

## CHAPTER 30

# FINANCIAL STATEMENTS

### **INTRODUCTION**

30.1 This chapter contains the recommendations relating to the Annual Accounts and Report to be prepared by the Urban Local Bodies. It also contains the recommendations regarding periodical financial statements.

30.2 The provisions and rules of the act governing the ULB stipulate for preparation of the Annual Administration Report and a Statement of Accounts by the ULB. The report shall be in such form and shall contain such information as the Standing Committee may from time to time direct.

30.3 Preparation of Financial Statements comprising of various reports as stated below are the responsibility of the Executive Officer/Secretary & in case of Municipal Corporation the Head of the Accounts Department.

30.4 The Annual Report of the ULB shall include the following:

- a. Financial Statements consisting of:
  - i. Balance Sheet;
  - ii. Income and Expenditure Statement;
  - iii. Statement of Cash flows (a summary of an enterprise's cash flow over a given period of time);
  - iv. Receipts and Payments Account (detailed as per the account heads);
  - v. Notes to Accounts; and
  - vi. Financial Performance Indicators.
- b. Report of the Auditor (discussed in Chapter 31);
- c. Municipal commissioner's/Executive Officer's/Secretary's Report on the Annual Financial Statements and the qualifications and comments made in the Report of the Auditor; and

- d. Standing Committee's Action Taken Report on the qualifications and comments made in the Report of the Auditor and the Report of the Municipal commissioner/Executive Officer/Secretary.

30.5 In determining the accounting treatment and manner of disclosure of an item in the Income and Expenditure Statement and/or the Balance Sheet, due consideration shall be given to the materiality of the item.

30.6 The ULB shall also prepare the financial statements like the Balance Sheet, Income and Expenditure Statement, Statement of Cash flows and Receipts and Payments Account, apt the end of each quarter. Balance Sheet shall disclose figures as on a date for the current year and the previous year. Income and Expenditure Statement, Statement of Cash flows and the Receipts and Payments Account shall disclose quarterly figures, progressive year-to-date totals and the figures of the corresponding quarter of the previous year and the quarterly movements in various accounts. In addition, the Income and Expenditure Statement shall also disclose the annual budget figures. In respect of the accounting year, the ULB shall prepare all the statements and reports specified in para. 30.4.

30.7 The Financial Statements for the first 3 (three) quarters shall be placed by the Municipal commissioner/Executive Officer/Secretary before the Standing Committee.

30.8 The Municipal Commissioner/Executive Officer/Secretary shall prepare a report on the qualifications and comments made by the Auditor. This report shall be an integral part of the Annual Report. The Annual Financial Statements shall be approved by the Municipal commissioner/Executive Officer/Secretary and shall be placed along with the report of the Auditor before the Standing Committee on or before such dates as may be prescribed in the Act. The Standing Committee shall prepare an Action Taken Report on the Annual Financial Statements submitted taking into consideration the qualification and comments made in the report of the Auditor. The Standing Committee shall approve the Annual Financial Statements and Report and place them before the General Body on or such date as may be specified in the Act. The General Body shall adopt the Annual Report not later than such date as may be specified in the applicable act. The amounts in the annual financial statements and the schedules forming part of the financial statements shall be stated in Units of Rupees. It shall be disclosed in Thousands / Lakhs of Rupees if a ULB decides so with the approval of the Director.

#### **TRIAL BALANCE**

30.9 The process of preparation of the Financial Statements shall be preceded by preparation of a Trial Balance. The Trial Balance is a list of closing balances in all the accounts in the Ledger and the Cash Books. The purpose of preparing a Trial Balance is to determine

the equality of posted debits and credits, and to generate a basic summary of accounts for facilitating preparation of the Financial Statements like Income and Expenditure Statement, Balance Sheet, Statement of Cash flows and Receipts and Payments account. The Financial Statements are essentially drawn from the Trial Balance.

30.10 The Trial Balance shall be prepared as shown in Table 30.1.

**Table 30.1**  
**Trial Balance for the period from \_\_\_\_\_ to \_\_\_\_\_**

Code No	Particulars	Debit (Rs.)	Credit (Rs.)
	<b>Total</b>		

30.11 The following points should be noted while preparing the Trial Balance:

- a. The income accounts shall generally have credit balances and the expense accounts shall generally have debit balances.
- b. The asset accounts shall generally have debit balances and the liability accounts and the reserve funds shall generally have credit balances.

30.12 The following are the steps involved in the preparation of a Trial Balance:

- a. All the ledger accounts shall be closed at period end and the debit or credit balance shall be calculated.
- b. The debit balances shall be posted in the debit column of the Trial Balance and the credit balances in the credit column of the Trial Balance.
- c. The posting of Ledger Accounts in the Trial Balance shall be in the same order as shown in the Chart of Accounts.
- d. The Cash Books shall be closed and the balances shall be posted in the Trial Balance.
- e. Both the Debit Column and the Credit Column of the Trial Balance shall be totalled.

30.13 Since every debit entry has a corresponding credit entry, the sum-total of the debit balances in various account heads shall be equal to the sum-total of the credit balances in the other account heads. While, generally, a tallied Trial Balance will be a first test of accuracy, it is possible that the Trial Balance may tally even if the following has happened:

- a. Omission of an entry in the original books of entry, viz., Cash Book and Journal Book, in which case neither debit, nor credit will be recorded;
- b. Wrong entry in the original books of entry;
- c. Posting of an entry on the wrong sides in such a manner that they compensate;
- d. Posting of an entry in wrong account head but on the correct side;
- e. Double posting of an entry in a ledger account;
- f. Compensating errors such as salaries paid recorded as Rs.2,000 instead of actual of Rs.2,500 and Repairs and Maintenance recorded as Rs.1,500 instead of actual of Rs.1,000.

30.14 In case, the Trial Balance does not tally, some of the steps that should be taken for finding those errors and rectifying them are as follows:

- a. Check for totaling errors in the Trial Balance;
- b. Ensure that the cash and bank balance is not omitted from inclusion into the Trial Balance;
- c. Check the ledger account totals and their postings in the Trial Balance;
- d. Check the journal to see that the total debits and credits for each entry tally;
- e. Verify the postings to the ledger accounts from the books of original entries, i.e., the Cash Book and Journal to ensure that no error is made while posting entries in ledgers.

30.15 From the Trial Balance prepared, the ULB shall prepare Balance Sheet and Income and Expenditure Statement. While preparing the Balance Sheet and the Income and Expenditure Statement, the following shall be done:

- a. The balances in the assets accounts, which generally have a debit balance and are recorded on the debit side of the Trial Balance, shall be posted on the Asset side of the Balance Sheet;
- b. The balances in the liabilities accounts, which generally have a credit balance and are recorded on the credit side of the Trial Balance, shall be posted on the Liability side of the Balance Sheet;
- c. The balances in the income accounts, which generally have a credit balance and are recorded on the credit side of the Trial Balance, shall be posted on the Income side of the Income and Expenditure Statement;

- d. The balances in the expense accounts, which generally have a debit balance and are recorded on the debit side of the Trial Balance, shall be posted on the Expenditure side of the Income and Expenditure Statement;
- e. The excess of income earned by the ULB over expenses incurred by the ULB shall be transferred to and added to the Municipal Fund in the Balance Sheet. Likewise, excess of expenses incurred over income earned shall be transferred to and reduced from the Municipal Fund in the Balance Sheet.
- f. No items in the trial balance are left out without carrying them either to Income and Expenditure Account or the Balance sheet.

30.16 Wherever a reference to Schedules has been made in the Financial Statements, the effects mentioned above shall be given in the Schedules first. From the Schedules, the balances would be transferred to the Financial Statements.

**CONSOLIDATION OF INDIVIDUAL ACCOUNTING UNIT’S TRIAL BALANCE**

30.17 As explained in Chapter 25 each accounting unit shall maintain its books of account independently. The AUs shall generate trial balance at the period ends.

30.18 The trial balances of each AU as at the period ends shall be forwarded to the head office of ULB for consolidation purposes. Consolidation of the trial balances of the AUs shall be done on a line-by-line basis. Format for consolidation of trial balance is given in Table 30.2 below:

**Table 30.2**

**Trial Balance for the period from \_\_\_\_\_ to \_\_\_\_\_**

Account Code	unit Head	Amount (Rs) Accorded											
		Unit A		Unit B		Unit C		Head office		Adjustments		Consolidated balance	
		Dr.	Cr	Dr.	Cr	Dr.	Cr	Dr.	Cr	Dr.	Cr	Dr.	Cr

30.19 All the inter-unit transaction account balances shall be nullified on consolidation of the accounts at the period ends by the Head office. For this purpose the IUTs shall be reconciled and the balances should match as explained in Chapter 25 on Inter Unit Transactions.

30.20 All Financial statements shall then be prepared based on consolidated Trial Balance as

arrived at for the ULB as a whole.

### **INCOME AND EXPENDITURE STATEMENT**

30.21 The ULB shall also prepare an Income and Expenditure Statement for every accounting period. The Income and Expenditure Statement discloses the results of the working of the ULB during the period covered by the statement. It shows incomes and expenditures of the ULB for an accounting period and the excess of income over expenditure or vice-versa for that period.

30.22 Since the Financial Statements are prepared under accrual basis, the Income and Expenditure Statement shall include all the income earned during the year whether actually received or not and all the expenditure incurred whether actually paid or not.

