remarks" column.

30.16.3 The Municipality shall also maintain a register in Form G.32A (the specimen of which is given in Part-II of this Code) in respect of the process-fees. A statement showing the expenditure incurred in his behalf shall be submitted by the Municipality in Form G-32B (the specimen of which is given in Part-II of this Code), at the end of each month to the District Municipal Commissioner of the district for the use of the Stamp Auditor.

30.17 Maintenance of a register of Composition offences:-

The Municipality shall maintain a register of composition of offences under Section 243 of the Haryana Municipal Act, 1973 (24 of 1973) and 387 of the Haryana Municipal Corporation Act, 1994 (16 of 1994) in the format (specimen of which has been provided in Part-II of the Code).

30.18 Custody of government Promissory notes

Government promissory notes shall, if they are not likely to be returned within twelve months, be sent for safe custody to the Accounts Branch : in all other cases, valuables belonging to the Municipality shall, if there is branch of the Nationalized bank situated within the Municipality concerned or at the headquarters of the district, be kept in that bank, and if there is no such bank, be kept in the government treasury in a strong box to be deposited in the double lock room, and the keys of such strong box shall remain with such person, as the Municipality may direct : provided that securities endorsed in favour of any person acting as a banker or any bank other than the Nationalized bank, and fixed deposit receipts of such persons or banks, other than the Nationalized bank, shall be deposited in the Government Treasury.

30.19 Check of Registers by Heads of branches

Every head of branch shall, from time to time, examine the stamp Registers, Stock Registers and Registers of Movable Property maintained by employees of his branch and shall verify the existence of the balances of stamps, stocks or property shown in the registers; at the end of each quarter, concerned Head of branch shall submit a report to the Chief Municipal Officer as the case may be showing the dates on which such registers were last examined.

30.20 Triennial verification of Municipality's properties

The whole of the property of the Municipality, moveable and immovable including investments, shall be verified at least once in three years by a member or members of the Municipality specially appointed: provided that the same member or members shall not be appointed for this purpose on two consecutive occasions: provided further that with the sanction of the District Municipal Commissioner or Commissioner, Municipal Corporation, as the case may be may employ a Professional Auditor for the purpose of this verification.

30.21 Advances

30.21.1 When an advance of any sort, under the direct supervision of the Secretary who shall sign the entry, as a demand in the Miscellaneous Demand and Collection Register in Form GEN-16 (specimen of which has been provided in Part-II of this Account Code), and when the advance is adjusted, the particulars of the transaction shall be entered on the collection side of the register, a note being made in the "Remarks" column showing how the adjustment was made.

30.21.2 The amount of the advances outstanding at the end of each half-year shall be abstracted on to a list of outstanding showing the original amount advanced and the date on which the advance was made, and the list shall be laid before the House of the Municipality.

30.21.3 Every officer to whom a permanent advance is given shall, on receipt of the money, and on the first day of April each year, sign an acknowledgement that the amount is due from him, and in the case of the transfer of the charge of an officer, a similar acknowledgement for the full

amount shall be signed by the relieving officer, and all such acknowledgements shall be kept on a guard file in the office of the Municipality.

30.21.4 No permanent advance of an amount exceeding five thousand rupees or as prescribed by the State Government from time to time shall be made to any official or officer/member of the Municipality without the sanction of the Chief Municipal Officer.

30.21.5 No advance of any amount shall be made to the Elected member of a municipality.

30.22 Opening of Bank Account and Minimum Balance

30.22.1 The Municipalities shall open salary and wages account in the local branch of the Scheduled Bank for all the receipts on account of tax and non- tax revenue with prior permission of Director, Urban Local Bodies Department. The Municipalities shall also open another bank account called Loan and Grant Accounts with prior permission of Director, Urban Local Bodies Department.

30.22.2 The Municipality shall maintain minimum balance in the salary and wages account equal to one month salary and wages to be declared by the Chief Municipal Officer, in the beginning of each financial year.

CHAPTER-31

REPEAL & SAVINGS

- 31.1 Repeal and Savings:** The Municipal Account Code, 1930 is hereby repealed. Provided that any order made, or action taken under the Account Code so repealed, shall be deemed to have been made or taken under the corresponding provisions of this Account code.
