

CHAPTER 3 BASIC STRUCTURE OF THE FORM OF ACCOUNTS

20. Period of Accounts

The annual accounts of the Central, State and Union Territory Governments shall record transactions which take place during a financial year running from 1st April to 31st March.

NOTE:- The Government accounts of a year may be kept open for a certain period in the following year for completion of the various accounting processes *inter alia* in respect of the transactions of March, for carrying out certain inter-departmental adjustments, and for closing the accounts of several Provident Funds and Suspense heads. Adjustments may also be made after the close of the year for the rectification of mispostings and misclassifications coming to notice after the 31st March. An actual cash transaction taking place after 31st March, should not, however, be treated as pertaining to the previous financial year even though the accounts for that year may be open for the purposes mentioned above.

21. Cash basis of Accounts

With the exception of such book adjustments as may be authorised by these rules or by any general or special orders issued by the Central Government on the advice of the Comptroller and Auditor General of India, the transactions in Government accounts shall represent the actual cash receipts and disbursements during a financial year as distinguished from amounts due to or by Government during the same period.

22. Currency in which Accounts are kept

The accounts of Government shall be maintained in Indian currency i.e. rupees. All transactions of the Central and State Governments taking place in other countries shall be passed on monthly by the Indian Embassies/Missions to India and brought to account finally in the Indian books after they have been converted into rupees.

23. Form of Accounts - Main Divisions of Accounts

Government accounts shall be kept in the following three parts:-

Part I Consolidated Fund	of India (including Union Territory Administration or of the State or Union Territory Government concerned).
Part II Contingency Fund	
Part III Public Account	of India (including Union Territory Administration/Government) or of the State concerned.

NOTE:- There being no separate Public Account in the case of Union Territory Governments, the transactions pertaining to this account shall be booked in the Public Account of the Central Government.

In part I, namely Consolidated Fund, of the accounts, there shall be two main divisions, namely:—

- (i) Revenue Consisting of sections for 'Receipt heads (Revenue Account)' and 'Expenditure heads (Revenue Account)'.
- (ii) Capital, Public Debt, Loans consisting of sections for 'Receipt heads (Capital Account)', 'Expenditure heads (Capital Account)', and 'Public Debt', 'Loans', and 'Advances'.

The first division shall comprise the section Receipt heads (Revenue Account) dealing with the proceeds of

taxation and other receipt classed as revenue, and the Section 'Expenditure heads (Revenue Account)' dealing with expenditure met therefrom.

The second division shall comprise the following sections:—

- (a) The Section 'Receipt heads (Capital Account)' which deals with receipts of a Capital nature which cannot be applied as a set off to Capital Expenditure.
- (b) The Section 'Expenditure heads (Capital Account)' which deals with expenditure met usually from borrowed funds with the object of increasing concrete assets of a material and permanent character. It also includes receipts of a Capital nature intended to be applied as set off to Capital expenditure.
- (c) The Section 'Public Debt' Loans and Advances, which comprise, of loans raised and their repayments by Government such as, Internal Debt, External Debt of the Central Government, and loans and Advances made by Governments and their recoveries; transactions relating to 'Appropriation to Contingency Fund' and 'Inter-State Settlement';

In Part II, namely Contingency Fund, of the accounts shall be recorded the transactions connected with the Contingency Fund set up by the Government of India or of a State or Union Territory Government under Article 267 of the Constitution/ Section 48 of the Union Territories Act, 1963.

In Part III, namely Public Account, of the accounts, the transactions relating to Debt (Other than those included in Part I), 'Deposits', 'Advances', 'Remittances' and 'Suspense' shall be recorded. The transactions under Debt, Deposit and Advances in this part are such in respect of which Government incurs a liability to repay the moneys received or has a claim to recover the amounts paid, together with the repayments of the former (Debt and Deposits) and the recoveries of the latter (Advances). The transactions relating to 'Remittances' and 'Suspense' in this Part shall embrace all merely adjusting heads under which shall appear such transactions as remittances of cash between treasuries and currency chests and transfer between different accounting circles. The initial debits or credits to these heads will be cleared eventually by corresponding receipts or payments either within the same circle of account or in another account circle.