30.23 The Income and Expenditure Statement is drawn from the Trial Balance. The various heads of incomes and expenditures shall be posted from the Trial Balance to the Income and Expenditure Statement.

30.24 Any income or expenditure under a particular individual head, which is more than 1% of the total gross income of the ULB or Rs. 1,00,000 whichever is higher, shall be shown separately in the Schedules annexed to the Income and Expenditure Statement.

30.25 The Income and Expenditure Statement shall be prepared in the format shown in Table 30.3.

30.26 If detailed information required to be given under any of the items or sub items cannot be conveniently shown in the format for the Income and Expenditure Statement or the Balance Sheet itself, as the case may be, such information can be furnished in a separate schedule or schedules to be annexed to and forming part of the Income and Expenditure Statement and the Balance Sheet.

### **BALANCE SHEET**

30.27 The ULB shall prepare a Balance Sheet at the end of each accounting period. The Balance Sheet is a statement, which reflects the financial position of the ULB as on a particular date. It presents the assets, liabilities and reserves of the ULB as on a specified date.

30.28 The Balance Sheet is also drawn from the Trial Balance. Assets, liabilities and reserve heads shall be posted from the Trial Balance to the Balance Sheet as discussed above.

30.29 The Balance Sheet shall be prepared in the format shown in Table 30.4.

30.30 The details of various Balance Sheet items would be given in separate schedules attached to the Balance Sheet. The contents and formats for the various schedules to the Balance Sheet have been shown subsequent to the schedules of Income and Expenditure Statement.

**FUND ACCOUNTS OF THE ULBS**

30.31 ULBs may maintain separate accounts for every fund. Director may define what are the funds for which ULBs shall maintain separate books for Funds. For all those funds, ULBs shall maintain separate set of books of accounts. The accounting principles and procedures to be adopted shall be same across all funds. Trial balance shall be generated for each of the Fund and the financial statements as explained above shall be prepared for each of the Fund separately and then consolidated to present the ULB level position.

**FINANCIAL STATEMENTS FOR MERGER OF ULBS**

30.32 In case the financial statements are prepared on account of merger of two or more ULBs the accounting principles and disclosures in the merged financial statements is covered in Chapter 24 - Merger to which reference is invited.

**Table 31.3**

**Income and Expenditure Statement for the period from \_\_\_\_\_ to \_\_\_\_\_**

Code No	Item/ Head of Account	Schedule No	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
1	2	3	4	5
	<b>INCOME</b>			
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		
<b>A</b>	<b>Total – INCOME</b>			
	<b>EXPENDITURE</b>			
2-10	Establishment Expenses	I-10		
2-20	Administrative Expenses	I-11		
2-30	Operations & Maintenance	I-12		
2-40	Interest & Finance Expenses	I-13		
2-50	Programme Expenses	I-14		
2-60	Revenue Grants, Contributions &	I-15		

	subsidies			
2-70	Provisions & Write off	I-16		
2-71	Miscellaneous Expenses	I-17		
2-72	Depreciation	1-18		
<b>B</b>	<b>Total – EXPENDITURE</b>			
A-B	<i>Gross surplus/ (deficit) of income over expenditure before Prior Period Items</i>			
2-80	Add: Prior period Items (Net)			
	<i>Gross surplus/ (deficit) of income over expenditure after Prior Period Items</i>			
2-90	<b>Less: Transfer to Reserve Funds</b> <b>Net balance being surplus/ deficit carried over to Municipal Fund</b>			

**Table 31.4**

**Balance Sheet of \_\_\_\_\_ ULB as on \_\_\_\_\_**

Code No	Description of items	Schedule No.	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
	<b>LIABILITIES</b>			
	<b>Reserve &amp; Surplus</b>			
3-10	Municipal (General) Fund	B-1		
3-11	Earmarked Funds	B-2		
3-12	Reserves	B-3		
3-20	<b>Total Reserves &amp; Surplus</b>			
	<b>Grants, Contributions for specific purposes</b>	B-4		
	<b>Loans</b>			
3-30	Secured Loans	B-5		
3-31	Unsecured Loans	B-6		
	<b>Total Loans</b>			
	<b>Current Liabilities and Provisions</b>			
3-40	Deposits Received	B-7		
3-41	Deposit works	B-8		
3-50	Other Liabilities (Sundry Creditors)	B-9		
3-60	Provisions	B-10		
	<b>Total Current Liabilities and Provisions</b>			
	<b>TOTAL LIABILITIES ASSETS</b>			
	<b>Fixed Assets</b>	B-11		
4-10	Gross Block			
4-11	Less: Accumulated Depreciation Net Block			
4-12	Capital Work-in-Progress			
	<b>Total Fixed Assets</b>			
	<b>Investments</b>			
4-20	Investment – General Fund	B-12		
4-21	Investments – Other Funds	B-13		

	<b>Total Investments</b>			
	<b>Current Assets, Loans and Advances</b>			
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 Receivables			
	<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 <i>Net Amount outstanding</i> <b>Total Current Assets, Loans &amp; Advances</b>			
4-70	<b>Other Assets</b>	B-19		
4-80	<b>Miscellaneous Expenditure (to the extent not written off)</b>	B-20		
	<b>TOTAL ASSETS</b>			

31.33 The various schedules to the Income and Expenditure Account have been indicated below

**Schedule I-1: Tax Revenue [Code No 110]**

Minor Code No	Particulars	Current year (Rs.)	Previous year (Rs.)
110-01	Property tax		
110-02	Water tax		
110-03	Sewerage Tax		
110-04	Conservancy Tax		
110-05	Lighting Tax		
110-06	Education tax		
110-07	Vehicle Tax		
110-08	Tax on Animals		
110-09	Electricity Tax		
110-10	Professional Tax		
110-11	Advertisement tax		
110-12	Pilgrimage Tax		
110-51	Octroi & Toll		
110-52	Cess		
110-80	Other taxes		
	<b>Sub-total</b>		
	Less		

110-90	Tax Remissions and Refund [Schedule 1 – 1 (a)]		
	Sub-total		
	<b>Total tax revenue</b>		

### Schedule I-1 (a): Remission and Refund of taxes

Code No. *	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
	Property taxes		
	Octroi and toll		
	Cess Income		
	Advertisement tax		
	Others		
	<b>Total refund and remission of tax revenues</b>		

\* Insert the Detailed Codes of Account as applicable

Note: The totals of this Schedule should be equalling to the amount as per the total in Schedule I – 1

### Schedule I-2 : Assigned Revenues & Compensation [Code No 120]

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
120-10	Taxes and Duties collected by others		
120-20	Compensation in lieu of Taxes / duties		
120-30	Compensations in lieu of Concessions		
	<b>Total assigned revenues &amp; compensation</b>		

### Schedule I-3: Rental income from Municipal Properties [Code No 130]

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
130-10	Rent from Civic Amenities		
130-20	Rent from Office Buildings		
130-30	Rent from Guest Houses		
130-40	Rent from lease of lands		
130-80	Other rents		
	<b>Sub-Total</b>		
	Less:		
130-90	Rent Remission and Refunds		
	Sub-total		

	<b>Total Rental Income from Municipal Properties</b>		
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#### **Schedule I-4 : Fees & User Charges [Code No 140]**

##### **Schedule I-4 (a): Fees & User Charges – Function wise**

<b>Code No</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
	Municipal Body		
	Administration		
	Finance, Accounts, Audit		
	Election		
	Record Room		
	Estate		
	Stores & Purchase		
	Workshop		
	Census		
	<b>Total income from fees &amp; user charges – Function wise</b>		

Note:

Functions as applicable in the ULBs and on which fees and user charges are raised shall be stated here. The total income from Fees & User Charges as per Schedule I-4 (a) should tally with the total income from Fees & User Charges as per Schedule I-4 (b).

##### **Schedule I-4 (b): Fees & User Charges – Income head-wise [Code 140]**

<b>Code No</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
140-10	Empanelment & Registration Charges		
140-11	Licensing Fees		
140-12	Fees for Grant of Permit		
140-13	Fees for Certificate or Extract		
140-14	Development Charges		
140-15	Regularisation Fees		
140-20	Penalties and Fines		
140-40	Other Fees		
140-50	User Charges		
140-60	Entry Fees		
140-70	Service / Administrative Charges		
140-80	Other Charges		
	Sub-Total		
140-90	Less:		
	Rent Remission and Refunds		
	Sub-total		
	<b>Total income from Fees &amp; User Charges – Income head-wise</b>		

The total income from Fees & User Charges as per Schedule I-4 (b) should tally with the total income from Fees & User Charges as per Schedule I-4 (a)

#### **Schedule I-5 : Sale & Hire Charges [Code No 150]**

**Schedule I-5 (a): Sale & Hire Charges – Function wise**

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
	Municipal Body		
	Administration		
	Finance, Accounts, Audit		
	Election		
	Record Room		
	Estate		
	Stores & Purchase		
	Workshop		
	Census		
	<b>Total Income from Sale &amp; Hire charges – Function wise</b>		

The total income from Sale & Hire Charges as per Schedule I-5 (a) should tally with the total income from Sale & Hire Charges as per Schedule I-5 (b).

**Schedule I-5 (b): Sale & Hire Charges – Income head-wise [Code No 150]**

Detailed Head Code	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
150-10	Sale of Products		
150-11	Sale of Forms & Publications		
150-12	Sale of stores & scrap		
150-30	Sale of Others		
150-40	Hire Charges for Vehicles		
150-41	Hire Charges for Equipment		
	<b>Total Income from Sale &amp; Hire charges – income head-wise</b>		

The total income from Sale & Hire Charges as per Schedule I-5 (b) should tally with the total income from Sale & Hire Charges as per Schedule I-5 (a).

