

CHAPTER 26

TRANSACTION RELATING TO MUNICIPAL SCHOOL BOARD

INTRODUCTION

26.1 Education is one of the services of the ULB and is carried out by ULBs directly or through separate boards set up as per the applicable acts. However in some cases, ULBs may not have a direct role and separate boards may be set up. This chapter contains the recommended accounting system for transactions relating to the municipal school board. School Boards shall maintain independent books of accounts for recording the transactions relating to the school board.

GENERAL APPROACH TO ACCOUNTING FOR SCHOOL BOARDS

26.2 The transactions relating to School Board and education are similar to those relating to other functions/departments of an ULB.

26.3 This is particularly so in case of:

- a. fees received;
- b. expenditure on stores & consumables;
- c. expenditure on rent and electricity;
- d. expenditure on repairs & maintenance;
- e. expenditure on salaries and other employee dues;
- f. expenditure on purchase, acquisition and construction of fixed assets; etc.

26.4 In addition, the treatment of grants, loans, investments, etc., in the books of the School Board would also be similar to those of the ULBs itself.

26.5 Since the accounting entries for all the above have been discussed in the concerned chapters of this manual, and are applicable in the case of the School Board they are not repeated here. Reference is invited to concerned chapters as specified hereafter. The

transactions, which are peculiar to the School Board, however, been described in this chapter.

ACCOUNTING PRINCIPLES

26.6 The following accounting principles shall govern the recording, accounting and treatment of peculiar transactions relating to municipal school board:

- a. Fees and fines received from primary schools shall be recognised on actual receipt.
- b. Contribution receivable from Other ULBs /Municipalities shall be recognised in the period in which they become due.

ACCOUNTING RECORDS AND PROCEDURES

26.7 This section describes the Records, Registers, Documents, Forms, Accounting Entries, etc., in respect of accounting for transactions related to Municipal School Boards.

ACCOUNTING FOR FEES AND FINES RECEIVED FROM PRIMARY SCHOOLS

26.8 The fees and fines received from primary schools shall be recognised on actual receipt basis.

26.9 Recording of fees and fines received from primary schools. In respect of fees and fines received from primary schools, 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.	10,000		Cash Book, Ledger
140-40-(a)	To Fees & Charges- Other fees – Tuition Fees	Cr.		10,000	

* Specify the name of the bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

Note: The postings in the Ledger Account of “Fees and fines from Primary Schools” 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.

CONTRIBUTIONS FROM OTHER LOCAL BODIES/ MUNICIPALITIES

26.10 Contributions may be received from other local bodies/municipalities and the contribution receivable from them shall be recognised in the period in which they become due.

26.11 The contributions are receivable during the financial year in various installments as per the governing provisions and rules.

26.12 Recording of periodical installment receivable from other local bodies/municipalities. For example if the contributions are received quarterly, the accounting entry for installments receivable from the other local bodies/municipalities, are as follows:

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 - Contribution from Other ULBs /Municipalities	Dr.	50,000	50,000	Journal Book, Ledger
160-30-(a)	To Contribution towards schemes - from Other ULBs /Municipalities	Cr.			

(a) Insert Detailed Head Codes of Account as applicable

26.13 Recording of quarterly instalments received from Other ULBs /Municipalities. On receipt of quarterly instalments from the Other ULBs /Municipalities, the Accounts Department shall pass the following accounting 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.	50,000		Cash Book, Ledger
431-40-(a)	To Receivable from Other Sources – Contribution from Other ULBs /Municipalities	Cr.		50,000	

* Specify the name of the bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

ACCOUNTING OF OTHER INCOMES

26.14 School Boards may earn income from tuition fees, special training course charges, renting of School playgrounds, sale of scrap, etc. All these income shall be accounted on the actual receipt basis. The accounting principles, procedure for accounting of these incomes and the accounting entries shall be the same as described in Chapter 10 – Rental, Fees and Other Incomes.

ACCOUNTING FOR STORES

26.15 The Municipal School Board may purchase uniforms, books, slates, etc., for students of primary schools. It may also purchase forms and stationery for administrative use.

