

CHAPTER 19

INVESTMENT

INTRODUCTION

19.1 This chapter contains the recommended accounting system in relation to investment transactions, i.e., transactions dealing with surplus or other funds.

19.2 The local bodies invest surplus funds available with it as per Act under which it was constituted. Investments 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.).

19.3 Investments shall be classified based on the maturity profile / nature into short-term and long-term. According to the Accounting Standard 13 prescribed by the Institute of Chartered Accountants of India, 'short term' investments are those which are readily realisable, and are intended to be held for not more than twelve months from the date of investment. Investments falling outside the ambit of current investments are treated as 'long term' investments.

19.4 A separate account code has to be assigned for each type of the investments made by the ULBs. (The accounting procedures for accounting of various investment transactions are explained in detail in the accounting principles listed below)

ACCOUNTING PRINCIPLES

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

- a. Investment shall be recognised 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 at their cost or market value (if quoted) whichever is lower.
- d. Interest on investments shall be recognised as and when due. At period-ends, interest shall be accrued proportionately.

- e. Dividend on investments shall be recognised 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 recognised in the year when such disposal takes place.
- g. Income on investments made from Special Fund and Grants under specific purpose shall be recognised 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 recognised 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 ULB instead of the Grant account.

ACCOUNTING RECORDS AND PROCEDURES

This section 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 IN-1. This is annexed to this chapter and is prefixed "IN". Accounts Department shall maintain an Investment Register in Form IN-1. Details of investment made from the Municipal Fund, various Special Funds and Grants for specific purpose shall be recorded separately in the Investment Register.

Investment of funds from Municipal Fund, Special Funds and Grant for specific purposes

19.6 Recording of investment made from Municipal Fund: For investment made from the

Municipal 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
420-(a)	Municipal Fund Investment*	Dr.	10000		Cash Book, Ledger, Investment Register
450-21-(b)	To Bank Account	Cr		10000	

* 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 & Detailed Head Codes of Account as applicable

(b) Insert Detailed Head Codes of Account as applicable

19.7 Recording of investment made from Special Funds:

For Investment made from Special Funds, 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
420-(a)	Municipal Fund Investment*	Dr.	10000		Cash Book, Ledger, Investment Register
450-41-(b)	To Bank Account	Cr		10000	

* 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 & Detailed Head Codes of Account as applicable

(b) Insert Detailed Head Codes of Account as applicable

19.8 Recording of Investment made from Grants for specific purposes. For investment made from Grants for specific purposes, 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
421-(a)	Grant Investment*	Dr.	10,000		Cash Book, Ledger, Investment Register, Grant Register
450-61-(b)	To Designated Bank Account**	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 & Detailed Head Codes of Account as applicable

(b) Insert Detailed Head Codes of Account as applicable

19.9 Designated bank accounts of Special Funds and Grants shall be credited for investment made from respective funds and grants.

Income from Investment

19.10 Recording of receipt of interest/dividend on investments from the Municipal Fun. To record the receipt of interest/dividend on the Municipal Fund Investments, 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
450-21-(a)	Bank Account *	Dr.	1,000		Cash Book, Ledger, Investment Register
170-10-(a)	To Income From Investments – Interest	Cr.		800	
170-20-(a)	To Income From Investments - Dividend	Cr.		200	

* Specify name of Bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

19.11 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 utilised 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 Department 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 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		Cash Book, Ledger, Investment Register, Special Fund Register, Register of Sinking Fund
311-10-(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 Investment. To record the interest/dividend received on Grant Investments, 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
450-61-(a)	Designated Bank Account *	Dr.	1,000		Cash Book, Ledger, Investment Register, Grant Register
320-(b)	To Grants for specific purposes	Cr.		1,000	

* Specify name of Bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

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

19.12 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 G-1.