**Schedule I-6: Revenue Grants, Contributions & Subsidies [Code No160]**

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
160-10	Revenue Grant		
160-20	Re-imbusement of expenses		
160-30	Contribution towards schemes		
	<b>Total Revenue Grants, Contributions &amp; Subsidies</b>		

**Schedule I-7: Income from Investments – General Fund [Code No 170]**

Code No	Particulars	Current Year Amount	Previous Year Amount (Rs.)

		(Rs.)	
170-10	Interest on Investments		
170-20	Dividend		
170-30	Income from projects taken up on commercial basis		
170-40	Profit in Sale of Investments		
170-80	Others		
	<b>Total Income from Investments</b>		

#### Schedule I-8: Interest Earned [Code No 171]

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
171-10	Interest from Bank Accounts		
171-20	Interest on Loans and advances to Employees		
171-30	Interest on loans to others		
171-80	Other Interest		
	<b>Total. – Interest Earned</b>		

#### Schedule I-9: Other Income [Code No180]

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
180-10	Deposits Forfeited		
180-11	Lapsed Deposits		
180-20	Insurance Claim Recovery		
180-30	Profit on Disposal of Fixed asses		
180-40	Recovery from Employees		
180-50	Unclaimed Refund/ Liabilities		
180-60	Excess Provisions written back		
180-80	Miscellaneous Income		
	<b>Total Other Income</b>		

**Note:**

Details of profit earned on Fixed Assets disposed shall be given for each of the class of fixed assets, to the extent possible, together with the details of the gross block of the fixed asset sold, depreciation provided on that and the value realised on disposition below Schedule I-9.

#### Schedule I-10: Establishment Expenses [code no 210]

##### Schedule I-10 (a): Establishment Expenses – Function wise

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
	Municipal Body		
	Administration		
	Finance, Accounts, Audit		
	Election		
	Record Room		

	Estate		
	Stores & Purchase		
	Workshop		
	Census		
	<b>Total establishment expenses – Function wise</b>		

Note:

The total function wise expenses as per Schedule I-10 (a) should tally with the total Establishment expenses as per Schedule I-10 (b).

### **Schedule I-10 (b): Establishment Expenses – Expenditure head-wise**

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
210-10	Salaries, Wages and Bonus		
210-20	Benefits and Allowances		
210-30	Pension		
210-40	Other Terminal & Retirement Benefits		
	<b>Total establishment expenses – expense head wise</b>		

Note:

The total function wise expenses as per Schedule I-10 (b) should tally with the total Establishment expenses as per Schedule I-10 (a).

### **Schedule I-11: Administrative Expense[Code No 220]**

#### **Schedule I-11 (a): Administrative Expenses – Function wise**

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
	Municipal Body		
	Administration		
	Finance, Accounts, Audit		
	Election		
	Record Room		
	Estate		
	Stores & Purchase		
	Workshop		
	Census		
	...		
	<b>Total Administrative expenses– Function wise</b>		

Note:

The total function wise expenses as per Schedule I-11 (a) should tally with the total administrative expenses as per Schedule I-11 (b).

**Schedule I-11 (b): Administrative Expenses – Expenditure head-wise**

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
220-10	Rent, Rates and Taxes		
220-11	Office maintenance		
220-12	Communication Expenses		
220-20	Books & Periodicals		
220-21	Printing and Stationery		
220-30	Travelling & Conveyance		
220-40	Insurance		
220-50	Audit Fees		
220-51	Legal Expenses		
220-52	Professional and other Fees		
220-60	Advertisement and Publicity		
220-61	Membership & subscriptions		
220-80	Other Administrative Expenses		
	<b>Total administrative expenses – expense head wise</b>		

Note

The total function wise expenses as per Schedule I-11 (b) should tally with the total administrative expenses as per Schedule I-11 (a).

**Schedule I-12: Operations and Maintenance[Code No 230****Schedule I-12 (a): Operations & Maintenance Expenses – Function wise**

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
	Municipal Body		
	Administration		
	Finance, Accounts, Audit		
	Election		
	Record Room		
	Estate		
	Stores & Purchase		
	Workshop		
	Census		
	<b>Total Operations &amp; Maintenance expenses – Function wise</b>		

Note:

The total function wise expenses as per Schedule I-12 (a) should tally with the total Operations & maintenance expenses as per Schedule I-12 (b).

**Schedule I-12 (b): Operations & Maintenance – Expenditure head-wise**

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
230-10	Power & Fuel		
230-20	Bulk Purchases		
230-30	Consumption of Stores		
230-40	Hire Charges		
230-51	Repairs & maintenance –Infrastructure Assets		
230-52	Repairs & maintenance - Civic Amenities		
230-53	Repairs & maintenance – Buildings		
Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
230-54	Repairs & maintenance – Vehicles		
230-59	Repairs & maintenance – Others		
230-80	Other operating & maintenance expenses		
	<b>Total operations &amp; maintenance - expense head wise</b>		

Note: The total function wise expenses as per Schedule I-12 (b) should tally with the total Operations & maintenance expenses as per Schedule I-12 (a).

#### **Schedule I-13: Interest & Finance Charges [Code No 240]**

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
240-10	Interest on Loans from Central Government		
240-20	Interest on Loans from State Government		
240-30	Interest on Loans from Government Bodies & associations		
240-40	Interest on Loans from International Agencies		
240-50	Interest on Loans from Banks & Other Financial Institutions		
240-60	Other Interest		
240-70	Bank Charges		
240-80	Other Finance Expenses		
	<b>Total Interest &amp; Finance Charges</b>		

#### **Schedule I-14: Programme Expenses [Code No 250]**

Code No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
250-10	Election Expenses		
250-20	Own Programmes		
250-30	Share in Programmes of others		
	<b>Total Programme Expenses</b>		

#### **Schedule I-15: Revenue Grants, Contributions & Subsidies [Code No 260]**

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
260-10	Grants [give details]		
260-20	Contributions [give details]		
260-30	Subsidies [give details]		
	<b>Total Revenue Grants, Contributions &amp; Subsidies</b>		

**Schedule I-16: Provisions & Write off [Code No 270]**

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
270-10	Provisions for Doubtful receivables		
270-20	Provision for other Assets		
270-30	Revenues written off		
270-40	Assets written off		
270-50	Miscellaneous Expense written off		
	<b>Total Provisions &amp; Write off</b>		

**Schedule I-17: Miscellaneous Expenses [Code No 271]**

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
271-10	Loss on disposal of Assets		
271-20	Loss on disposal of Investments		
271-80	Other Miscellaneous Expenses		
	<b>Total Miscellaneous expenses</b>		

**Schedule I-18: Prior Period Items (Net) [Code No 280]**

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
	<b>Income</b>		
280-10	Taxes		
280-20	Other – Revenues		
280-30	Recovery of revenues written off		
280-40	Other income		
	<b>Sub – Total Income (a)</b>		
	<b>Expenses</b>		
280-50	Refund of Taxes		
280-60	Refund of Other – Revenues		
280-80	Other Expenses		
	<b>Sub – Total Income (b)</b>		
	<b>Total Prior Period (Net) (a-b) -</b>		

The various schedules to the Balance Sheet have been provided below:

**Schedule B-1: Municipal (General) Fund [Code No 310]**

Code No.	Particulars	Opening balance as per the last account (Rs.)	Additions during the year *(Rs.)	Total (Rs.)	Deductions during the year** (Rs.)	Balance at the end of the current year (Rs.)
1	2	3	4	5 (3+4)	6	7 (5-6)
310-10	Municipal Fund					
310-90	Excess of Income & Expenditure					
	<b>Total Municipal fund(310)</b>					

\*Addition includes contributions towards the fund, Adjustments to Opening Balance Sheet and also excess of income over expenditure

\*\* Deduction includes contributions from the fund, Adjustments to Opening Balance Sheet and also excess of expenditure over the income

**Schedule B-2: Earmarked Funds**

**Schedule B – 2: Special Funds/Sinking Fund/Trust or Agency Fund [Code No 311]**

Amount in Rs

Particulars	Special Fund 1	Special Fund 2	Special Fund 3	Special Fund 4	Special Fund 5	Pension Fund	General Provident fund
<b>(a) Opening Balance</b>							
<b>(b) Additions to the Special Fund</b>							
(i) Transfer from Municipal Fund							
(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)							
<b>Total (b)</b>							
<b>Total (a+b)</b>							
<b>(c) Payments out of funds</b>							
<b>(i) Capital expenditure on</b>							
Fixed Assets*							
Others							
<b>Sub – total</b>							
<b>(ii) Revenue Expenditure on</b>							
Salary, Wages and allowances etc.							
Rent							
Other administrative charges							
<b>Sub – total</b>							
<b>(iii) Other:</b>							
Loss on disposal of Special Fund Investments							
Diminution in Value of Special Fund Investments							
Transferred to Municipal Fund							

<b>Sub – total</b>							
<b>Total of (i+ii+iii) (c)</b>							
<b>Net balance at the year end – (a+b)-(c)</b>							
<b>Grant Total of Special Funds</b>							

Note: All funds are to be shown as separate fund either in the schedule or in a separate schedule with the corresponding indication in the balance sheet under “Funds” on liability side

1. Additions during the year:
  - a. Addition to Pension Fund would be out of the "Transfer to Funds" from Income and Expenditure Account as per the accounting principles.
  - b. Addition to General Provident and Contributory Provident Fund are the deductions from salary.
  - c. Interest from investments of Funds would be added to respective Funds.
2. Deductions during the year:
  - a. Deductions from Pension Fund means payments made on account of Pension/Family pension b. Deduction from Gross Provident Fund/Contributory Provident Fund - Advances/Withdrawals.

