

CHAPTER 28

PERIOD-END PROCEDURES

INTRODUCTION

28.1 This chapter describes the procedures to be followed by an ULB to facilitate preparation of periodical accounts. Each ULB would prepare periodical accounts at quarterly or such other shorter period as may be defined by the Director and this shall be in addition to the annual accounts.

28.2 It is recommended that certain reconciliations and other accounting procedures be carried out on a daily and monthly basis so that the recording of transactions is up to date. These would be in addition to quarterly and annual procedures.

28.3 The specific period-end procedures in relation to various categories of transactions have been described in the relevant chapters. The procedures to be followed on a daily, monthly, quarterly and annual basis are covered under the following heads:

i. **Daily Procedures**

- a. Closing of Cash Book
- b. Physical verification of cash balance
- c. Deposit of collections (both cash and cheque) in the bank
- d. Checking ledger accounts with the books of original entries, i.e., Cash Book and Journal Book
- e. Verification of number of receipts issued as reported by the collection office with the Collection Register
- f. Updation of Subsidiary Ledgers

ii. **Monthly Procedures**

- a. Bank Reconciliation
- b. Recording of expenditures incurred against permanent advance
- c. Payment of provident fund dues and pension contribution in respect of employees on deputation

- d. Reconciliation of Function wise Income/Expense Subsidiary Ledgers with respective TB totals.
- e. Compilation of details of closing stock for recording the consumption of stores at the end of the months.
- f. Closing of ledger accounts

iii. Quarterly Procedures

- a. Reconciliation of deposits, advances, receivables and incomes
- b. Provision for period-end expenses
- c. Transfer of revenue grant received in advance for specific purpose to grant income
- d. Recognition of grant income for revenue expenditure incurred in respect of grant receivable as reimbursement
- e. Accrual of interest on borrowings
- f. Recording of provision for bills remaining unpaid in respect of Special Fund expenditure
- g. Accrual of interest on investments
- h. Accrual of interest on loans to employees
- i. Reconciliation of Capital Work in Progress
- j. Reconciliation of Inter Unit Balances
- k. Passing of adjustment entries
- l. Closing of ledger accounts

iv. Annual Procedures

- a. Physical verification of stores
- b. Physical verification of fixed assets
- c. Transfer of funds from special funds to Special Funds (Utilised)
 - a. Confirmation of all categories of advances
 - b. Provision for unrealised revenue
 - c. Accounting of prepaid expenses
 - d. Contribution of difference in interest to the provident fund

- e. Expenditure for the benefit of Backward classes or similar other welfare schemes
- f. Confirmation from Government/Quasi-government and Government owned agencies
- g. Closing of ledger accounts

28.4 Each of the above procedures has been described in detail as follows:

Daily Procedures

28.5 **Balancing of Cash Book:** The Cash Book shall be totalled and balanced daily. The posting of the day's transactions shall be made in the respective Ledger Accounts by the end of the day. The Cash Book shall each day be checked item by item, closed balanced be signed by the Executive Officer/Secretary & in case of Municipal Corporation by the Head of the Accounts Deptt. The closing cash and bank balance of the day shall be carried forward to the next day as opening balance for that day.

28.6 **Physical verification of cash balance:** Cash available with the Accounts Department shall be physically verified by the Cashier. The values and denominations of the cash physically verified shall be noted in the Cash Book itself. This shall be certified by the Cashier and the Executive Officer/Secretary and in case of Municipal Corporation the Head of the Accounts Department. The cash balance as physically verified should match with the closing cash balance as per the Cash Book.

28.7 **Deposit of collections (both cash and cheque) in the Bank:** The cash and cheque collection shall be remitted to the Accounts Department or deposited with the Bank (Main Bank or Designated Banks) in the manner and in accordance with the procedure provided for in Chapter 5 - General Accounting Procedures. Care has to be taken that the money is remitted or deposited either on the same day or by the next working day. Further, it shall be ensured that the funds are transferred from the Designated Bank Accounts to the Main Bank Account at such periodicity as may be prescribed by the Director.