26.16 The accounting principles, procedure for accounting of stores and the accounting entries shall be the same as what has been described in Chapter 12 on Stores, to which reference is invited.

ACCOUNTING FOR EMPLOYEE RELATED TRANSACTIONS

26.17 The Municipal School Board may pay salaries and allowances, gratuity, leave encashment, etc., to primary school teachers and administrative staff of the Board. It may also handle their pension and provident fund related issues.

26.18 The accounting principles, procedure for accounting of employee related transactions and the accounting entries shall be the same as what has been described in Chapter 13 on Employee Related Transactions, to which reference is invited.

ACCOUNTING FOR OTHER REVENUE EXPENDITURE

26.19 The Municipal School Board may incur the following other revenue expenditure:

- a. Meeting allowance, travelling allowance and other allowances to Board members;
- b. Grants to municipal schools towards general school expenditure;
- c. Grant-in-aid to approved private schools;
- d. Payment in respect of books, slates and uniforms to students;
- e. Expenditure on sports and cultural programs in schools;
- f. Payment in respect of postage & stationery, photocopying charges, telephone charges, electricity charges, water charges, vehicle fuel, vehicle repairs & maintenance, etc.

26.20 The accounting principles, procedure for accounting of other revenue expenditures and the accounting entries shall be the same as what has been described in Chapter 15 on Other Revenue Expenditures, to which reference is invited.

ACCOUNTING FOR GRANTS

26.21 The Municipal School Board may receive the following recurring and non-recurring grants from the State Government or other ULBs:

- a. Revenue grant for municipal schools;

- b. Revenue grant for private aided schools;
- c. Capital grant for purchase/construction/modifications of primary schools;
- d. Revenue grants for administrative expenses of the Board, etc.

26.22 The accounting principles, procedure for accounting of grants and the accounting entries in the books of a School Board shall be the same as what has been described in Chapter 17 on Grants to which reference is invited.

26.23 The accounting principles, procedures for accounting of the grants in the books of the ULB sanctioning the grant to the school board is described in Chapter 23 on Special transactions to which reference is invited.

ACCOUNTING FOR LOANS RAISED

26.24 The Municipal School Board may receive building loans from the Government.

26.25 The accounting principles, procedure for accounting of loans and the accounting entries shall be the same as what has been described in Chapter 17 on Borrowings, to which reference is invited.

ACCOUNTING FOR FIXED ASSETS

26.26 The Municipal School Board may incur the following capital expenditure:

- a. Purchase of plots for school premises;
- b. Construction/modification to school property;
- c. Purchase of furniture & fixtures for schools like benches, chairs, blackboards, cupboards, etc.

26.27 The accounting principles, procedure for accounting of construction of fixed assets and their repairs & maintenance and the accounting entries shall be the same as what has been described in Chapter 11 on Public Works, to which reference is invited.

26.28 The accounting principles, procedure for accounting of purchase of fixed assets and the accounting entries shall be the same as what has been described in Chapter 20 on Fixed Assets, to which reference is invited.

ACCOUNTING FOR INVESTMENTS

26.29 The Municipal School Board may invest its surplus funds in specified securities.

26.30 The accounting principles, procedure for accounting of investments and the accounting entries shall be the same as what has been described in Chapter 19 on Investments, to which reference is invited.

PERIOD END PROCEDURES

26.31 All the period end procedures followed by an ULB also followed as period-end procedure by the School Boards.

FINANCIAL STATEMENTS OF A MUNICIPAL SCHOOL BOARD

26.32 At the end of every accounting period, the Municipal School Board shall prepare Financial Statements including:

- a. Income and Expenditure Statement (illustrated in Table 26.1); and
- b. Balance Sheet (illustrated in Table 26.2).
- c. Receipts and Payments Statement (illustrated in Table 26.3)
- d. Cash flow Statement (illustrated in Table 26.4)

26.33 The manner in which the Financial Statements of a Municipal School Board are drawn shall be the same as what has been described in Chapter 30 on Financial Statements, to which reference is invited.