24. Sectors and Sub-sectors of Accounts

- (a) Within each of the Divisions and sections of the Consolidated Fund referred to in rule 23, the transactions shall be grouped into Sectors such as, "General Services", "Social Services", "Economic Services", under which specific functions or services shall be grouped. The Sectors shall be sub-divided into Major Heads of Account, in some cases the Sectors are, in addition, sub-divided into sub-sectors before their division into Major Heads of Account. Each Sector in a section shall be distinguished by a letter of the Alphabet.
- (b) In Part II—Contingency Fund, there shall be a single Major Head and all the transactions met out of the Contingency Fund shall be recorded under it.
- (c) In the case of Part III—Public Account, the transactions shall be grouped into sectors and sub-sectors, which shall be further sub-divided into Major Heads of Account. The Sectors/Sub-Sectors shall be distinguished by letters of the alphabet.

25. Allotment of Code to each Major Head and range of Code Numbers

A four digit Code has been allotted to the Major Head, the first digit indicating whether the Major Head is a Receipts Head or Revenue Expenditure Head, or Capital Expenditure Head or Loans and Advances. Head or it pertains to Public Account, if the first digit is '0' or '1', the Head of Account will represent Revenue Receipt; '2' or '3' will represent Revenue Expenditure; '4' or '5' Capital Expenditure; '6' or '7' Loans and Advances Head; (4000 for Capital Receipt) and '8' will represent Contingency Fund and Public Account—(8000 for Contingency Fund).

Adding 2 to the first digit of the Revenue Receipt will give the Code Number allotted to corresponding Revenue Expenditure Head; adding another 2—the Capital Expenditure Head and another 2—the Loans and Advances Head of Accounts; e.g.

0401 represents the Receipt Head for Crop Husbandry

2401 represents the Revenue Expenditure Head for Crop Husbandry

4401 represents the Capital Outlay on Crop Husbandry

6401 represents Loans for Crop Husbandry.

Such a pattern is however, not relevant for those departments which are not operating Capital/Loan Head of accounts e.g. Department of Supply. In a few cases, however, where receipt/expenditure is not heavy, certain Major Heads have been combined under a single number, the Major Heads themselves forming sub-major heads under that number.

The range of code numbers allotted under the scheme of codification is shown below:-

Part I - Consolidated Fund	Major Head Code Nos.
Section I Receipt Heads (Revenue Account)	0020-1999
Expenditure Heads (Revenue Account)	2011-3999
Section II - Receipt Head (Capital Account)	4000
Expenditure Heads (Capital Account)	4046-5999
Section III Public Debt, Loans & Advances	6001-7999
Part II - Contingency Fund	8000
Part III - Public Account	8001-8995

26. Major, Minor and Detailed Heads

(a) The main unit of classification in accounts shall be the major head which shall be divided into minor heads, each of which shall have a number of subordinate heads, generally shown as sub-heads. The sub-heads are further divided into detailed heads. Sometimes major heads may be divided into 'sub-major heads' before their further division into minor heads.

The Sectors, Major heads, Minor heads, Sub-heads and Detailed heads together constitute a five tier arrangement of the classification structure of Government Accounts.

(b) Major heads of account falling within the Consolidated Fund shall generally correspond to 'Functions' of Government, such as different services like "Crop Husbandry", 'Defence' provided by Government, while minor heads subordinate to them shall identify the 'Programme' undertaken to achieve the objectives of the function represented by the major head. A programme may consist of a number of schemes or activities and these shall, generally, correspond to 'sub-heads' below the minor head represented by the programme. In certain cases, especially in regard to non-developmental expenditure or expenditure of an administrative nature, the sub-heads may denote the components of a programme, such as 'Organisations' or the different 'Wings of Administration'.

(c) A "detailed head", is termed as an object classification. On the expenditure side of the accounts particularly in respect of heads of accounts within the Consolidated Fund, detailed heads are primarily meant for itemised control over expenditure and indicate the object or nature of expenditure on a scheme or activity or organisation in terms of inputs such as 'Salaries', 'Office Expenses', 'Grants-in-aid', 'Loans', 'Investments'.