28.8 **Checking of ledger accounts with the books of original entries, i.e., Cash Book and Journal Book:** The daily postings of the entries in the Ledger Accounts from the Cash Book and the Journal Book shall be checked and certified by the Executive Officer/Secretary & in case of Municipal Corporation the Head of the Accounts Department. The employee making the concerned posting shall also certify the posting of each transaction recorded in the books of original entries. Necessary rectification entries shall be passed immediately in respect of differences or errors in posting.

28.9 Verification of number of receipts issued as reported by the collection office with the Collection Register: On receipt of Chalan for Remittance of Money from the Collection Office, the Executive Officer/ Secretary & in case of Municipal Corporation the Head of the Department supervising the functioning of the Collection Office shall verify the duplicate copies of the receipts issued with the entries made in the Collection Register and in the Chalan for Remittance of Money. The number of receipts cancelled shall be reported in the Chalan for Remittance of Money.

28.10 Updation of Subsidiary Ledger: The Accounts Department shall update the following Subsidiary Registers at the end of each day:

- a. Functions wise Income Subsidiary Ledger in respect of all major heads of Income during the day;
- b. Functions wise Expense Subsidiary Ledger in respect of all major heads of Expenses during the day;

Monthly Procedures

28.11 Bank Reconciliation: Bank Reconciliation shall be carried out for each of the Banks either on a monthly basis or for such shorter time interval as the ULB may decide. The procedure for bank reconciliation has been provided in Chapter 29 - Reconciliation Procedures.

28.12 Recording of expenditure incurred against permanent advance: At the end of each month, the Executive Officer/Secretary & in case of Municipal Corporation the Head of the Department, to whom permanent advance has been disbursed, shall prepare and submit a payment order for expenses incurred against the permanent advance. The Register of Permanent Advance maintained at the Departments shall be updated on a daily basis for the expenses incurred and updated for payment order prepared and sent to the Accounts Department.

28.13 Payment of provident fund dues and pension contribution in respect of employees on

deputation. The Accounts Department shall ensure that the provident fund deducted from the salaries of the employees on deputation and the pension contribution payable for their benefit have been paid on time to the Government.

28.14 Reconciliation of Function wise Income/Expense Subsidiary Ledgers with respective ledger accounts : Subsidiary ledgers of all Function wise Income and Expense shall be reconciled. The following is an illustrative list of Subsidiary Ledgers for which the Accounts Department shall prepare reconciliation statements on a monthly basis:

- a. Functions wise Income Subsidiary Ledger in respect of all major heads of Income during the day;
- b. Functions wise Expense Subsidiary Ledger in respect of all major heads of Expenses during the day.

28.15 Compilation of details of closing stock for preparation of financial statements at the end of the month: At the end of each month, the Stores-in-charge shall prepare a Statement of Closing Stock in Form ST – 3 for the stocks held in the Stores and issues made for various purposes from the entries made in the Stores Ledger. The procedure for preparation of such statement and valuation of the closing stock has been outlined in Chapter 12 - Stores.

28.16 Closing of ledger account: The ledger accounts shall be totalled and balanced at the end of each month or such shorter period as the ULB may decide. The closing balances for each of ledger accounts shall be determined and posted in the Trial Balance prepared for that period. The procedures for preparation of Trial Balance have been outlined in Chapter 30- Financial Statements.

Quarterly Procedures

28.17 Reconciliation of deposits, advances, receivables and income: The deposits received from contractor/supplier or any other deposit; advances provided to contractor/supplier or to the departments or employees of the ULB; receivables in respect of various sources of income and money received from various sources of income shall be reconciled at the end of each quarter. The procedure for reconciliation has been described in Chapter 29 - Reconciliation Procedures.