Re investment of interest amounts

19.13 Investments are re-invested along with Interest on many occasions. To record the re-investment of interest on the Municipal Fund Investments, 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
420-(a)	Municipal Fund Investments	Dr.	1,000		Ledger, Investment Register
170-10-(b)	To Income From Investments - Interest	Cr.		1,000	

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

(b) Insert Detailed Head Codes of Account as applicable

19.14 Similar entries will be passed for other funds.

Period-end Procedures

19.15 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 can be explained with the help of an illustration. For instance, assume interest on Municipal Fund Investment of Rs. 1 lakh is payable half yearly on 30th June and 31st December at 10% per annum, which implies that interest of Rs.5000 is receivable on 31st December 2004 of the current accounting year and Rs 5000 is receivable on 30th June 2005 of the next accounting year. However, interest

for the period from the date of last receipt, i.e., 30th December 2004 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, Rs. 7500 (10% on Rs. 1 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 31 December of Rs. 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 upto 31 March 2005 of Rs 2,500 shall be accounted as 'Interest accrued but not due'. The entries that would be passed for accounting of interest accrued is outlined below.

a. Recording of Interest accrued on Municipal Fund Investments. At period-end, to record the interest accrued on Municipal Fund Investments, 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
431-40-(a)	Receivable from other sources Interest accrued & dues on Municipal Fund Investment Receivable from other sources Interest accrued & not due on Municipal Fund Investment	Dr.	5,000		Journal Book, Ledger, Investment Register
431-40-(a)	To Investment Income –	Dr.	2,500		
170-10-(a)	Interest from Municipal Fund Investment	Cr.		7,500	

(a) Insert Detailed Head Codes of Account as applicable

b. 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 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
431-40-(a)	Receivable from other sources - Interest accrued & dues on Special Fund Investment Receivable from other sources -	Dr.	5,000		Journal Book, Ledger, Investment Register
431-40-(a)	Interest accrued & not due on Special Fund Investment	Dr.	2,500		
311-10-(a)	To Special Funds*	Cr.		7,500	

* Specify name of the Special Fund

(a) Insert Detailed Head Codes 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 (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
431-40-(a)	Receivable from other sources -	Dr	5,000		Journal Book, Ledger, Investment Register
431-40-(a)	Interest accrued & dues on Grant Investment Receivable from other sources –Interest accrued & not due on Grant Investment	Dr	2,500		
320-(b)	To Grant for specific purposes	Cr.		7,500	

(a) Insert Detailed Head Codes of Account as applicable

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

19.16 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 (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
170-10-(a)	Investment Income -Interest from Municipal Fund Investment	Dr.	7,500		Journal Book, Ledger, Investment Register
431-40-(a)	To Receivable from Other Sources – Interest Accrued and due on Municipal Fund Investment	Cr.		5,000	
431-40-(a)	To 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

19.17 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 (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-10-(a)	Special Funds*	Dr.	7,500		Journal Book, Ledger, Investment Register
431-40-(a)	To Receivable from Other Sources - Interest Accrued & due on Special Fund Investment	Cr.		5,000	
431-40-(a)	To Receivable from Other Sources - Interest Accrued and not due on Special Fund Investment	Cr.		2,500	

* Specify name of the Special Fund

(a) Insert Detailed Head Codes of Account as applicable

19.18 Reversal of Interest accrued on investments made from Grants. At the beginning of the next accounting period, the entry for accrual of interest on Investments made from the Grants shall be reversed by passing 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
320-(b)	Grant for specific purposes	Dr.	7,500		Journal Book, Ledger, Investment Register
431-40-(a)	To Receivable from Other Sources-Interest Accrued and due on Grant Investment	Cr.		5,000	
431-40-(a)	To Receivable from Other Sources – Interest Accrued and due on Grant Investment	Cr.		2,500	

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

19.19 Through the above reversing entries passed in Paras 19.16 to 19.18, 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.

19.20 The debits made in the interest income account through above entries would be for a temporary period and would automatically be set-off when credits shall be given in the next accounting period. Through this, interest of Rs. 7,500 is recognised as an income of the current accounting period and not as an income of the next accounting period when money is actually received.

Maturity/Disposal of Investment

19.21 Investments may be held to maturity or may be disposed before the maturity date. On disposal of investment, the ULB may either realise 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 realised or loss incurred shall be adjusted in the Special Fund or Grant.

