

CHAPTER 18

SPECIAL FUNDS

INTRODUCTION

18.1 This chapter contains the recommended accounting system for transactions relating to Special Funds, which are accounted in the same books of the ULBs.

18.2 ULBs may, as per relevant Act, constitute special funds for any purpose mentioned in the Act. The Act may also prescribe the manner in which such funds shall be constituted and disposed off.

18.3 Special funds are 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 ULB. A separate account may 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.

18.4 The following is an illustrative list of the Special Funds that may be created by the ULB:

- Ø Development Funds
- Ø Fire Brigade Fund
- Ø Road Fund
- Ø Water Supply Reserve Fund Tree Authority Fund, etc. City Development Funds
- Ø Solid Waste Management Fund
- Ø Employee Funds
- Ø Pension Fund
- Ø General Provident Fund / Contributory Provident Fund
- Ø Welfare Fund, etc.
- Ø Gratuity / Leave encashment Fund
- Ø Sinking Funds:
- Ø Asset Replacment Fund
- Ø Sinking Fund etc

18.5 The accounting procedure and entries in respect of employee funds are described in Chapter 13 on Employee Related Transactions, reference to which is invited.

18.6 The accounting procedure and entries for creation/addition to sinking fund and its utilisation, investments made from fund and other related aspects are described in Chapter 17 on Borrowings (Loans Received), reference to which is invited.

18.7 This chapter essentially covers the accounting procedures in respect of Development Funds only.

ACCOUNTING PRINCIPLES

18.8 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 recognised and credited to Special Fund, whenever accrued. Profit/loss, if any, arising on disposal of investments made from the Special Fund shall be recognised 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 (Utilised).

ACCOUNTING RECORDS & PROCEDURES

18.9 *This section describes the records, registers, documents, forms, accounting entries, etc., in respect of accounting for transactions related to Special Funds. For the purposes of accounting of transactions related to Special Funds, the register applicable is specific to Special Funds transactions, e.g., Special Funds Register – Form SF -1.*

CREATION OF FUNDS

18.10 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 Department 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 Department 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 (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
310-10-(a)	Municipal Fund	Dr.	1,00,000		Journal Book, Ledger, Special Fund Register
311-(b)	To ----- Special Fund *	Cr.		1,00,000	

* Specify the name of the special fund

(a) Insert Detailed Head Code of Account as applicable

(b) Insert Minor Head Codes of Account between 10-49 and detailed head of account as applicable

Note: The postings in the Ledger Accounts of “Municipal Fund” Account and “Special Fund” Account shall be carried out as indicated in Chapter 5 – 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. Recording of contribution to Special funds from earmarked collection . The accounts department as per the decision of the ULB 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 (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
290-(a)	Transfer to ----- Fund*	Dr.	1,00,000		Journal Book, Ledger, Special Fund Register
311-(a)	To ----- Special Fund*	Cr.		1,00,000	

* Specify the name of the special fund

(a) Insert Minor Head Codes 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 Department shall transfer the amount from in Bank Account to Special Fund Bank Account and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a)	Designated Bank Account*	Dr.	1,00,000		Cash Book, Special Fund Cash Book
450-21-(a)	To Main Bank Account *	Cr.		1,00,000	

*Specify the name of the Bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

Note: A Separate Cash Book shall be maintained for Special Funds

d. On creation of Welfare Fund . As per relevant act, an amount of surplus of the Transport Undertaking acquired or established by the ULB 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 Department shall

pass the following entry

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a)	Designated Bank Account*	Dr	25,000		Cash Book, 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 Head Codes of Account between 70-99 and detailed head of account as applicable

18.11 Collection of Special Funds may be made along with other collections. For example, ULB may collect Tree Authority Cess along with Property Tax. The accounting treatment in such cases is described below.

18.12 At the end of every month, Accounts Department shall also identify the transactions pertaining to Tree Authority Cess collected along with the property and other taxes, accounting process in respect of which has been described in Chapter 6 on Property and Other Taxes. Accounts Department 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. Accounts Department shall further pass the entries mentioned in para 18.10 (b) and (c) above for the same.