28.18 Provision for period-end expense: At the end of an accounting period (quarter), all the departments of the ULB shall prepare a Statement of Outstanding Liability for Expenses in

Form GEN – 28. The procedures for making period-end provision entries has been outlined in the relevant chapters and are briefly described below:

- a. Provision for expenses incurred on original work/ operations or maintenance work being executed by the Public Works Department for which either no payment has been made, or part payment has been made against the bills received, shall be made in accordance with the procedures outlined in Chapter 11 - Public Works.
- b. Provision for materials purchased for which either no payment has been made, or part payment has been made against the bills received, by the Stores, shall be made in accordance with the procedures outlined in Chapter 12 - Stores. Provision shall also be made for materials received for which bills are not received at the values indicated in the Purchase Order.
- c. Provision for revenue expenditures other than those described above for which either no payment has been made, or part payment has been made against the bills received, shall be made in accordance with the procedures outlined in Chapter 15 - Other Revenue Expenditures.
- d. Provision for interest accrued but not due on the money borrowed through loans or debentures shall be made in accordance with the procedures outlined in Chapter 17 – Borrowings (Loans Received).
- e. Provision for fixed assets purchased, for which either no payment has been made, or part payment has been made against the bills received, shall be made in accordance with the procedures outlined in Chapter 20 - Fixed Assets.
- f. Provision for Depreciation on Fixed assets shall be calculated in accordance with the procedures outlined in the Chapter 20 – Fixed Assets.

28.19 Transfer of revenue grant received in advance for specific purpose to grant income. The balance in the Revenue Grant Account received in advance, to the extent utilised during the period shall be transferred to the respective Grant Income Account. Where such transfer has not been made, the Accounts Department shall pass the relevant entries in accordance with the procedures outlined in Chapter 16 - Grants.

28.20 Recognition of grant income for revenue expenditure incurred in respect of grant receivable as reimbursement. The revenue expenditure incurred during the period towards specific projects/schemes under a grant receivable, as a reimbursement shall be recognised as income at the end of each quarter. Where such income has not been recognised, the Accounts Department shall pass the relevant entries in accordance with the procedures outlined in

Chapter 16 - Grants.

28.21 Accrual of interest on borrowings: Interest charges on loans received, which is not due shall be accrued, in accordance with the procedures outlined in Chapter 17 – Borrowings (Loans received).

28.22 Recording of provision for bills remaining unpaid in respect of Special Fund expenditure: Provision shall be made for the revenue expenditure incurred under Special Fund during the period in accordance with the procedures outlined in Chapter 18 – Special Funds.

28.23 Accrual of interest on investment: Interest accrued but not due on investments made shall be accrued in accordance with the procedures outlined in Chapter 19 - Investments.

28.24 Accrual of interest on loans advanced to employee: The amount of interest accrued in respect of loans provided to employees shall be determined and accrued in accordance with the procedures outlined in Chapter 13 - Employee Related Transactions.

28.25 Reconciliation of Capital Work in Progress: Expenditure incurred on cumulative total of several Capital Work-in-Progress Ledger Accounts should be reconciled at the end of each quarter with the Summary Statement of Status on Capital Work-in-Progress received from the department. The Accounts Department shall ensure that total expenditure incurred as stated in the Statement tallies with the cumulative total of several Capital Work-in-Progress Ledger Accounts.

28.26 Reconciliation of Inter unit Account balances: At the end of each period reconciliation of inter unit transactions is intended to identify the disputed / unaccepted inter unit transactions between an ‘originating AU’ and the ‘responding AU’ and take appropriate action for rectification. Further, reconciliation of inter unit account is necessary in the process of consolidation of ULB at the head office level as the balances of inter unit account balances shall be nullified.

28.27 Passing of adjustment entries: At the period-end, the Accounts Department shall verify whether proper distinction has been maintained between revenue and capital transactions and between the transactions having effect in two accounting periods. In case,

any income or expenditure for the previous periods or the subsequent periods has been accounted for as income or expenditure of the current period, the rectification entries as outlined in Chapter 5 - General Accounting Procedures shall be made by the Accounts Department.