### Schedule B-3: Reserves [Code No 312]

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
312-10	Capital Contribution		
312-11	Capital Reserve		
312-20	Borrowing Redemption Reserve		
312-30	Special Funds (Utilised)		
312-40	Statutory Reserve		
312-50	General Reserve		
312-60	Revaluation Reserve		
	<b>Total Reserve funds</b>		

### Schedule B-4: Grants & Contribution for Specific Purposes [Code No 320]

Amount in Rs

Particulars	Grants from Central Government	Grants from State Government	Grants from Other Government Agencies	Grants from Financial Institutions	Grants from Welfare Bodies	Grants from International Organisations	Others
<b>(a) Opening Balance</b>							
<b>(b) Additions to the Grants *</b>							
(i) Grant received during the year							
(ii) Interest/Dividend earned on Grant Investments							
(iii) Profit on disposal of Grant Investments							
(iv) Appreciation in Value of Grant Investments							
(v) Other addition (Specify nature)							
<b>Total (b)</b>							
<b>Total (a+b)</b>							
<b>(c) Payments out of funds</b>							
<b>(i) Capital expenditure on</b>							
Fixed Assets*							
Others							

<b>Sub – total</b>							
<b>(ii) Revenue Expenditure on</b>							
Salary, Wages and allowances etc.							
Rent							
Other administrative charges							
<b>Sub – total</b>							
<b>(iii) Other:</b>							
Loss on disposal of Grant Investments							
Diminution in Value of Grant Investments							
Grants Refunded							
<b>Sub – total</b>							
<b>Total (c) [i+ii+iii]</b>							
<b>Net balance at the year end – (a+b)-(c)</b>							
<b>Total Grants &amp; Contribution for Specific Purposes</b>							

Note

Plan funds received from Central/ State Government are to be shown as grant funds and not to be mixed up with earmarked funds

\* For transferring completed capital assets, expenditure incurred will be capitalised and assets will be taken to Fixed Assets schedule (B-11) and Capital contribution will be increased by the same amount

### Schedule B-5: Secured Loans [Code No 330]

Amount in Rs

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
330-10	Loans from Central Government		
330-20	Loans from State government		
330-30	Loans from Govt. bodies & Associations		
330-40	Loans from international agencies		
330-50	Loans from banks & other financial institutions		
330-60	Other Term Loans		
330-70	Bonds & debentures		
330-80	Other Loans		
	<b>Total Secured Loans</b>		

Notes

1. The nature of the Security shall be specified in each of these categories
2. Particulars of any guarantees given shall be disclosed
3. Terms of redemption (if any) of bonds/debentures issued shall be stated, together with the earliest date of redemption
4. Rate of Interest and Original Amount of loan and outstanding can be provided for every Loan under each of these categories separately;
5. For loans disbursed directly to an Executing Agency, please specify the name of the Project for which such loan is raised.

**Schedule B-6: Unsecured Loans [Code No 331]**

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
331-10	Loans from Central Government		
331-20	Loans from State government		
331-30	Loans from Govt. bodies & Associations		
331-40	Loans from international agencies		
331-50	Loans from banks & other financial institutions		
331-60	Other Term Loans		
331-70	Bonds & debentures		
331-80	Other Loans		
	<b>Total Un-Secured Loans</b>		

Note

Rate of Interest and Original Amount of loan and outstanding can be provided for every Loan under each of these categories separately

**Schedule B-7: Deposits Received [Code No 340]**

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
340-10	From Contractors		
340-20	From Revenues		
340-30	From staff		
340-80	From Others		
	<b>Total deposits received</b>		

**Schedule B-8: Deposits Works [Code No 341]**

Code No.	Particulars	Opening balance as the beginning of the year Amount (Rs)	Additions during the current year Amount (Rs)	Utilisation / expenditure Amount (Rs)	Balance outstanding at the end of the current year Amount (Rs)
341-10	Civil Works				
341-20	Electrical works				
341-80	Others				
	<b>Total of deposit works</b>				

Note

1. The amount received from the department on whose behalf the deposit works have been undertaken would appear in col. 4
2. Expenditure incurred including percentage (departments) charges would appear in Col 5
3. Balance as in Col. 6 would appear in the balance sheet as a liability

**Schedule B-9: Other Liabilities (Sundry Creditors) [Code No 350]**

Code No.	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
350-10	Creditors		
350-11	Employee Liabilities		
350-12	Interest Accrued and Due		
350-20	Recoveries Payable		
350-30	Government Dues Payable		
350-40	Refunds Payable		
350-41	Advance Collection of Revenues		
350-80	Others		
	<b>Total Other liabilities (Sundry Creditors)</b>		

**Schedule B-10: Provisions [Code No. 360]**

<b>Code No.</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
360-10	Provision for Expenses		
360-20	Provision for Interest		
360-30	Provision for Other Assets		
	<b>Total Provisions</b>		



**Schedule B-11: Fixed Asset[Code No. 410 & 411]**

Amount in Rs.

Code No	Particulars	Gross Block				Accumulated Depreciation			Net Block		
		Opening Balance	Additions during the period during the \$	Deductions during the period	Cost at the end of the year	Opening Balance	Additions during the period	Deductions during the period	Total at the end of the year	At the end of current year	At the end of the previous year
410-10	Land										
410-20	Buildings										
	<b>Infrastructure Assets</b>										
410-30	Roads and Bridges										
410-31	Sewerage and drainage										
410-32	Water ways										
410-33	Public Lighting										
	<b>Other assets</b>										
410-40	Plants & Machinery										
410-50	Vehicles										
410-60	Office & other equipment										
410-70	Furniture, fixtures, fittings and electrical appliances										
410-80	Other fixed assets										
	<b>Total</b>										

\$ - Additions include fixed assets created out of Earmarked Funds and Grants transferred to Urban Local Body's fixed block as referred to in Schedule B-2 and B-  
Additional disclosures to the Schedule

- i. Value of fixed assets under dispute or litigation shall be provided. The status of the legal case as at the reporting date of the financial statements shall also be mentioned.
- ii. The details & value of assets, which are not yet physically identified/traced, shall be disclosed separately.
- iii. Details and value of assets under leases and hire purchase needs to be disclosed as a note

Note

1. Gross Block means cost of acquisition of fixed asset. Opening Balance in Gross Block as on the first day of the year represents the closing balance of the previous year. For instance, the opening balance as on 1<sup>st</sup> April 2004 shall be equal to the closing asset balance as on 31<sup>st</sup> March 2004.
2. Land includes areas used as and for the purpose of public places such as parks, squares, gardens, lakes, museums, libraries, godowns etc.
3. Buildings include office and works buildings, commercial buildings, residential buildings, school and college buildings, hospital building, public buildings temporary structures and sheds, etc.
4. Roads and bridges include roads and streets, pavements, pathways, bridges, culverts and subways.
5. Sewerage and drainage include sewerage lines, storm water drainage lines and other similar drainage system.

6. Waterworks include water storage tank, water wells, bore wells, Water pumping station, Water transmission & distribution system, etc.
7. No depreciation is to be charged on "Land"

**Schedule B-12: Investments - General Fund [Code 420]**

					<i>Amount Rs</i>
Code No.	Particulars	With whom invested	Face value(Rs.)	Current year	Previous year
				Carrying Cost (Rs.)	Carrying Cost(Rs)
420-10	Central Government Securities				
420-20	State Government Securities				
420-30	Debentures and Bonds				
420-40	Preference Shares				
420-50	Equity Shares				
420-60	Units of Mutual Funds				
420-80	Other Investments				
	<b>Total of Investments General Fund</b>				

1. Insert the other Heads of Account and the corresponding Codes of Account for other investments made by the ULB
2. Provide break-up of other investments as applicable
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 [Code 421]**

					<i>Amount Rs</i>
Code No	Particulars	With whom invested	Face value (Rs.)	Current year	Previous year
				Carrying Cost (Rs.)	Carrying Cost (Rs)
421-10	Central Government Securities				
421-20	State Government Securities				
421-30	Debentures and Bonds				
421-40	Preference Shares				
421-50	Equity Shares				
421-60	Units of Mutual Funds				
421-80	Other Investments				
	<b>Total of Investments Other Funds</b>				

1. Insert the other Heads of Account and the corresponding Codes of Account for other investments made by the ULB
2. Provide break-up of other investments as provided for General Fund Investments.