18.13 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. Accounts Department shall pass the entries mentioned in para 18.10 (b) and (c) above for the same

18.14 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. Accounting entries referred to in para 18.10 (a) for creation, (b) for addition and (c) for transfer of money to Special Funds shall be recorded. .

UTILISATION OF FUNDS

18.15 Special Funds shall be utilised for the purpose for which they are created. The expenditure incurred could be either revenue or capital expenditure. The accounting procedure to be followed is described below.

Utilisation 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 11 on Public Works for repairs and maintenance expenses, Chapter 12 on Stores for stores purchased, and Chapter 15 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. The entry for this shall be the same as described in section “Advance paid to contractors/suppliers”.

c. Recording of liability on receipt of contractor/supplier bill :l On receipt of processed bill in respect of material supplied or services rendered or works executed which is of a revenue nature, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr. / Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a)	Special Fund*	Dr.	10,000		Journal Book, Ledger, Grant Register
350-10-(b)	To Payables against Special Funds	Cr.		10,000	

*Specify the name of the special Fund

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

(b) Insert Detailed Head Codes 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 Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a)	Payables against Special Funds	Dr.	4,000		Journal Book, Ledger, Special Fund Register
340-10-(a)	To Deposit From Contractors - Security Deposit Special Funds To TDS– Special Funds	Cr.		1,000	
350-20-(a)	To Works Contract Tax – Special Funds	Cr.		500	
350-20-(a)	To Advance for suppliers and contractors –	Cr.		1,000	
460-40-(a)	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 Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a)	Payables against Special Funds	Dr.	6,000		Special Fund Cash Book, Special Fund Register, Ledger
450-41-(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, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-20-(a)	TDS - Special Funds	Dr.	500		Special Fund Cash Book, Special Fund Register, Ledger
350-20-(a)	Works contract Tax – Special Funds	Dr.	1,000		
450-41-(a)	To Designated Bank Account*	Cr.		1,500	

**Specify the name of the Bank and Account number*

(a) Insert Detailed Head Codes of Account as applicable

g. Recording of transfer of money from Designated Special Fund Bank Account to Main Bank Account on utilisation of Common Stores. The amount equivalent to the common stores utilised 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 Department shall update the Special Fund Register (Form SF-1) and pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Main Bank Account*	Dr.	1,000		Cash Book, Special Fund Cash Book, Special Fund Register
450-41-(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 utilisation of Common Stores for special funds. For common stores

consumed, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a)	Special Fund *	Dr.	1,000		Journal Book, Ledger, Special Fund Register
430-10-(b)	To Purchase of Stores	Cr.		1,000	

**Specify the name of the Special Fund*

(a) Insert Minor Head Codes of Account as applicable

(b) Insert Detailed Head Codes of Account as applicable

Advance paid to contractors/suppliers

18.16 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. On payment, the Accounts Department shall pass the following entries:

a. For recording tax deducted, if any, from the advance provided. Suppose an advance of Rs. 10,000 is granted to a contractor from which Rs. 500 is deducted on account of income tax. On deduction, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-40-(a)	Advance for Suppliers and contractors – Special Funds	Dr.	10,000		Journal Book, Ledger, Special Fund Register
350-20-(a)	To TDS – Special Funds	Cr.		500	
350-10-(a)	To Contractors Advance Control Account –Special 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., Rs.9,500 from the Designated Special Fund Bank Account, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
460-40-(a)	Advances for suppliers and contractors – Special Funds	Dr.	9,500		Special Fund Cash Book, Ledger, Special Fund Register
450-41-(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

Earnest Money Deposit

18.17 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. The accounting procedure to be followed for the same is described in Chapter 11 on Public Works, reference to which is invited.