28.28 Closing of ledger accounts: The ledger accounts shall be totalled and balanced at the end of each quarter or such shorter period as the ULB may decide for preparation of Financial Statements. The closing balances for each of ledger accounts shall be determined and posted in the Trial Balance prepared for that period. The procedures for preparation of Trial Balance, and, from it, the Financial Statements, have been outlined in Chapter 30- Financial Statements. The closing balance in the assets and liabilities ledger accounts of the period shall be carried forward as opening balance of the next period.

Annual Procedures

28.29 All the period-end procedures, including the passing of adjustment entries performed at the end of each quarter, as explained above, shall also be performed at the end of each accounting year. In addition to that, further period-end procedures required to be performed at the year-end have been described below.

28.30 Physical verification of stores: The physical verification of stores and consumables shall be carried out at least once in a year on the last day of the accounting year and at such time intervals as the ULB may decide. The verification shall be carried out by the Stores-in-charge in presence of the Commissioner or any authority as authorised by him for this purpose and in case of other ULBs the Executive Officer/Secretary, who shall certify the stock sheet. The physically verified stores shall be reconciled with the balances as per the stores records. The value of physically verified closing stock would be incorporated in the Financial Statements. The procedure for valuation of closing stock has been outlined in Chapter 12 - Stores.

28.31 Physical verification of fixed Assets: A Committee consisting of Municipal Commissioner/Executive Officer/Secretary, Accounts Officer, Accountant, Head of the Public Works Department and such other representatives as the ULB's Statutory Authority resolves, shall be formed. The Committee shall ensure the existence of a system of conducting

physical verification of fixed assets throughout the year so that each fixed asset is verified at least once during the year. Any discrepancies with the Fixed Assets Register should be reconciled and brought to the attention of the Director. For this, the Committee shall prepare a plan of action for physical verification of its fixed assets. The Accounts Department together with the Public Works Department shall carry out physical verification as per the procedures provided in the verification plan. The details recorded in the verification sheets shall be checked with the relevant Fixed Assets Registers and suitable remedial steps shall be taken in case of discrepancies identified.

28.32 Transfer of funds from special fund: The balance in the Special Fund shall be transferred to the Special Fund (Utilised) on construction or purchase or acquisition of fixed asset at the time of capitalisation of the relevant expenditures into fixed asset. The procedure for transfer has been provided in Chapter 18 - Special Funds. A control shall be kept on the projects executed under any Special Fund for effecting transfer of balance.

28.33 Confirmation of all categories of advance. At the end of the year, the Accounts Department shall obtain a confirmation from all the persons to whom the advances have been provided including the Head of the Department for Permanent Advance and employees of the ULB for miscellaneous advance provided.

28.34 Provision for unrealised revenue: A provision shall be made for the demands raised during the accounting period but remaining outstanding. The procedure for provisioning, the amount to be provided and the accounting entries have been outlined in the respective chapters on incomes. The arrears of Receivable shall be carried forward year-wise up to two years or five years depending on the provision norm applicable to that Income. On completion of the last year the amount outstanding in the specific year-wise receivable account shall be transferred to a general arrears account i.e. Receivable (Others) Account. Further, the Accounts Department shall make a provision based on the provisioning principle suggested for various types of Income.

28.35 Accounting of prepaid expense. At the year-end, all the expenses shall be scrutinised to identify those expenses whose benefit is likely to accrue in the next year and a prepaid entry shall be passed in accordance with the procedures outlined in Chapter 15 - Other Revenue

Expenditures.

28.36 Contribution of difference in interest to the provident fund. The difference between the interest earned on Provident Fund investment and interest payable on Provident Fund contribution to the employees shall be contributed by the ULB and an amount equivalent to the difference shall be transferred from the Main Bank Account to the Provident Fund Bank Account.