Table 26.1
Income and Expenditure Statement for the period from _____ to _____

Code of Account	Item/Head of Account	Schedule No.	Current Year Amount (Rs)	Previous Year Amount (Rs.)
1	2	3	4	5
	INCOME			
1-10	Tax Revenue	I-1		
1-20	Assigned Revenues & Compensation	I-2		
1-30	Rental Income from Municipal Properties	I-3		
1-40	Fees & User Charges	I-4		
1-50	Sale & Hire Charges	I-5		
1-60	Revenue Grants, Contributions & Subsidies	I-6		
1-70	Income from Investments	I-7		
1-71	Interest Earned	I-8		
1-80	Other Income	I-9		
	A Total – INCOME	5.1		
	EXPENDITURE			
2-10	Establishment Expenses	I-10		
2-20	Administrative Expenses	I-11		
2-30	Operations & Maintenance	I-12		
2-40	Interest & Finance Charges	I-13		
2-50	Programme Expenses	I-14		
2-60	Revenue Grants, Contributions & subsidies	I-15		
2-70	Provisions & Write off	I-16		
2-71	Miscellaneous Expenses	I-17		
2-72	Depreciation			
	B Total – EXPENDITURE			
A-B	<i>Gross surplus/ (deficit) of income over expenditure before Prior Period Items</i>			
2-80	Add: Prior period Items (Net)	I-18		
	<i>over expenditure after Prior Period Items</i>			
2-90	Less: Transfer to Reserve Funds Net balance being surplus/ deficit carried over to Municipal Fund			

Table 26.2
Balance Sheet of ULB as on _____

Code of Account	Description of items	Schedule No.	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
	LIABILITIES			
	Reserve & Surplus			
3-10	Municipal (General) Fund	B-1		
3-11	Earmarked Funds	B-2		
3-12	Reserves	B-3		
	Total Reserves & Surplus			
3-20	Grants, Contributions for specific purposes Loans	B-4		
3-30	Secured Loans	B-5		
3-31	Unsecured Loans	B-6		
	Total Loans			
	Current Liabilities and Provisions			
3-40	Deposits Received	B-7		
3-41	Deposit works	B-8		
3-50	Other Liabilities	B-9		
3-60	Provisions	B-10		
	Total Current Liabilities and Provisions			
4-10	TOTAL LIABILITIES			
	ASSETS			
	Fixed Assets			
	Gross Block	B-11		
4-11	Less: Accumulated Depreciation Net Block			
4-12	Capital Work-in-Progress			
	Total Fixed Assets			
	Investments			
4-20	Investment – General Fund	B-12		
4-21	Investments – Other Funds	B-13		
	Total Investments			
	Current Assets, Loans and Advances			
4-30	Stock in Hand (Inventories)	B-14		
	Sundry Debtors (Receivables)			
4-31	Gross amount outstanding	B-15		
4-32	Less: Accumulated provision against bad and doubtful Sundry Debtors <i>Net amount outstanding</i>			
4-40	Prepaid Expenses	B-16		
4-50	Cash and Bank Balances	B-17		
4-60	Loans, advances and deposits	B-18		
4-61	Less: Accumulated Provision against Loans			
4-70	<i>Net Amount outstanding</i>			
	Total Current Assets, Loans & Advances			
4-80	Other Assets	B-19		
	Miscellaneous Expenditure (to the extent not written off)	B-20		
	TOTAL ASSETS			