18.18 Recording of receipt of Earnest Money Deposit. On receipt of Earnest Money Deposit, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a)	Designated Bank Account*	Dr.	1,000		Special Fund Cash Book, Ledger, Special Fund Register
340-10-(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

18.19 Recording of refund of Earnest Money Deposit. On refund of Earnest Money Deposit to the unsuccessful bidder, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a)	Deposit From Contractors – EMD Special Funds	Dr.	900		Special Fund Cash Book, Ledger, Special Fund Register
450-41-(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

18.20 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 Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a)	Deposit From Contractors – EMD Special Funds	Dr.	100		Journal Book, Ledger, Special Fund Register
340-10-(a)	To Deposit From Contractors – Security Deposit Special Funds	Cr.		100	

(a) Insert Detailed Head Codes of Account as applicable

18.21 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 11 on Public Works, reference to which is invited.

18.22 Recording of receipt of Security Deposit. On receipt of Security Deposit, the accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-41-(a)	Designated Bank Account*	Dr.	5,000		Special Fund Cash Book, Ledger, Special Fund Register
340-10-(a)	To Deposit from Contractors - Security Deposit Special Funds	Cr.		5,000	

*Specify the name of the Bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

18.23 Treatment of Security Deposit deducted from the contractor's/supplier's invoice has already been described in para 18.15(d) above.

18.24 Recording of refund of Security Deposit .On refund of Security Deposit, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
340-10-(a)	Deposit From Contractors - Security Deposit Special Funds	Dr.	6,000		Special Fund Cash Book, Ledger, Special Fund Register
450-41-(a)	To Designated Special Fund Bank Account*	Cr.		6,000	

*Specify the name of the Bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

Utilisation of Special Fund for Capital Expenditure

18.25 The accounting procedures and entries to be recorded for:

- a. Advance provided to the contractor/supplier,
- b. Recovery of advance provided to contractor/supplier,
- c. Receipt of Earnest Money Deposit (EMD) from the bidders and its refund to unsuccessful bidders;
- d. Conversion of EMD of successful bidder into Security Deposit;
- e. Security Deposit received from contractor/supplier,
- f. Security Deposit deducted from the contractor's/supplier's bill,
- g. Refund of Security Deposit,
- h. Deduction of tax from the contractor's/supplier's bill,
- i. Payment of amounts deducted to the relevant authorities, etc. shall be the same as described in the section "Utilisation of Special Funds for Revenue Expenditure" above.

18.26 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 Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
412-(a)	Capital Work-in-Progress – against ___ Special Funds	Dr.	1,00,000		Journal Book, Ledger, Special Fund Register
350-10-(b)	To Payables against Special Funds	Cr.		1,00,000	

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

(b) Insert the Detailed head code of account as applicable

18.27 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 Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
411-(a)	Fixed Assets (Specify the name)	Dr.	50,000		Journal Book, Ledger,
350-10-(a)	To Payables against Special Funds	Cr.		50,000	

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

(b) Insert the Detailed head code of Account as applicable

18.28 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 Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a)	Payables against Special Funds	Dr.	1,50,000		Special Fund Cash Book, Special Fund Register, Ledger
450-41-(a)	To Designated Bank Account*	Cr.	1,50,000		

*Specify the name of the Bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

18.29 Recording of capitalisation of capital work-in-progress : On completion of construction of capital project, the capital work-in-progress shall be capitalised for which the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
411-(a)	Fixed Assets (Name of the Fixed Asset)	Dr.	1,00,000		Journal Book, Ledger
413-(a)	To Capital Work-in- Progress – against Specific Grant	Cr.		1,00,000	

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

18.30 Recording of transfer of funds from Special Fund to Special Fund (Utilised) on capitalisation. On capitalisation of capital work-in-progress or on purchase/acquisition of fixed asset, an amount equivalent to the amount of expenditure incurred and capitalised shall be transferred from Special Fund to Special Fund (Utilised). For this, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a)	Special Fund *	Dr.	1,50,000		Journal Book, Ledger, Special Fund Register
312-30-(b)	To Special Fund (Utilised)*	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

INVESTMENT OF SPECIAL FUNDS

18.31 Investments made in respect of Special Fund shall be entered in a Special Fund Investment Register (Form IN-1) (provided in Chapter 19 on Investments). 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 19 on Investments.