19.22 This is explained with the following illustration wherein an original investment which had cost Rs. 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 Rs. 9000 and thus only cost is recovered. In this case the Accounts Department shall pass the following entries for money realised:

i. In case of Municipal Fund Investments

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.	9,000		Cash Book, Ledger, Investment Register, Special Fund Register, 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 & Detailed Head Codes of Account as applicable

iii. In case of Grant Investments

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-61-(a)	Designated Bank Account	Dr.	9,000		Cash Book, Ledger, Investment Register, 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 & Detailed Head Codes of Account as applicable

b. Suppose investment instead of being disposed of at Rs. 9000 is disposed of at Rs. 9,500 (after deducting cost of disposal of investment such as brokerage, commission, etc.), thus resulting in a profit of Rs. 500. The Accounts Department shall pass the following entry for money received and profit realised on disposal of investment.

i. For money realised on disposal of investment: Entries referred to in (a) above shall be passed for money realised on disposal of investment, i.e., Rs. 9,500.

ii. For recording profit realised on disposal of investment: In case of Municipal Fund Investments

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
420-(a)	Municipal Fund Investment	Dr.	500		Journal Book, Ledger, Investment Register
170-40-(b)	To Profit on Sale of Investments	Cr.		500	

(a) Insert Minor & 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 (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
421-(a)	Special Fund Investment*	Dr.	500		Journal Book, Ledger, Investment Register, Special Fund Register, Register of Sinking Fund
311-10-(b)	To Special Fund*	Cr.		500	

* Separate accounts shall be maintained for investments made from different funds such as provident fund, pension fund, sinking fund, etc.

** Specify name of the Special Fund

(a) Insert Minor & 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 (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
421-(a)	Grant Investment*	Dr.	500		Journal Book, Ledger, Investment Register, 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 & Detailed Head Codes of Account as applicable

c. Suppose the investment is disposed at Rs. 8500 (after deducting cost of disposal of investment such as brokerage, commission, etc.), thus resulting in a loss of Rs. 500. The Accounts Department shall pass the following entries for money received and loss incurred on disposal of investment.

i. For money realised on disposal of investment. Entries referred to in (a) above shall be passed for money realised on disposal of investment, i.e., Rs. 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 (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
271-20-(a)	Loss on Sale of Investments	Dr.	500		Cash 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 Minor & 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 (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-10-(a)	Special Fund*	Dr.	500		Journal Book, Ledger, Investment Register, Special Fund Register, Register of Sinking Fund
421-(b)	To Special Fund Investment**	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 Minor & 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 (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
320-(a)	Grants for specific purposes	Dr.	500		Journal Book, Ledger, Investment Register, Grant Register,
421-(a)	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 Minor & Detailed Head Codes of Account as applicable

19.23 Profit or Loss arising on disposal of Special Funds Investments and Grants Investments shall be updated in the Special Funds Register maintained in Form SF-1, Grants Register maintained in Form G-1.

Valuation of Investments

19.24 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 period, the diminution in the value of investments will 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.

19.25 Short-term investments shall be carried at their cost or market value (if quoted) whichever is lower.

19.26 At the end of the financial year, the accounts department has to ascertain whether any amount 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 would 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 would 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 Department shall pass the following entries:

i. In case of Municipal Fund Investments

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
270-20-(a)	Provision for other Assets-Investments	Dr.	200		Journal Book, Ledger, Investment Register
420-(b)	To Municipal Fund Investments*	Cr.		200	

* 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 & Detailed Head Codes of Account as applicable

ii. In case of Special Funds Investments

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-10-(a)	Special Fund *	Dr.	200		Journal Book, Ledger, Investment Register, Special Fund Register, Register of Sinking Fund
421-(b)	To Special Fund Investment	Cr.		200	

* Specify the name of the Special Fund

(a) Insert Detailed Head Codes of Account as applicable

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

iii. In case of Grant Investments

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
320-(a)	Grants for specific purposes	Dr.	200		Journal Book, Ledger, Investment Register, Grant Register
421-(a)	To Grant Investment*	Cr.		200	

* 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 & Detailed Head Codes of Account as applicable