**Schedule B-14: Stock in Hand (Inventories) [Code 430]**

*Amount in Rs*

<b>Code No</b>	<b>Particulars</b>	<b>Current Year Amount (Rs.)</b>	<b>Previous Year Amount (Rs.)</b>
430-10	Stores		
430-20	Loose Tools		
430-30	Others		
	<b>Total Stock in hand</b>		

**Schedule B-15: Sundry Debtors (Receivables) [Code No 431]**

Code No.	Particulars	Gross Amount (Rs.)	Provision for Outstanding revenues (Rs.)	Net Amount (Rs.)	Previous year Net amount (Rs.)
431-10	Receivables for Property Taxes	3	4(Code No 432)	5 = 3 - 4	6
	Less than 5 years *				
	More than 5 years*				
	Sub – total				
431-91	Less: State Government Cesses/Levies in Taxes – Control Accounts				
	<b>Net Receivables of Property Taxes</b>				
431-19	Receivable of Other Taxes				
	Less than 3 years*				
	More than 3 years*				
431-99	Sub- total				
	Less: State Government Cesses/Levies in Taxes – Control Accounts				
	<b>Net Receivables of Other Taxes</b>				
431-20	Receivables of Cess Income				
	Less than 3 years*				
	More than 3 years*				
	<b>Sub- total</b>				
431-30	Receivables for Fees and User Charges				
	Less than 3 years*				
	More than 3 years*				
	<b>Sub- total</b>				
431-30	Receivables for Fees and User Charges				
	Less than 3 years*				
	More than 3 years*				
	<b>Sub – total</b>				
431-40	Receivables from Other Sources				
	Less than 3 years*				
	More than 3 years*				
	<b>Sub – total</b>				
431-50	Receivables from Government				
	<b>Total of Sundry Debtors (Receivables)</b>				

Not:

The provision made against accrual items would not affect the opening/ closing balances of the Demand and Collection Ledgers for the purpose of recovery of dues from the concerned parties/ individuals

\*Break up for provision for outstanding revenues are given in Column 4

**Schedule B-16: Prepaid Expenses [Code No 440]**

Code No.	Particulars	Current year Amount (Rs.)	Previous year Amount (Rs)
440-10	Establishment		
440-20	Administrative		
440-30	Operations & Maintenance		
	<b>Total Prepaid expenses</b>		

**Schedule B-17 :Cash and Bank Balances [Code No 450]**

Code No.	Particulars	Current year Amount (Rs.)	Previous year Amount (Rs)
450-10	Cash		
	<b>Balance with Bank – Municipal Funds</b>		
450-21	Nationalised Banks		
450-22	Other Scheduled Banks		
450-23	Scheduled Co-operative Banks		
450-24	Post Office		
	<b>Sub-total</b>		
	<b>Balance with Bank – _____ Special Funds</b>		
450-41	Nationalised Banks		
450-42	Other Scheduled Banks		
450-43	Scheduled Co-operative Banks		
450-44	Post Office		
	<b>Sub-total</b>		
	<b>Balance with Bank – _____ Grant Funds</b>		
450-61	Nationalised Banks		
450-62	Other Scheduled Banks		

450-63	Scheduled Co-operative Banks		
450-64	Post Office		
	<b>Sub-total</b>		
	<b>Total Cash and Bank balances</b>		



**Schedule B-18: Loans, advances and deposits [Code 460]**

Code No	Particulars	Opening Balance at the beginning of the year (Rs.)	Paid during the current year (Rs.)	Recovered during the year (Rs.)	Balance outstanding at the end of the year (Rs.)
460-10	Loans and advances to employees				
460-20	Employee Provident Fund Loans				
460-30	Loans to Others				
460-40	Advance to Suppliers and Contractors				
460-50	Advance to Others				
460-60	Deposit with External Agencies				
460-80	Other Current Assets				
	<b>Sub - Total</b>				
461-	Less: Accumulated Provisions against Loans, Advances and Deposits (Schedule B - 18 (a))				
	<b>Total Loans, advances, and deposits</b>				



**Schedule B-18 (a): Accumulated Provisions against Loans, Advances, and Deposits  
(Code No 461)**

Code No.	Particulars	Current year Amount (Rs.)	Previous year Amount (Rs)
461-10	Loans to Others		
461-20	Advances		
461-30	Deposits		
	<b>Total Accumulated Provision</b>		

Note: The totals of this Schedule should be equalling to the amount as per the total in Schedule B – 18

**Schedule B-19: Other Assets [Code No 470]**

Code No.	Particulars	Current year Amount (Rs.)	Previous year Amount (Rs)
470-10	Deposit Works		
470-20	Other asset control accounts		
	<b>Total Other Assets</b>		

**Schedule B-20: Miscellaneous Expenditure (to the extent not written off) [Code No 480]**

Code No.	Particulars	Current year Amount (Rs.)	Previous year Amount (Rs)
480-10	Loan Issue Expenses Deferred		
480-20	Discount on Issue of Loans		
480-30	Deferred Revenue Expenses		
480-90	Others		
	<b>Total Miscellaneous expenditure</b>		

## **CASH FLOW STATEMENT**

30.34 Cash Flow statement is prepared in order to have information about the cash flows of an enterprise useful in providing users of financial statements with a basis to assess the ability of the enterprise to generate cash and cash equivalents and the needs of the enterprise to utilise those cash flows.

30.35 A Cash Flow Statement, when used in conjunction with the other Financial Statements, provides information that enables users to evaluate the changes in assets and liabilities of an ULB, its financial status, and the actual performance in terms of cash inflows and outflows.

30.36 All ULBs shall prepare a Statement of Cash flows apart from Income & Expenditure, Balance sheet and Receipts and Payments statements.

## **GUIDELINES FOR PREPARATION OF THE CASHFLOW STATEMENTS**

30.37 The cash flow statement shall report cash flows during the period classified by operating, investing and financing activities. An ULB presents its cash flows from operating, investing and financing activities in a manner, which is most appropriate to its activities. Classification by activity provides information that allows users to assess the impact of those activities on the financial position of the enterprise and the amount of its cash and cash equivalents. This information may also be used to evaluate the relationships among those activities. The cash flow statement shall be prepared as shown in Table 30.5.

## **STEPS IN PREPARATION OF CASH FLOW STATEMENT**

30.38 Cash flow statement of an ULB shall be prepared by ascertaining the cash flow from each of the activity as explained in the previous para. Therefore steps involved in determining the cash flows from each of the activity is explained in the following paras separately.

### **Cash flows from operating activities**

30.39 **Operating activities** are the principal activities contributing to or utilising the cash resources of the ULB and other activities that are not investing or financing activities. Identification of transactions into operating or other activities primarily depends on whether the result of the activity is captured in Income and Expenditure statement and is not related to Investing or Financing activities. .

30.40 The steps involved in calculation of cash flow from Operating Activities are as follows:

- a. The amount of excess of income over expenditure (or vice versa) as per ‘the Income and Expenditure Account’ shall be entered in the Cash flow statement under ‘Operating activities’: (which shall be the gross cash flow from operating activities)
- b. The amount of excess of income over expenditure (taken in the previous step) includes certain non-cash and non-operating incomes and expenditures. These shall be adjusted to the Gross cash flow to determine the net cash flow from operating activities. Adjustments required for expenditure will be added and adjustments in respect of income will be deducted from the Gross Cash Flow. A generalised list of such adjustments under incomes and expenses are given below:

Expenditure:

- Deprecations
- Write off
- Provisions
- Decline in the value of investment

Income

- Interest on deposits/loan received
- Investment incomes
- Profit or sale arising out of Assets
- Appreciation in the value of Investments

- c. The net cash flows as determined in the previous step shall be adjusted for changes in working capital: (movement in current assets and current liabilities excepting those current assets relating to ‘Investing’ or ‘Financing’ activity, for example loans and advances to employees is considered under financing activity).

Changes during the period in current assets and liabilities are as follows:

Current Assets/Liabilities	year	Previous year	Movements
	(Col 1)	(Col 2)	(Col 1 – Col 2)
Inventories			
Receivables of Revenues			
Prepaid expenses			
Employee related payables			
Provision for expenses			

- d. The cash flows arising from any extra ordinary item shall be disclosed

separately and classified as cash flows from operating activities unless they can be identified with financing or investing activities and this amount shall be added to 'cash flow from operating activities' as determined in the previous step. Few examples of extra ordinary items are as follows:

- i. Cyclone relief funds received;
  - ii. Receipts & payments on account of prior period income and expenses;
- e. The total amount of cash flows from operating activities as determined in the previous step shall be shown as 'net cash generated from or (used in) operating activities.

### **Cash flows from investing activities**

30.41 **Investing activities** generally involves acquisition and disposal of long-term assets and investments not included in cash equivalents.

30.42 The steps involved in calculation of cash flow from Operating Activities are as follows:

- a. All the movement of cash flows on account of the following shall be shown as separate line items under the 'Investing activities':
  - $\frac{3}{4}$  Acquisition of fixed assets;
  - $\frac{3}{4}$  Purchase of investment in shares/equity or any other mode ;
  - $\frac{3}{4}$  Fixed Deposits with banks and other financial institutions
  - $\frac{3}{4}$  Amounts expensed/ utilised from Fund accounts

It is to be noted that while calculating the movement of funds/grants account, any amount included by transfer from General/municipal fund shall be adjusted, as there is no real cash inflows to the fund/grant accounts.

- b. All items of incomes and expenditures in the nature of 'investing activities', which are adjusted while calculating cash flows from operating activities shall be considered appropriately for inclusion in the calculation of cash flows from investing activities. Also these items are to be included as separate line items. Examples of such items are
  - interest received,
  - dividend received,
  - proceeds from disposal of assets/investments
  - proceeds from disposal of assets/investments

- c. The amount of cash flows from investing activities as calculated above shall be shown as 'Net cash generated from/ (used in) investing activities'.

**Cash flows from financing activities**

30.43 **Financing activities** are activities that result in changes in the size and composition Loans received by the ULBs.