(d) The detailed classification of account heads in Government Accounts and the order in which the Major and Minor heads shall appear in all account records shall be such as are prescribed by the Central Government from time to time on the advice of the Comptroller and Auditor General of India. The 'List of Major and Minor Heads of Account of Union and States contains the classification prescribed in this regard. The classification prescribed (including the code No. assigned upto the major heads and minor heads thereunder) should be strictly followed.

NOTE 1:- With effect from 1st January, 1982 and in the case of Jammu and Kashmir, Maharashtra, Manipur and Sikkim from 15th January, 1982, State Governments have been entrusted with their consent, in terms of clause (1) of article 258 of the Constitution, the functions of the Central Government under Article 150 of the Constitution in so far as such functions relate to the opening of sub-heads and detailed heads of accounts under the various Major and Minor heads of Accounts in the State concerned, subject to the following conditions:

- (i) Orders issued by a State Government for opening subheads and detailed heads are consistent with the directions issued by the Central Government from time to time.
- (ii) No sums shall be paid by the Central Government to the State Government concerned in respect of any extra costs of administration incurred by the State in connection with the exercise of the functions so entrusted.

NOTE 2:- With effect from 1st April, 1982 the President in terms of clause (1) of Article 239 of the Constitution, has directed the Administrators of the Union Territories of Arunachal Pradesh, Goa, Daman & Diu, Mizoram and Pondicherry, subject to his control, also to discharge the functions of the Central Government under Article 150 of the Constitution in so far as such functions relate to the opening of sub-heads and detailed heads of account under the various Major and Minor heads of account within their respective territories subject to the following conditions:—

- (i) the said discharge of functions shall be subject to the forms prescribed by the President under Article 150; and
- (ii) No sums shall be paid by the Central Government to the Union Territory concerned in respect of any extra cost of administration incurred in connection with the said discharge of functions.

NOTE 3:—Directions issued by the Ministry of Finance (Department of Expenditure—Controller General of Accounts) on the advice of the Comptroller and Auditor General in connection with the exhibition of expenditure incurred by State/Union Territory Governments against grants-in-aid and loans given to them by various Ministries/ Departments of the Government of India under Central Plan Schemes and Centrally sponsored Plan Schemes, are reproduced in Appendix 4.

27. Classification of expenditure as "Charged" or as "Voted"

Expenditure which under the provisions of the Constitution is subject to the vote of the Legislature shall be shown in the accounts separately from expenditure which is "Charged" (on the Consolidated Fund of India or of a State or Union Territory Government. The expression "Charged" or "Voted" shall be appended to the heads concerned to distinguish the two categories of expenditure.

28. Classification of transactions in accounts

(1) Under Article 150 of the Constitution, the accounts of the Union and of the States shall be kept in such form as the President may on the advice of the Comptroller and Auditor General, prescribe. The word "Form" used in Article 150 has a comprehensive meaning so as to include the prescription not only of the broad form in which the accounts are to be kept but also the basis for selecting appropriate heads under which the transactions are to be classified.

(2) The estimates of receipts and expenditure framed by Government or in any order of Appropriation shall indicate provisions, ordinarily against heads opened in conformity with these rules. Where there is divergence, the corresponding receipt or expenditure shall be brought to account under the appropriate major head or minor head or other unit of classification as determined by the President on the advice of the Comptroller and Auditor General of India.

"Principles and Rules regulating adjustments between Governments of certain category of charges and receipts, which have been accepted by all Governments are given in Appendix 5."

29. Basis of classification

As a general rule, the classification of transactions in Government accounts, shall have closer reference to the function, programme and activity of the Government and the object of the revenue or expenditure, rather than the department in which the revenue or expenditure occurs. This principle is, however, subject to such exceptions as may be authorised specially in any individual case or class of cases e.g. receipts representing 'Interest' are shown under "0049—Interest Receipts" and expenditure on the maintenance and repairs of the non-Residential buildings under the administrative control of the Public Works Department are shown under the major head "2059—Public Works" irrespective of the functions to which they relate. Important general orders governing classification of pay and allowances (including travelling allowances) of Government servants, expenditure on civil works, contributions made by or to Government, refunds of revenue, shall be issued by Government from time to time.