19.27 Investments, after provision for diminution shall be carried in Financial Statements at the reduced value.

19.28 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 Department shall pass the following entries:

i. In case of Municipal Fund Investments

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
420-(a)	Municipal Fund Investment	Dr.	200		Journal Book, Ledger, Investment Register
170-80-(a)	To Appreciation in Value of Investment	Cr.		200	

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
- Investments in respect of which no diminution was provided – Rs. 50

Note 2: The appreciation in value of investments for which diminution provision was provided in earlier years would be restricted to provision for diminution provided. Thus, the appreciation in value of such investments is restricted to Rs. 200/- (equivalent to diminution provided) despite increase in market value by Rs. 250. In respect of investments for which no diminution was provided in earlier years, the increase in market value of Rs. 50 shall be ignored

ii. In case of Special Funds Investments

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
421-(a)	Special Fund Investment	Dr.	200		Journal Book, Ledger, Investment Register, Special Fund Register, Register of Sinking Fund
311-10-(b)	To Special Fund*	Cr.		200	

* 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

Note: Restricted to increase in value of Special Fund investments for which diminution provision was provided in earlier years.

iii. In case of Grant Investments

Code of Account	Accounting Entry	Dr./ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
421-(a)	Grant Investment*	Dr.	200		Journal Book, Ledger, Investment Register, Grant Register
320-(a)	To Grants for specific purposes	Cr.		200	

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

Note: Restricted to increase in value of Grant investments for which diminution provision was provided in earlier years.

19.29 Investments, whose value has appreciated on account of reversal in diminution in value, shall be disclosed in the Financial Statements at their increased value.

INTERNAL CONTROLS

19.30 The following internal controls shall be observed by the ULBs:

- a. The Commissioner/Executive Officer/Secretary of the ULB shall ensure that investments are made as per the laws applicable.
- b. At the end of every month, the Executive Officer/Secretary & in case of Municipal Corporation the Head of the Accounts Department or other officer designated in this behalf shall reconcile the ledger balance of various Investment Accounts with the Investment Register.
- c. At the end of the financial year, the Commissioner/Executive Officer/Secretary of the ULB 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.
- d. The Executive Officer/Secretary & in case of Municipal Corporation the Head of the Accounts Department shall review the Investment Register on a weekly basis to identify and list investments maturing within the next two weeks for information of the Commissioner.
- e. The Executive Officer/Secretary & in case of Municipal Corporation the Head of the Accounts Department shall ensure that interest/dividend on investments is actually received as per the terms of the investments.
- f. The Executive Officer/Secretary & in case of Municipal Corporation the Head of the Accounts Department 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.
- g. The Commissioner/ Executive Officer/Secretary of ULB may prescribe appropriate MIS reports of their level for monitoring.

19.31 The Executive Officer/Secretary & in case of Municipal Corporation the Head of the Accounts Department shall certify all Reconciliation Statements.

PRESENTATION IN FINANCIAL STATEMENTS

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

19.33 The schedules of Income and Expenditure Statement in respect of the income earned from Municipal Fund Investments are provided below.

Schedule I-7: Income from Investments – General Fund

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
170-10-(a)	Interest		
170-20-(a)	Dividend		
170-30-(a)	Income from projects taken up on commercial basis		
170-40-(a)	Profit on Sale of Investments		
170-80-(a)	Others		

Total Income from Investments

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-8: Interest Earned

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
171-10-(a)	Interest from Bank Accounts		
	Total. – Interest earned		

(a) Insert Detailed Head Codes of Account as applicable

Schedule I-17: Miscellaneous Expenses

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
271-20-(a)	Loss on disposal of Investments		
	Total Expenses of Investments to be shown as part of Miscellaneous expenses Schedule		

(a) Insert Detailed Head Codes of Account as applicable

19.34 The Balance Sheet Abstract in respect of Investments is provided below.

Schedule B-12: Investments - General Fund

Code No	Particulars	whom invested	Current Year Amount (Rs.)		Previous Year Amount (Rs.)	
			Face value	Carrying Cost	Face value	Carrying Cost
420-10-(a)	Central Government Securities					
420-20-(a)	State Government Securities					
420-30-(a)	Debentures and Bonds					
420-40-(a)	Preference Shares					
420-50-(a)	Equity Shares					
420-60-(a)	Units of Mutual Funds					
420-80-(a)	Other Investments					
	Sub-total					
	Less:					
420-90-(a)	Accumulated Provision					
	Net Total Investments GF					