- 30.44 The steps involved in calculation of cash flow from Financing Activities are as follows:
- a. The movement in loans availed by the ULBs and loans & other advances given to employees/ others shall be shown on a net basis instead of showing the amount of loans received / repaid during the year.

Examples of such items are as follows:

- Movement in loans from Central Government
- Movement in Loans from State Government
- Movement in Loans and advances to employees
- Interest and finance expenses paid

<u>Movements in loans are calculated as follows:</u>	<u>Amount(s)</u>
Loan amounts received during the period	XXX
Less: Loan amounts repaid during the year	XXX
	-----
Net movement amount of loans received/(repaid)	XX/(XX)
	-----

- b. Funds/grants received during the period under reporting shall be shown separately as amounts received under any fund/grant are in the nature of financing activities.

Examples of such funds/grants are:

- Earmarked funds
  - Special grants
  - Specific grants
- c. All items of incomes and expenditures in the nature of 'financing activities', which are adjusted while calculating cash flows from, operating activities shall be considered appropriately for inclusion in the calculation of cash flows from investing activities

Examples of such items are as follows:

- Interest and finance charge
- Discounts

### **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD**

30.45 The total of net cash flows generated from / (used in) each of operating, investing and financing activities, shall be shown as net increase /(decrease) in cash and cash equivalents during the period under reporting.

30.46 In order to arrive at the 'Cash and cash equivalents at the end of the period under reporting', the amount of cash and cash equivalents at the beginning of the period under reporting shall be added to 'net increase/(decrease) in cash and cash equivalents' during the period.

30.47 It should be ensured that the amount of cash and cash equivalents at the end of the period under reporting shall be tallied with the total cash and bank balances at the end of the period as disclosed in the balance sheet of the ULB.

**Table 30.5**

#### **Statement of Cash Flow**

<b>Particulars</b>	<b>Previous Year (Rs.)</b>		<b>Current Year (Rs.)</b>	
<b>a. Cash flows from operating activities</b>				
<b>Gross surplus/ (deficit) over expenditure</b>				
<b>Adjustments for</b>				
<b>Add:</b>				
Depreciation				
Interest & finance expenses				
<b>Less:</b>				
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				
<b>Changes in current assets and current liabilities</b>				
(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>b. Cash flows from investing activities</b>				
(Purchase) of fixed assets & CWIP				
(Increase) / Decrease in Special funds/grants				
(Increase) / Decrease in Earmarked funds				
(Purchase) of Investments				
<b>Add:</b>				
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)				
<b>c. Cash flows from financing activities</b>				
<b>Add:</b>				
Loans from banks/others received				
<b>Less:</b>				
Loans repaid during the period				
Loans & advances to employees				
Loans to others				
Finance expenses				
Net cash generated from (used in) financing activities(c)				
<b>Net increase/ (decrease) in cash and cash equivalents (a + b + c)</b>				
Cash and cash equivalents at beginning of period				
<b>Cash and cash equivalents at end of period</b>				
<b>Cash and Cash equivalents at the end of the year</b>				
<b>comprises of the following account balances at the end of the year:</b>				
i. Cash Balances				
ii. Bank Balances				
iii. Scheduled co-operative banks				
iv. Balances with Post offices				
v. Balances with other banks				
<b>Total</b>				
Note: items in () brackets denote as that they are to be deducted				

## RECEIPTS AND PAYMENTS ACCOUNT

30.48 The Receipts and Payments Account shows the sources of funds and the applications of funds during the accounting reporting periods.

30.49 The Receipts and Payments Account shall be prepared from the Balance Sheet, Income and Expenditure Statement, Ledgers and Cash Book.

30.50 The following are the steps involved in the preparation of Receipts and Payments Account:

- a. The opening and closing cash and bank balances should be ascertained and entered:
- b. For revenue income accounted for on actual receipt basis, the amounts as appearing in the Income and Expenditure Statement should be reflected directly in the Receipts and Payments Account.
- c. For revenue income accounted for on accrual basis, the following shall be done:

Receivables at the beginning of the period	Rs.XXX
Add: Bills raised/Income accounted during the period	Rs.XXX
Less: Receivables at the end of the period	<u>Rs.XXX</u>
Cash received during the year	<u>Rs.XXX</u>

This amount shall be reflected in the receipt side of the Receipts and Payments Account.

- d. For revenue payments which are accounted for on accrual basis, the following shall be done:

Payables at the beginning of the period	Rs.XXX
Add: Bills received/Expenditure Accounted during the period	Rs.XXX
Less: Payables at the end of the period	<u>Rs XXX</u>
Cash paid during the year	<u>Rs.XXX</u>

This amount shall be reflected in the payment side of the Receipts and Payments Account.

For Non-operating items – Ledger accounts shall be scrutinised for each of the items listing out the total cash inflow and outflow during the period under consideration. The increase or decrease in the amount outstanding in respect of the relevant item in the Balance Sheet in comparison to the previous period's figures should tally with the net cash flow. For instance, while ascertaining the cash flow in respect of loan, all the loan ledger accounts shall be scrutinised to prepare a list of cash inflow and outflow in various loan ledger accounts. The difference between the total cash inflow and outflow of all the loan ledger accounts should tally with the amount received or paid in respect of loan. This would also be available from the

Balance Sheet itself in terms of increase or decrease of the amount of loan in relation to the previous period's figures.

30.51 The Receipts and Payments Account shall be prepared as shown in Table 30.6. It should be noted that the following gives an illustrative list of receipts and payments.

30.52 The following shall be noted in relation to preparation of Receipts and Payments Account:

- a. The receipts considered are on cash basis and does not take into account the receivables. Similarly, the payments considered are on cash basis and does not take into account the payables.
- b. Non-cash items like Depreciation, Miscellaneous Expenditure w/off (written off), Profit/Loss on disposal of Fixed Assets, Profit/Loss on disposal of Investments will not be considered while preparing this statement.
- c. If any loan is obtained by the ULB in such a way that the disbursement of installments is directly made to the appointed Contractor, then the loan, though not directly received in cash by the ULB, should be shown as ' Receipts' . Similarly, corresponding payments made to the Contractor, though not made in cash by the ULB, should be shown as ' Payments' .



**Table 30.6**

**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.)
	<b>Opening Balances#</b>						
	Cash balances including Imprest						
	Balances with Banks/Treasury (including balances in designated bank accounts)						
	<b>Operating Receipts</b>						
1-10	Tax Revenue						
1-20	Assigned Revenues & Compensations						
1-30	Rental income from Municipal Properties						
1-40	Fees & User Charges						
1-50	Sale & Hire Charges						
1-60	Revenue Grants, Contributions & Subsidies						
1-70	Income from Investments						
1-71	Interest Earned						
1-80	Other Income						
	<b>Non-Operating Receipts</b>						
3-30/31	Loans Received						
3-40	Deposits Received						
3-20	Grants and contribution for specific purposes						
*	Sale proceeds from Assets						
*	Realisation of Investment – General Fund						
*	Realisation of Investment – Other Funds						
3-41	Deposit works						
3-50	Revenue Collected in Advance						
*	Loans & Advances to Employees (recovery)						
*	Other Loans & Advances (recovery)						

*	Deposits with External Agencies (recovery)						
	Other Receipts [specify]						
					<b>Closing Balances #</b>		
					Cash balances including Imprest		
					Balances with Banks/Treasury (including		
					balances in designated bank accounts)		
	<b>GRAND TOTAL</b>						

# Balances banks operate for Grants and special funds

\* 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

## NOTES TO ACCOUNTS

30.53 The Notes to Accounts shall comprise of Statement of Significant Accounting Principles, Statement on Contingent Liabilities, Subsidy Report and Other Disclosures.

### Statement of Significant Accounting Principles

30.54 The **Statement of Significant Accounting Principles** shall state important accounting principles followed by the ULB in respect of accounting for its transactions and in the preparation and presentation of the Financial Statements.

30.55 Where any of the accounting principles adopted by the ULB while preparing its Financial Statements is not in conformity with the principles prescribed in this Accounts Manual and the effect of deviation from the accounting principles is material, the particulars of the deviation shall be disclosed together with the reasons therefor and the financial effect thereof, except where such effect is not ascertainable. The disclosure of such deviation reasons thereof and financial effect thereof shall be made in the section "Other Disclosures". In case the financial effect thereof is not ascertainable, either wholly or in part, the fact that it is not so ascertainable shall be indicated.

30.56 Likewise, any change in the accounting principles which has no material effect on the Financial Statements for the current period but which is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed in the period in which the change is adopted.

30.57 The statement of significant accounting principles to be disclosed in the financial statements is given below.

1. Basis of Accounting

The financial statements are prepared on a going concern and under historical cost basis under accrual basis of accounting. The method of accounting is the double entry system.

2. Recognition of Revenue

*i. Revenue*

a. Property and Other Taxes are recognised in the period in which they become due and demands are ascertainable

b. Revenues in respect of Profession Tax on Organisations / entities

are accrued in the year to which it pertains and when demands are raised.

- c. Advertisement taxes are accrued based on Demand or the contract.
- d. Revenue in respect of Trade License Fees is accrued in the year to which it pertains and when Demands are raised.
- e. Assigned revenues like Entertainment Tax, Duty / Surcharge on transfer of Immovable properties are accounted during the year only upon actual receipt. However, at year-end, they are accrued if sanction order (or proceedings) is passed and the amount is ascertained.
- f. Other Incomes, which are of an uncertain nature or for which the amount is not ascertainable or where demand is not raised in regular course of operations, is recognised on actual receipt

*ii. Provision against receivables*

- a. Prudential norms are applied based on type of income and age of receivable. Based on the principle on provisioning, incomes that have been accrued and are doubtful of recovery are provided for.