30. Criteria for determining whether expenditure should be classified under heads of Capital Section or Revenue Section of the Consolidated Fund.

(1) Expenditure of a capital nature to be classified in the Capital Section shall broadly be defined as expenditure incurred with the object of either increasing concrete assets of a material and permanent character.

NOTE:- Expenditure on a temporary asset or expenditure on Grants-in-aid to local bodies or institutions (for the purpose of creating assets which will belong to these local bodies or institutions) cannot ordinarily be classifiable as capital expenditure, and shall not, except in cases specifically authorised by the President on the advice of Comptroller and Auditor General be debited to a capital head of account.

(2) Expenditure of a Capital nature shall be distinguished from Revenue expenditure both in the Budget Estimates and in Government Accounts.

NOTE:- Capital expenditure is generally met from receipts of a capital, debt, deposit or banking character as distinguished from ordinary revenue derived from taxes, duties, fees, fines and similar items of current income including extra-ordinary receipts. It is open to the Government to meet Capital expenditure from ordinary revenues provided there are sufficient revenue resources to cover this liability.

(3) Expenditure of a Capital nature as defined above shall not be classed as Capital expenditure in the Government accounts unless the classification has been expressly authorised by general or special orders of Government.

31. Allocation between capital and revenue expenditure on a capital scheme

(1) The allocation between capital and revenue expenditure on a Capital Scheme for which separate capital and revenue accounts are to be kept shall be determined in accordance with such general or special orders as may be prescribed by the President on the advice of the Comptroller and Auditor General.

(2) The following are the main principles governing the allocation of expenditure on a Capital Scheme, between Capital and Revenue accounts:

(a) Capital account should bear all charges for the first construction and equipment of a

project as well as charges for intermediate maintenance of the work while not yet opened for service. It would also bear charges for such further additions and improvements as may be sanctioned under rules made by competent authority.

(b) Subject to (c) below, revenue account should bear all subsequent charges for maintenance and all working expenses. These embrace all expenditure on the working and upkeep of the project and also on such renewals and replacements and such additions, improvements or extensions as prescribed by Government.

(c) In the case of works of renewal and replacement which partake both of a capital and revenue nature, the allocation of expenditure should be regulated by the broad principle that revenue should pay or provide a fund for the adequate replacement of all wastage or depreciation of property originally provided out of capital grants and that only the cost of genuine improvements, whether determined by prescribed rules or formulae or under special orders of Government, should be debited to Capital account. Where under special orders of Government, a Depreciation or Renewals Reserve Fund is established for renewing assets of any commercial department or undertaking, the distribution of expenditure on renewals, and replacements between Capital account and the Fund should be so regulated as to guard against over-capitalisation on the one hand and excessive withdrawals from the Fund on the other.

(d) Expenditure on account of reparation of damage caused by extraordinary calamities such as flood, fire, earthquake, enemy action, should be charged to Capital account or to Revenue account or divided between them in such a way as may be determined by Government according to the circumstance of each case.

(e) Capital receipts in so far as they relate to expenditure previously debited to Capital heads, accruing during the process of construction of a project, should be utilised in reduction of capital expenditure. Thereafter, their treatment in the accounts will depend on circumstances, but except under a special rule or order of Government, they should not be credited to the revenue account of the department or undertaking.

32. Net Gain or Loss by Exchange in respect of Government transaction in foreign currencies

Net gain or loss by exchange in respect of Government transactions in foreign currencies shall be uniformly adjusted under the head "0075/2075—Miscellaneous General Services— Gain/Loss by Exchange".

33. Classification and accounting of transactions pertaining to more than one Major Head of Account

For the sake of convenience or for other special reasons, receipts on charges pertaining to more than one head of account may be booked in the first instance under one of the heads concerned, but the portion creditable or debitible to the other head or heads involved should be transferred from the former head to the latter before the accounts of the year are closed. A few instances are cited below:-

(1) Where the charges for the supply of water from Irrigation canals are consolidated with the land revenue demand, the recoveries at the consolidated rates are, in the first instance, credited to the head "0029—Land Revenue" and an approximate amount calculated as the share due to Irrigation is transferred to the relevant Irrigation Revenue Head.

