

Unit V: Introduction to Government Accounting

Introduction: The manner of keeping accounts and conduct of audit of government, government undertakings and government companies is referred to Government Accounting.

The system of Government accounting and auditing and the organisational structure of the Indian Audit and Accounts Department (IAAD) as it exists today in our country is the legacy of British Raj and is more or less patterned on British model. The IAAD has a history dating back to 1858 when the administration of India was taken over by the British Government from the East India Company.

The Government of India Act 1935 gave further recognition to the importance and status of the Audit General of India.

The Comptroller and Auditor General of India is mainly responsible for maintaining accounts for the Government of India and the State Government. The President of India under the Constitution appoints the Comptroller and Auditor General.

In brief, we can say that Government Accounting is the system of accounting which is mainly concerned with financial administration of government offices, departments and agencies. Government collects revenue from various sources and is involved in mobilisation of resources from various sources which are allocated to these activities through plans, programmes and budgets. It is the duty of the proper authorities to keep records of collection of funds, their allocation for spending and therefore audit. All these activities are referred to as 'Government Accounting'.

Features

Following are some of the important features of Government Accounting:-

1. Annual Budget:- The accounts of the Government are based on the annual budget. So, the accounts have to conform to the

Budget provisions.

2. Cash Basis :- The accounts are maintained on cash basis. Only the actual receipts realised and the payments made during the year are recorded.
3. Accrual Basis :- The accounts of Government Commercial Undertakings are maintained on accrual basis to comply with the provisions of the Companies Act.
4. Single Entry : Single entry system is followed to keep the records of the transaction relating to non-commercial nature.
5. Minute Detail :- The Government accounts in India ~~are~~ are recorded with minute detail. All transactions are classified on a six tier functional classification with Major Heads representing a broad function of the Government at the top and an object head representing the activity at the bottom. The functional classification is applicable to receipts

as well as payments.

Objectives of Government Accounting.

1. Providing Information on achievement of budget target : One of the main objectives of Government Accounting is to provide information on achievement of budget targets. This can be done with the help of the following information - (a) head wise budgeted amount of resource to be collected and to be spent, (b) head wise revised budgeted amount of resource to be collected and to be spent, (c) head wise actual amount of resource collect and spent.
2. Providing adequate and timely information about revenues : The important objective of government accounting is to provide adequate, timely and ~~classified~~ classified information about revenues generated from various sources. These revenues are classified into tax revenue and non-tax revenue. With the help of these information government can take

policy decisions to run the administration smoothly and to make budget for the next year.

3. Providing information about expenditure :-

Another objective of Government Accounting is to provide information about the expenditure made by various government offices, departments and agencies.

4. Providing information about availability of cash :- In Government accounting cash are performed through a wide range of network. So, there can be a gap between cash receipts and availability of cash for meeting expenses. Timely and proper information on cash availability must flow rapidly from one end to another to take proper decisions.

5. Providing information about loans and advances and deposits :- The legislature authorises the government to collect fund in the form of loans and deposits. Government accounting mechanism shall have to provide

information on these aspects for strict and smooth functioning financial discipline.

Difference between Government Accounting and Commercial Accounting :

Basis	Government Accounting	Commercial Accounting.
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1. System of Accounting	Government usually follows the Single Entry System of Accounting except loans and Borrowings.	In, Commercial Accounting, the Double Entry System is mostly followed.
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2. Basis of Accounting	Government accounts are maintained on Cash Basis except for Commercial Undertakings and Loans and Borrowings.	Commercial accounts are maintained on mercantile basis i.e. on accrual basis.
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3. Audit

Government Accounts are audited by the Comptroller and Auditor General of India, In Commercial Accounting, the audit is done by an independent qualified auditor.

4. Nature

Government Accounting is basically budget oriented. It gives stress on legal compliance.

Commercial Accounting is fact oriented based on GAAP. It records transactions relating to assets, liabilities, Capital, Revenues and Expenses.

5. Objectives

The Objectives of Government Accounting is the financial administration of the activities of the Government.

The main objective of Commercial Accounting is to record the financial transactions in a proper way so that the operating and financial efficiency can be judged.