Table 26.3
Receipts and Payments Account for the period from _____ to _____

Code No	Head of Account	Current Period Amount (Rs.)	Corresponding Previous Period Amount (Rs.)	Code No	Head of Account	Current Period Amount (Rs.)	Corresponding Previous Period Amount (Rs.)
	<i>Opening Balances</i>						
	Cash balances including Imprest						
	Balances with Banks/ Treasury (including balances in designated bank accounts)						
	Operating Receipts				Operating Payments		
1-10	Tax Revenue			2-10	Establishment Expenses		
1-20	Assigned Revenues & Compensations			2-20	Administrative Expenses		
1-30	Rental income from Municipal Properties			2-30	Operations and Maintenance		
1-40	Fees & User Charges			2-40	Interest & Finance Charges		
1-50	Sale & Hire Charges			2-50	Program Expenses		
1-60	Revenue Grants, Contributions & Subsidies			2-60	Revenue Grants, Contributions & Subsidies		
1-70	Income from Investments			2-71	Miscellaneous Expenses		
1-71	Interest Earned			4-30	Purchase of Stores		
1-80	Other Income				Other Collections on behalf of State and Central Government		
	Non-Operating Receipts				Non-Operating Payments		
3-30/31	Loans Received			3-50	Other Payables		
3-40	Deposits Received			3-50	Refunds Payable		
3-20	Grants and contribution for specific purposes				** Repayment of Loans		
	* Sale proceeds from Assets				** Refund of Deposits		
	* Realisation of Investment – General Fund			4-10	Acquisition / Purchase of Fixed Assets		
	* Realisation of Investment – Other Funds			4-12	Capital Work – in – Progress		
3-41	Deposit works			3-41	Deposit works		
3-50	Revenue Collected in Advance			4-20	Investments – General Fund		
*	Loans & Advances to Employees (recovery)			4-21	Investments – Other Funds		
*	Other Loans & Advances (recovery)			4-60	Loans & Advances to Employees		

*	Deposits with External Agencies (recovery)			4-40	Prepaid Expenses		
	Other Receipts(specify)			4-60	Other Loans & Advances		
	Transfer to municipal Fund from special Funds				Other Payments(specify)		
					Transfer to Special Funds from Municipal Fund		
					Closing Balances		
					Cash balances including Imprest		
					Balances with Banks/Treasury (including balances in designated bank accounts)		
					Grand total;-		

* Details in respect of these items will be available in the corresponding asset ledger accounts.

**Details in respect of these items will be available in the corresponding liability ledger accounts.

Table 26.4
Statement of Cash Flow

	Previous Year		Current Year	
	(Rs.)		(Rs.)	
a. Cash flows from operating activities				
Gross surplus/ (deficit) over expenditure				
Adjustments for				
Add				
Depreciation				
Interest & finance expenses				
Less:				
Profit on disposal of assets				
Dividend Income				
Investment income				
Adjusted income over expenditure before effecting changes in current assets and current liabilities and extra ordinary items.				
Changes in current assets and current liabilities				
(Increase) / decrease in Sundry debtors				
(Increase) / decrease in Stock in hand				
(Increase) / decrease in prepaid expenses				
(Increase) / decrease in other current assets				
(Decrease)/ increase in Deposits received				
(Decrease)/ increase in Deposits works				
(Decrease)/ increase in other current liabilities				
(Decrease)/ increase in provisions				
Extra ordinary items (Specify)				
Net cash generated from/ (used in) operating activities (a)				
b. Cash flows from investing activities				
(Purchase) of fixed assets & CWIP				
(In crease) / Decrease in Special funds/grants				

(Increase) / Decrease in Earmarked funds				
(Purchase) of Investments				
Add:				
Proceeds from disposal of assets				
Proceeds from disposal of investments				
Investment income received				
Interest income received				
Net cash generated from/ (used in) investing activities (b)				
c. Cash flows from financing activities				
Add:				
Loans from banks/others received				
Less:				
Loans repaid during the period				
Loans & advances to employees				
Loans to others				
Finance expenses				
Net cash generated from (used in) financing activities (c)				
Net increase/ (decrease) in cash and cash equivalents (a + b + c)				
Cash and cash equivalents at beginning of period				
Cash and cash equivalents at end of period				
Cash and Cash equivalents at the end of the year comprises				
i. Cash Balances				
ii. Bank Balances				
iii. Scheduled co-operative banks				
iv. Balances with Post offices				
v. Balances with other banks				
Total				
Note: items in () brackets denote as that they are to be deducted				