28.37 Expenditure for the benefit of Backward Classes Welfare or similar other benefit schemes of the ULB. At the year-end, the Accounts Department shall collate the expenditure incurred for the benefit of Backward Classes Welfare or similar other benefit schemes from the records maintained there. The difference between the amount spent and the amount required to be spent as per the Government's instruction shall be transferred from the Main Bank Account to Backward Classes Welfare Fund Bank Account or other similar benefit fund Bank Account with a corresponding creation of/addition to Backward Classes Welfare Fund.

28.38 Confirmation from Government/Quasi-government and Government owned agencies. At the end of each accounting year, the Accounts Department shall prepare and forward a balance confirmation statement to Government and Quasi-government and various government owned agencies in the format as prescribed in Chapter 29 - Reconciliation Procedures. Based on replies received, the Accounts Department shall undertake appropriate remedial action, including passing of necessary rectification entries, for reconciling the balances.

28.39 Closing of ledger account. In addition to closing of ledger accounts at the end of each quarter, the ledger accounts shall be balanced and totalled at the end of each accounting year, i.e., on 31st March, for preparation of Financial Statements. The closing balances for each of the ledger accounts shall be posted in the Trial Balance from which Financial Statements shall be prepared in accordance with the procedures outlined in Chapter 30- Financial Statements.

28.40 After the Annual Financial Statements have been prepared, the Accounts Department shall pass the following entries for transfer of income and expenditure ledger balances to the Income & Expenditure Account. Let us assume that total income earned (from property and other taxes, water supply, cess and any other income) by the ULB for the Financial Year

2003-04 is Rs. 23,75,50,000 and total expenditure incurred (on salaries and wages paid to the employees, on repairs and maintenance of roads, buildings and other structures, on stores consumed and other such expenditure) for the same Financial Year is Rs. 21,50,00,000.

i. For transfer of income ledger balances to income side of Income and Expenditure Statement:

Code of Account	Accounting Entry	Dr. / Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
110-(a)	Tax Income – PTD	Dr	10,00,00,000		Journal Book , Ledger
110-(a)	Cess Income	Dr	2,00,00,000		
110-(a)	Water Taxes	Dr	4,00,00,000		
120-(a)	Rebate from State Government	Dr	20,00,000		
140-(a)	Property Transfer Charges	Dr	15,00,000		
	.	Dr	.		
	.	Dr	.		
	.	Dr	.		
	.	Dr	.		
	To Income & Expenditure Account	Cr		23,75,50,000	

Note: Balances of the income ledger accounts shall be posted on the right hand side of the Income and Expenditure Statement under the column heading "Income".

(a) Insert Minor & Detailed Head Codes of Account

ii. For transfer of expenditure ledger balances to expenditure side of Income and Expenditure Statement

Code of Account	Accounting Entry	Dr. / Cr.	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
210-(a)	Income & Expenditure Account	Dr.	21,50,00,000		
220-(a)	To Establishment Expenditure	Cr		7,00,00,000	
220-(a)	To Rent, Rates & Taxes	Cr		50,00,000	
230-(a)	To Printing	Cr		25,00,000	
230-(a)	To Repairs & Maintenance – Building	Cr		2,50,00,000	
230-(a)	To Repairs & Maintenance – Roads & Bridges	Cr		1,00,00,000	
230-(a)	To Central Stores Consumed	Cr		75,00,000	
	To Engineering Stores Consumed	Cr		50,00,000	
	To	Cr		.	
	To	Cr		.	
	To	Cr		.	
	To	Cr		.	
	To	Cr		.	

Note: Balances of the expense ledger accounts shall be posted on the left-hand side of the Income and Expenditure Statement under the column heading "Expenditure".

(a) Insert Minor & Detailed Head Codes of Account

28.41 The closing ledger balance in the assets and liabilities ledger accounts of the accounting year shall be carried forward as opening balance of the next accounting year.