18.32 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 Department.

PERIOD END PROCEDURES

18.33 The following entries shall be passed for provisioning of the unpaid bills.

a. Recording of period-end provision for bills remaining unpaid in respect of Special Fund expenditure . At period-end, a provision shall be made for the revenue expenditure incurred under Special Fund but for which bills are remaining unpaid as at the end of the accounting period. For making provision, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a)	___ Special Fund	Dr.	5,000		Journal Book, Ledger, Special Fund Register
350-10-(b)	To Payables against Special Funds	Cr.		5,000	

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

(b) Insert Detailed Head Codes of Account as applicable

b. Recording of payment : On payment of the expenditures in respect of which period-end provision entry has been passed, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-10-(a)	Payables against Special Funds	Dr.	5,000		Special Fund Cash Book, Special Fund Register, Ledger
450-41-(a)	To Designated Bank Account*	Cr.		5,000	

*Specify the name of the Bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

18.34 In respect of capital project / schemes, bills received in respect of works executed or acquisition / purchase of fixed assets before the last date of the accounting period, must be processed and forwarded to the Accounts Department for accounting and payment by 30th April of the next financial year if the accounting period is a financial year and in other cases, within 15 days from the end of the accounting period. The accounting entry to be recorded shall be the same as provided in para 18.26 above for progress bill in respect of capital works being executed under Special Funds and 18.27 above for bills in respect of acquisition / purchase of fixed assets under Special Funds.

ON CLOSURE OF FUNDS

18.35 On closure of Special Funds : Once the purpose for which the Special Fund created is achieved, the unutilised balance in the fund, if any, shall be transferred from Special Fund to Municipal Fund by transferring the money from the Special Fund Bank Account to the Main Bank Account. The approval of the ULB shall be obtained wherever required. The following entries shall be passed:

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a)	_____ Special Fund	Dr	10,000		Journal Book, Ledger, Special Fund Register Cash Book, Special Fund Cash Book
310-10- (b)	To Additions to Municipal Fund	Cr.		10,000	
460-21-(b)	Main Bank Account	Dr.		10,000	
460-41-(b)	To Designated Special Fund Bank Account*	Cr.		10,000	

**Specify the 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

INTERNAL CONTROLS

18.36 The following internal controls shall be observed by the ULB:

a. The Executive Officer/Secretary & in case of Municipal Corporation the Head of the Accounts Department 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 to the Special Fund Register

b. The Executive Officer/Secretary & in case of Municipal Corporation the Head of the Accounts Department shall ensure timely transfer of mandatory contribution to Special Fund Bank Accounts.

c. The Executive Officer/Secretary & in case of Municipal Corporation the Head of the Accounts Department shall ensure that the amount of Special Fund shall not be utilised for the purpose other than for which the fund it is created.

d. 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.

e. The Executive Officer/Secretary & in case of Municipal Corporation the Head of the Accounts Department shall regularly match the expenditure from a Special Fund to the reduction in the balance of the Special Fund.

f. At the end of every month, the Accounts Department shall reconcile the ledger balance of the Special Fund Account with the Special Fund Register and the Special Fund Bank Account balance.

g. The Executive Officer/Secretary & in case of Municipal Corporation the Head of the Accounts Department shall reconcile the expenditure incurred towards Backward Classes Welfare activities and ensure that the unspent balance is transferred to the Backward Classes Welfare Fund Bank Account.

h. The Commissioner/ Executive Officer/ Secretary of the ULB shall specify such appropriate calendar of returns /reports for monitoring.

18.37 All Reconciliation Statements shall be certified by the Executive Officer/Secretary & in case of Municipal Corporation the Head of the Accounts Department and verified.