(a) Insert Detailed Head Codes of Account as applicable

Note:

1. Provide detailed break-up of 'other investments' as applicable
2. Value in respect of investments, which have matured but not encashed shall be disclosed separately.
3. Aggregate amount of quoted investments and also market value thereof shall be disclosed. Aggregate amount of unquoted investments shall also be disclosed.

Schedule B-13: Investments - Other Funds (Special Funds, Grants)

Code No	Particulars	whom invested	Current Year Amount (Rs.)		Previous Year Amount (Rs.)	
421-10-(a)	Central Government Securities					
421-20-(a)	State Government Securities					
421-30-(a)	Debentures and Bonds					
421-40-(a)	Preference Shares					
421-50-(a)	Equity Shares					
421-60-(a)	Units of Mutual Funds					
421-80-(a)	Other Investments					
	Sub-total					
	Less:					
420-90-(a)	Accumulated Provision					
	Net Total Investments OF					

(a) Insert Detailed Head Codes of Account as applicable

Notes:

1. Provide break-up of investments as provided for General Provident Fund Investment.
2. Details of Investments shall be provided separately for each of the Special Fund Investment and Grant Investment.
3. Value in respect of investments, which have matured but not encashed shall be disclosed separately.
4. Aggregate amount of quoted investments and also market value thereof shall be disclosed. Aggregate amount of unquoted investments shall also be disclosed.

Schedule B-15: Sundry Debtors (Receivables)

Code No	Particulars	Amount (Rs.)	Provision for Outstanding revenues(Rs.)	Net amount (Rs.)	Previous year Net amount (Rs.)
1	2	3	4	5 = 3 - 4	6
431-40-(a)	Receivables from Other Sources – Interest accrued & due				
431-40-(a)	Receivables from Other Sources – Interest accrued & not due				
	Total				

(a) Insert Detailed Head Codes of Account as applicable

Schedules B-17: Schedule of Cash & Bank Balances

Code of Account	Particulars	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		

(a) Insert Detailed Head Codes of Account as applicable

_____ Name of the ULB

INVESTMENT LEDGER / REGISTER

Sr. No.	No. and date of resolution authorizing Investment	Date of Investment	Particulars of investment quoting no. and date of govt. Paper or FDR no. of the bank	Purchase Price (Rs.)	Face Value (Rs.)	Due date of receipt of interest	Amount of interest due on	Initials of Authorized Officer	Amount of Interest recovered (Rs.)	Date on which interest recovered (Rs.)	Date/month in which adjusted in accounts	Amount realized either on sale or maturity of investment (Rs.)	Date on which proceeds were realized	Date/Month of adjustment in accounts	Initials of Authorized officer	Remarks

Not:

1. Separate folio would be allotted to each type of investment.
2. Separate ledger / register for each type of fund investment should preferably be maintained. For example, separate ledger may be maintained for General Fund Investment, GPI investment, Pension Fund Investment, etc.

Seal/Signature of authorised officer

**CALCULATION SHEET FOR PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS
FOR THE PERIOD ENDING _____**

S No	Name of the investment	No of units	Cost per unit	Cost of the investment	Book value as of the previous closing period	Market rate/NAV (refer notes)	Market value as on the reporting date	Accumulated provision of previous period	Accumulated provision to be made as of current reporting date	Additional provision to be made or reversed
			(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Col 1	Col 2	Col 3	Col 4	Col 5 (Col 3 x 4)	Col 6	Col 7	Col 8(Col 3x7)	Col 9	Col 10	Col 11 (10-9)
a)										
b)										
c)										
d)										
	Total									

Notes

1. Market rate is applicable for only the quoted shares (normally classified as ' short term' investments)
2. NAV (net assets value) is applicable to unquoted investments which are generally intended to be held for more than twelve months and these are classified as ' long-term in