3. Recognition of Expenditure

- a. Expenses on Salaries, bonus and other allowances are recognised as and when they are due for payment
- b. All revenue expenditures are treated as expenditures in the period in which they are incurred.
- c. In case of works, expenditures are accrued as soon as the work has been measured and becomes due for payment.
- d. Provision for expenses are made at the year-end for all bills received upto a cut off date.

4. Fixed Assets

*i. Recognition*

- a. All Fixed Assets are carried at cost less accumulated depreciation. The cost of fixed assets include cost incurred/money spent in acquiring or installing or constructing ~~the fixed asset, interest on borrowings directly attributable to~~ acquisition or construction of qualifying fixed assets up to the date of commissioning of the assets and other incidental and indirect expenses incurred up to that date.
- b. All assets costing less than Rs.5,000/- would be expensed / charged to Income & Expenditure Account in the year of purchase.
- c. Any Fixed Asset, which has been acquired free of cost or in respect of which no payment has been made, is recorded at nominal value of Re. 1/-.

ii. *Depreciation*

- d. Depreciation is provided on Written Down Value<sup>1</sup>

iii. *Revaluation of Fixed Assets:*

- e. Revaluation of fixed assets is undertaken either at the time of issue of municipal bonds or when commercial development / lease of properties is made.
- f. Increase in net book value arising on revaluation is credited to 'Revaluation Reserve Account'. Decrease in net book value is charged to Income and Expenditure account.
- g. Revaluation reserve is amortised by equivalent amount of depreciation charged on the revalued portion of the cost of the fixed assets.

5. Borrowing cost

Borrowing cost is recognised as revenue expenditure on accrual basis except in the case of fixed assets.

6. Inventories

Inventories are valued as follows:

- a. Raw materials are valued at Cost based on first in first out method b.  
Finished goods are valued at lower of the cost or market value.

7. Grants

- a. General Grants, which are of revenue nature, are recognised as income on actual receipt
- b. Grants, which are re-imburement of specific revenue expenditure is recognised as income in the accounting period in which the corresponding revenue expenditure is charged to the Income and Expenditure Account.
- c. Grant received towards capital expenditure is treated as a liability till such time the fixed asset is constructed or acquired. On construction/acquisition of fixed asset, the grant corresponding to the value of the asset so constructed/acquired is treated as a capital receipt and transferred to capital contribution.

8. Employee benefits

- a. Separate Funds are formed for meeting the pension and other retirement benefits including Gratuity and Leave encashment.
- b. Contribution towards Pension and other retirement benefit funds are recognised as and when it is due.

9. Investments

- a. All investments are initially recognised at Cost. The cost of investment shall include cost incurred in acquiring the investment and other incidental expenses incurred for its acquisition.
- b. Long-term investments are carried at their cost. However in the event of any permanent diminution in their value as on the date of balance sheet, these are provided for.

- c. Short-term investments are carried at their cost or market value (if quoted) whichever is lower.



## **STATEMENT ON CONTINGENT LIABILITIES**

30.58 The Contingent Liabilities represent an obligation, relating to a past transaction or other event or condition, that may arise in consequence of a future event now deemed possible but not probable. They represent a claim against the ULB which is contingent on the happening of a future uncertain event, the financial implications of which may or may not be ascertainable at the end of an accounting period. The following shall be disclosed by the ULB in the 'Statement on Contingent Liabilities':

- a. Amount of Capital Contracts remaining to be executed and not provided for;
- b. Amount of claim in respect of suits filed against the ULB for which the ULB may be liable, in case the ULB loses suits;
- c. Claim against the ULB not acknowledged as debts; and d.

Other money for which the ULB is contingently liable.

## **SUBSIDY REPORT**

30.59 In accordance with the provisions and rules of the act governing the ULB, and instructions of the Government, the ULB shall prepare a Subsidy Report on the following services, which shall be annexed to the Annual Financial Statements:

- a. Water supply and disposal of sewage;
- b. Scavenging, transporting and disposal of wastes;
- c. Municipal transport; and
- d. Street lighting.
- e. Hospitas
- f. Schools

30.60 The Subsidy Report may be prepared in the illustrative format provided below in Table 30.7. However, the ULBs shall adopt those formats as given in the rules and provisions of the act governing the ULBs and the local needs.

**Table 30.7**  
**Subsidy Report for \_\_\_\_\_ for the period from \_\_\_\_\_ to \_\_\_\_\_**

Particulars	Current year's figures Amount (Rs.)	Previous year's figures Amount (Rs.)
<b>EXPENDITURE</b>		
Establishment expense		
Administration expenses		
Operation and Maintenance Expenses		
Interest on Loans and Financial Charges		
Depreciation		
Other Expenses		
<b>TOTAL EXPENDITURE (A)</b>		
<b>INCOME</b>		
Charges levied on rendering of Services		
Taxes levied		
Other Income		
<b>TOTAL INCOME (B)</b>		
<b>SUBSIDY PROVIDED (A-B)</b>		

30.61 The Subsidy, as computed above, indicates the extent of deficit of income as compared to the expenditure.

### **OTHER DISCLOSURES**

30.62 This section shall give other important financial information about the ULB, which have not been disclosed in the Financial Statements. These shall include:

- a. Details of the expenses incurred under various Government Circulars together with the details, in broad terms, of the beneficiaries;
- b. Details of honorarium paid to Councillors and Mayor;
- c. The following shall be disclosed separately in case of each of the incomes of the ULB:
  - amount of refunds, remissions and write-offs made during the year, and
  - arrears collected during the year.

30.63 In addition to disclosures required to be made as specified above, the ULB may also furnish information in respect of the following;

- a. Percentage of properties defaulting on property tax both in terms of number and value in comparison to total properties and income earned;
- b. Number of municipal hospital beds, dispensaries and other medical facilities per 1000 citizens in the municipal area;
- c. Details about the various health programs undertaken by the ULB from its own resources and the section of the population being benefited;
- d. Percentage of connections, category-wise, defaulting on payment of water supply charges both in terms of number and value in comparison with the total number of connections and demand raised together with the remedial measures taken;
- e. Details about the water purification and water distributed and billed in terms of quantity;
- f. Number of lamp-posts erected and the areas in which they are erected (the expenses incurred in respect of the street lighting shall be given in the Subsidy Report);
- g. Age analysis of receivables;
- h. Age analysis of payables; and
- i. Such other details as the ULB may decide to give for better disclosure and governance.

**MUNICIPAL COMMISSIONER'S/EXECUTIVE Officer's /Secretary's REPORT ON THE QUALIFICATIONS AND COMMENTS MADE IN THE REPORT OF THE AUDITOR**

30.64 The Municipal Commissioner/Executive Officer/Secretary shall in his report include his comments on the report of the Auditor, including explanations relating to qualifications mentioned by the Auditor, stating clearly the facts of the matter and the steps taken in respect of those qualifications. The Municipal commissioner shall also comment upon the performance of the ULB based upon the results of the Financial Performance Indicators. In respect of any adverse performance, as reflected by the result of any Performance Indicator, the Municipal Commissioner/Executive Officer/Secretary shall, in his report, explain the reason therefor and shall also state the steps taken to improve performance in that area.

30.65 Further, the Municipal commissioner's/Executive Officer's/Secretary's Report shall state that the books of accounts are maintained in the manner as required by the Act and the Accounts Manual and that proper accounting principles have been adopted and applied consistently while accounting for the transactions and preparing the Annual Financial Statements.

## STANDING COMMITTEE'S ACTION TAKEN REPORT

30.66 The Standing Committee shall prepare an Action Taken Report on the Annual Financial Statements submitted to it for approval. The Report shall in addition to such information as may be prescribed by the Director, provide details of the action taken by the ULB in respect of the qualifications made in the Report of the Auditor and the Municipal Commissioner's/Executive Officer's /Secretary's Report.

30.67 The Action Taken Report shall contain a section for Standing Committee's comments on the comments and qualifications contained in the Report of the Auditor and the Municipal Commissioner's/Executive Officer's /Secretary's Report.

## FINANCIAL RATIO ANALYSIS

30.68 A ratio is an arithmetical relationship between two figures. Ratios are indicators of performance of the ULB/Department. Financial Ratio Analysis is a study of ratios between various items or groups of items in the Financial Statements of the ULB.

30.69 On preparation of Financial Statements, the Accounts Department shall compute and present the following Financial Ratios as depicted in Table 30.8 below.