PRESENTATION IN BALANCE SHEET

18.38 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 ULB. All these Financial Statements and schedules should be affixed with signature and seal of the Commissioner or any other authority authorised by him for this purpose & in case of other ULBs the Executive Officer/Secretary.

18.39 The Balance Sheet Abstract in respect of Special Funds is provided below.

Schedule B-2 : Special Fund

Code No	Particulars	Special Fund 1	Special Fund 2	Special Fund 3	Special Fund 4	Special Fund 5	Special Fund 6	Special Fund 7
	(a) Opening Balance							
	(b) Additions to the Special Funds							
	i. Transfer from Municipal Funds							
	ii. Interest/Dividend earned on Special Fund Investments							
	iii. Profit on disposal of Special Fund Investments							
	iv. Appreciation in Value of Special Fund Investments							
	v. Other addition (Specify nature)							
	Total (b)							
	Total (a+b)							
	(c) Payments out of funds							
	(i) Capital expenditure on							
	Fixed Assets							
	Others							
	Total							
	(ii) Revenue Expenditure on							
	Salary, Wages and allowances etc.							
	Rent							
	Other administrative charges							
	Total							
	(iii) Other:							
	Loss on disposal of Special Fund Investments							
	Diminution in Value of Special Fund Investments							
	Transferred to Municipal Fund							
	Total							
	Total (c)							
	Net balance at the year end – (a)+(b)-(c)							

Schedule B-3: Schedule of Reserves

Code No	Particulars	Opening Balance at the beginning of the year (Rs.)	Additions (Rs.)	Total (Rs.)	Deductions (Rs.)	Balance outstanding at the end of the current year (Rs.)
312-30-(a)	Special Fund (Utilised)					
	Total					

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-7: Schedule of Deposits Received

Code No.	Particulars	Opening Balance as the beginning of the year	Additions during the current year	Refunded during the year	Balance outstanding at the end of the current year
340-10- (a)	Security Deposit – Special Funds				
340-10-(a)	Earnest Money Deposit – Special Funds				
	TOTAL				

(a) Insert Detailed Head Codes of Account as applicable

Schedules B-9: Schedule of Other Liabilities (Sundry Creditors)

Code of Account	Liabilities	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
350-10-(a)	Payables against Special Funds		
350-20-(a)	TDS – Special Funds		
350-20-(a)	Works Contract Tax – Special Funds		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedule B-13: Schedule of Investments – Other Funds

Code No	Particulars	With whom invested	Face value	Cost	Remarks
321-(a)	Any other investments				
	Special Fund				
	Investment				
	Total				

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

Schedules B-17: Schedule of Cash & Bank Balances

Code of Account	Liabilities	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
450-10-(a)	Cash Account		
450-21-(a)	Main Bank Accounts		
450-41-(a)	Designated Bank Accounts		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Schedules B-18: Schedule of Other Loans, Advances & Deposits

Code of Account	Liabilities	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
460-40-(a)	Advance for suppliers and contractors – Special Funds		
	Total		

(a) Insert Detailed Head Codes of Account as applicable

Form SF-1

Name of the ULB _____

SPECIAL FUNDS REGISTER

Name of the Fund _____

On creation/ addition to Fund					On Utilisation of Fund					Balance in fund (Rs.) (5-10)	Remarks
Date of Receipt	Reference of voucher No	Particulars	Amount (Rs.)	Cumulative Amount (Rs.)	Date of Payment	Reference of voucher No	Particulars	Amount (Rs.)	Cumulative Amount (Rs.)		
1	2	3	4	5	6	7	8	9	10	11	12

Note

1. Interest earned on investments and Profit on disposal of investments made from the Special Funds shall be recorded in the column 1 to 5 to update the balance of Special Funds
2. Loss on disposal of investments shall be recorded in the column 6 to 10 to reduce the balance of Special Fund

For each entry made; record the Name, Designation, and Signature of the person making the entry in the register and the person checking the entry.