(2) Charges for collection of Corporation Tax are accounted for under the minor head "Collection Charges—Income Tax" below the major head "2020 —Collection of Taxes on Income and Expenditure" in the first instance, the amount debitible to the minor head "Collection charges—Corporation Tax" being transferred later from the former minor head to the latter.

(3) The Establishment and Tools and Plant charges of Public Works Divisions are, in the first place, booked under a single Major Head subject to final apportionment among the several

major heads concerned.

34. Classification and accounting of transactions relating to Scheduled Areas

Receipts and expenditure pertaining to Scheduled Areas in a State *vide* clause I of Article 244 of the Constitution shall be accounted for under the same major and minor heads under which corresponding receipts and expenditure pertaining to other areas of the State are accounted for, but the receipts and expenditure of the former kind may be shown in the accounts separately from the later if Government so desires.

35. Classification and accounting of recoveries of overpayments

Recoveries of overpayments whether made in cash or by deduction from payment vouchers shall always be taken as reduction of expenditure under the appropriate expenditure head concerned irrespective of the year to which such recoveries relate.

36. Accounts of Government Commercial Departments or Undertakings

Where any departments or departmental Undertakings of Government function on commercial lines, the essential formalities of commercial accounts to the extent prescribed by Government should be strictly observed. In such cases, separate commercial accounts of the departments or Undertakings shall be kept outside the regular Government accounts. Gross receipts and expenditure of commercial departments or undertakings shall be accounted for under the appropriate major and minor heads in the same way as ordinary receipts and expenditure of Government. The heads of accounts should, as far as possible, be common to the Government account, and the General Ledger maintained at the department or undertaking, and should be selected with due regard to the principles of governmental and commercial accounting so; that the monthly classified account of income and expenditure of the department or undertakings may be prepared readily from the General Ledger.

37. Rectification of Misclassifications

The procedure to be followed in rectifying misclassifications in accounts shall be such as may be prescribed by Govt.

38. Criteria for writes-off of balances from Debt, Deposit, Suspense and Remittances Heads closed to balance and classification thereof in accounts

Ordinarily, all amounts due to Government which are found to be irrecoverable shall be written-off from the Debt head of account concerned to an expenditure head as a loss to Government. Similarly, any balance due by Government remaining unclaimed for such time as may be prescribed by Government shall be credited as revenue of the Government concerned by debit to the Debt or Deposit head concerned. Amounts outstanding due to book-keeping errors under heads which close to balance shall be written-off to "8680-Miscellaneous Government Account-Write off from heads of account closing to balance". With the specific approval of the Comptroller and Auditor General in all cases where the compilation of account is his responsibility and in cases where the accounts have been departmentalised or separated from Audit, with the specific approval of the Controller General of Accounts; provided that the Comptroller and Auditor General and the Controller General of Accounts may delegate the power to appropriate Accounts authorities to such extent and subject to such conditions as may be decided by them.

Where it is not possible to establish that unreconciled balances/differences under heads of account which close to balance are either due to book-keeping errors or involve loss/ receipts, the balances/differences may be written-off to "8680 Miscellaneous Government Account - Writes-off from heads of account closing to balance", with the approval of the Comptroller and Auditor General of India after obtaining concurrence of the Government concerned in all cases where the compilation of account is his responsibility and in cases, where the accounts have been departmentalised or separated from Audit, of the Controller General of Accounts after concurrence of the Chief Accounting Authority concerned is obtained.

Such unreconciled balances or differences between the ledger balances and those of as per the relevant subsidiary registers or Broad-sheets, under any detailed/sub-detailed heads of account relating to any Debt, Deposit, Suspense and Remittance heads in the State Accounts, as per the list of Major & Minor Heads of Account, not exceeding Rs. 1000/- in each case in any financial year, may be written-off by an Accountant General to the head "8680 Miscellaneous Government Account — Write-off from heads of account closing to balance" subject to the following conditions:—

- (i) The amounts of unreconciled balances or differences are continuing for a period of over five years, in the year in which it is proposed to be written-off.
- (ii) The Accountant General has satisfied himself that a *dead end has been reached* in resolving the differences and
- (iii) The concurrence of the *State Government* has been obtained for the write-off.