**Table 30.8**

**Financial Ratios as on \_\_\_\_\_**

Sr. No.	Particulars	Current Year	Previous Year
	<b>Income Ratios</b>		
1	Tax Revenue to Total Income Ratio...(%)		
2	Property & Other Taxes to Total Income Ratio...(%)		
3	Octroi/Cess to Total Income Ratio...(%)		
4	Assigned Revenues & Compensations to Total Income Ratio...(%)		
5	Rental Income from Municipal Properties to Total Income Ratio...(%)		
6	Fees & User Charges to Total Income Ratio...(%)		
7	Revenue Grants, Contributions & Subsidies to Total Income Ratio...(%)		
	<b>Expense Ratios</b>		
	Establishment Expenses to Total Income Ratio...(%)		
	Administrative Expenses to Total Income Ratio...(%)		
	Operations & Maintenance to Total Income Ratio...(%)		
	Interest Expense to Total Income Ratio...(%)		
	<b>Net Income Ratios</b>		
	Cash Surplus / Deficit to Total Income Ratio...(%)		
	<b>Efficiency Ratios</b>		
	Gross Property Tax Receivables Ratio...(No. of Days)		

	Gross Cess Receivables Ratio...(No. of Days)		
	Property Tax Receivable to Property Tax Income Ratio..(%)		
	Cess Receivable to Cess Income Ratio...(%)		
	Operations & Maintenance to Gross Fixed Assets Ratio..(%)		
	Interest Expense to Loans Ratio...(%)		
	<b>Leverage Ratios</b>		
	Loans to Reserves Ratio or Debt-Equity Ratio...(times)		
	Interest Coverage Ratio...(times)		
	Debt Service Coverage Ratio...(times)		
	<b>Investment Ratios</b>		
	Earmarked Fund Investments to Earmarked Funds Ratio...(%)		
	Interest on Investments Ratio...(%)		
	<b>Liquidity Ratio</b>		
	Current Assets to Current Liabilities Ratio...(times)		
	<b>Asset Ratios</b>		
	Fixed Assets to Total Assets Ratio...(%)		
	<b>Performance Ratios</b>		
	Income per Employee...(Rs.)		
	Expenditure per Employee...(Rs.)		
	Income per Citizen...(Rs.)		
	Expenditure per Citizen...(Rs.)		

30.70 The Financial Ratios shall be calculated by the Accounts Department as shown in Table 30.9 below.

**Table 30.9**  
**Financial Ratio Analysis**

Sr. No.	Financial Ratio	Method of Computation	Schedule s to be referred the Ratio	Description of the Ratio
	<b>Income Ratios</b>			
1	Tax Revenue Income Ratio...(%)	Tax Revenue $\times 100$ Total Income	I-1	These Ratios depict the share of each income in the Total Income of the ULB. Higher share of an individual income in the total income shows a high
1A	Property & Other Taxes to Total Income Ratio...(%)	Property & Other Taxe $\times 100$ Total Income	I-1(a)	
1B	Octroi/Cess to Total Income Ratio...(%)	Octroi/Ces $\times 100$ Total Income	I-1(b)	
2	Assigned Revenues & Compensations to Total Income Ratio...(%)	Assigned Revenues & Compensations $\times 100$ Total Income	I-2	
3	Rental Income from Municipal Properties to Total Income Ratio...(%)	Rental Income from Municipal Propertie $\times 100$ Total Income	I-3	

4	Fees & User Charges to Total Income Ratio... (%)	Fees & User Charge X 100 Total Income	I-4	dependability on that source and therefore a high risk. The ULB should try and develop other sources of income to reduce this risk
5	Revenue Grants, Contributions & Subsidies to Total Income Ratio... (%)	Revenue Grants, Contributions & Subsidie X 100 Total Income	I-6	
<b>Expense Ratios</b>				
6	Establishment Expenses to Total Income Ratio... (%)	Establishment Expense X 100 Total Income	I-10	These Ratios depict the share of each expense in the total income of the ULB. The ULB should try and keep these ratios as low as possible so that a higher surplus can be earned. However, this should not be at the sacrifice of service to the citizens.
7	Administrative Expenses to Total Income Ratio... (%)	Administrative Expenses X 100 Total Income	I-11	
8	Operations & Maintenance to Total Income Ratio... (%)	Operations & Maintenance X 100 Total Income	I-12	
9	Interest Expense to Total Income Ratio... (%)	Interest Expense X 100 Total Income	I-13	
<b>Net Income Ratios</b>				
10	Cash Surplus / Deficit to Total Income Ratio... (%)	Cash Surplus or Deficit X 100 Total Income Where Cash Surplus or Deficit is obtained from Receipts & Payments Account as difference between Operating Receipts and Operating Expenses	Receipts & Payments Account	This ratio indicates the cash surplus or deficit generated as a percentage to the total income of the ULB
<b>Efficiency Ratios</b>				
11	Gross Property Tax Receivables Ratio... (No. of Days)	Average Gross Property Tax Receivable Demand for property tax raised during the year  Where Average Gross Property Tax (P.T.) Receivable = (Opening P.T.Receivable + Closing P.T.Receivable)/2	B-13, I-1(a)	These ratios indicate the average number of days for which the receivables are outstanding on an average. The ULB should try and keep these days very low.

12	Gross Cess Receivables Ratio...(No. of Days)	$\frac{\text{Average Gross Cess Receivable}}{\text{Demand for cess income raised during the year}}$ <p>Where Average Gross Cess Receivable = <math>\frac{(\text{Opening Cess Receivable} + \text{Closing Cess Receivable})}{2}</math></p>	B-13, I-1(b)	
13	Property Tax Receivable to Property Tax Income Ratio... (%)	$\frac{\text{Property Tax Receivable at the end of the year}}{\text{Demand for property tax raised during the year}}$ <p>Where Property Tax Receivable is only in respect of the financial year under consideration and represents gross amount receivable at the end of the year (i.e. without deducting provision for unrealised property tax)</p>	B-13, I-1(a)	This ratio indicates property tax outstanding as a percentage of current year's demand of property tax. Efforts should be made to keep this ratio as low as possible
14	Cess Receivable to Cess Income Ratio... (%)	$\frac{\text{Cess Receivable at the end of the year}}{\text{Demand for cess raised during the year}}$ <p>Where Cess Receivable is only in respect of the financial year under consideration and represents gross amount receivable at the end of the year (i.e. without deducting provision for unrealised cess)</p>	B-13, I-1(b)	This ratio indicates cess outstanding as a percentage of current year's demand of cess. Efforts should be made to keep this ratio as low as possible.
15	Inventory Ratio... (No. of Days Consumption)	$\frac{\text{Average Stock}}{\text{Store consumed during the year}}$ <p>Where Average Stock = <math>\frac{(\text{Opening Stock} + \text{Closing Stock})}{2}</math></p>	I-12, B-9	This ratio shall be calculated in respect of major stores of the ULB, for example, engineering stores, water supply stores, electricity stores, etc. This ratio indicates
18	Operations & Maintenance to Gross Fixed Assets Ratio... (%)	$\frac{\text{Operations \& Maintenance}}{\text{Gross Block of Fixed Assets (as at the end of the year)}} \times 100$	B-4 B-1,2,3,4	

19	Interest Expense to Loans Ratio...(%)	Indicate range (highest & lowest) of interest percentage and nature of loan (for highest & lowest) in respect of loans outstanding at the end of the year	B-9, I-13	the average number of days of stock lying with the ULB. High number of days would indicate that the ULB buys a lot of stock in advance, which if avoided, can result in less blockage of money into stock. The number of days should be decided based on the emergency nature of the item and the time it would take to procure items from the suppliers.
	<b>Leverage Ratios</b>			
20	Loans to Reserves Ratio or Debt-Equity Ratio...(times)	Loans Reserves & Surplus		
21	Interest Coverage Ratio...(times)	$\frac{\text{Surplus} + \text{Depreciation} + \text{Interest (incl. interest capitalised)}}{\text{Interest (incl. interest capitalised)}}$		
22	Debt Service Coverage Ratio...(times)	$\frac{\text{Surplus} + \text{Depreciation} + \text{Interest (incl. interest capitalised)}}{\text{Debt instalments to be serviced (paid) during the next year} + \text{Interest (including interest to be capitalised)}}$	Register of Loans	This ratio indicates the comfort level with which the ULB can service (pay) its debt instalments and meets its interest burden. This ratio is very important from the lender's point of view also.
	<b>Investment Ratios</b>			
23	Earmarked Fund Investments to Earmarked Funds Ratio...(%)	$\frac{\text{Earmarked Fund Investments}}{\text{Earmarked Funds}} \times 100$	B-2,11	This ratio indicates the percentage of earmarked funds invested by the ULB

24	Interest on Investments Ratio...(%)	Indicate range (highest & lowest) of interest percentage and nature of investment (for highest & lowest) in respect of investments outstanding at the end of the year	B-10	This ratio indicates the range of interest earned on investments made by the ULB. The ULB should compare this with other ULBs and Government Bodies to ensure that investments are made at best rates
<b>Liquidity Ratio</b>				
25	Current Assets to Current Liabilities Ratio...(times)	Current Assets Current Liabilities	B-5 to 8 & 13-16	This ratio indicates the ability of the ULB to meet its obligations in the short run, usually one year.
<b>Asset Ratios</b>				
26	Fixed Assets to Total Assets Ratio...(%)	Fixed Assets X 100 Total Assets	B-9	This ratio indicates the share of fixed assets in the total assets of the ULB.
<b>Performance Ratios</b>				
27	Income per Employee...(Rs.)	Total Income as per Income & Expenditure Account		These ratios indicate average income earned and average expenditure incurred per employee and per citizen of the ULB. These ratios should be compared with other ULBs and Government Bodies to benchmark the performance of the ULB with others.
28	Expenditure per Employee...(Rs.)	No. of Employees of the ULB Total Expenditure as per Income & Expenditure Account No. of Employees of the ULB		
29	Income per Citizen...(Rs.)	Total Income as per Income & Expenditure Account - No. of Citizens in the Municipal Area		
30	Expenditure per Citizen...(Rs.)	Total Expenditure as per Income & Expenditure Account No. of Citizens in the Municipal Area		