1. Introduction

1.1. Article 150 of the Constitution of India stipulates that “The accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the Comptroller and Auditor General of India, prescribe.” The Comptroller and Auditor General of India (C&AG) constituted Government Accounting Standards Advisory Board (GASAB) under the aegis of the Office of Comptroller & Auditor General with the support of the Government of India through a notification dated 12th August, 2002. The decision to set-up GASAB was taken in the backdrop of the new priorities emerging in the Public Finance Management and to keep pace with International trends. The new priorities focus on good governance, fiscal prudence, efficiency and transparency in public spending and financial reporting.

1.2. The accounting systems, the world over, are being revisited with an emphasis on transition from rule to principle-based standards and migration from cash to accrual-based system of accounting. GASAB, as a nodal accounting advisory body set up by the Government of India, is taking similar steps to formulate and improve standards of government accounting and financial reporting and enhance accountability mechanisms.

1.3. The Mission of the Government Accounting Standards Advisory Board (GASAB) is to formulate Government Accounting Standards and other pronouncements with a view to improve Governmental accounting and financial reporting which will enhance the quality of decision-making and public accountability.

2. Composition of the GASAB

2.1. The GASAB constituted by the Comptroller & Auditor General of India, in consultation with Ministry of Finance, is fairly broad-based and ensures participation of all interest-groups in the Standard setting process. The following is the composition of GASAB:

i. Deputy Comptroller and Auditor General as Chairperson.

ii. Financial Commissioner, Railways.
iii. Member (Finance) Telecom Commission, Department of Telecom.

iv. Secretary, Department of Post.

v. Controller General of Defence Accounts.

vi. Controller General of Accounts.

vii. Additional / Joint Secretary (Budget), Ministry of Finance (MoF), Govt. of India.

viii. Deputy Governor, Reserve Bank of India.

ix. –xiv Additional Chief Secretary/ Principal Secretary (Finance) of six States by annual rotation to be nominated by the Chairperson, GASAB, ensuring a mix of geographical spread and the size of the state, preferably one each from the regions of North, South, East, West, Central and North-East. The Chairperson/GASAB could consider inviting one or two States in addition to the member states by rotation, if required, for continuity in deliberation and perspective in the course of preparation of a Government Accounting Standard or any other document in the subsequent year(s) too.

xv. Director General, National Council of Applied Economic Research (NCAER), New Delhi.

xvi. President, Institute of Chartered Accountants of India (ICAI).

xvii. President, Institute of Cost Accountants of India.

xviii. Chairperson, The National Institute of Public Finance and Policy (NIPFP)

xix. Director General (Government Accounts), office of the Comptroller & Auditor General of India will be the Member secretary.

xx. Representative of any other body, as considered appropriate by the C&AG in consultation with Ministry of Finance (MoF).

2.2. The membership of the GASAB can be reviewed with the approval of the C&AG under intimation to Ministry of Finance (MoF).
3. Technical Advisors

3.1. Each Member of the GASAB shall nominate his/her Technical Advisor (TA) of sufficient seniority who shall be knowledgeable in the accounting aspects. The TA shall assist the Member during the GASAB meetings. The TA shall also be involved during the formulation of an Accounting Standard as an expert, in presenting the views of his/her organisation.

3.2. The TA shall also act as the Nodal Officer for interacting with Members of the GASAB Secretariat and other TAs.

3.3. The Member Secretary, GASAB, shall chair the TAs’ meetings.

3.4. Members of GASAB shall regularly update the names of their Technical Advisers under intimation to GASAB Secretariat.

4. Objectives and Functions of GASAB

4.1. Following are the objectives of GASAB:

a. To establish and improve transparency in government accounting and financial reporting in order to enhance accountability mechanisms.

b. To identify and consider significant areas of accounting and financial reporting that can be improved through the standard setting process.

c. To formulate and propose Government Accounting Standards that improve the usefulness of financial statements based on the needs of all stakeholders.

d. To provide training on implementation of Government Accounting Standards.

e. To review, at regular intervals, the Government Accounting Standards from the point of view of acceptance or changed conditions, and, if necessary, revise the same.

f. To issue other pronouncements e.g. issuance of Guidance Notes, which provide guidance on issues in financial reporting in government.

g. To carry out such other general functions related to financial reporting, e.g., publishing of research papers etc. and

h. To examine how far the relevant International Government Accounting Standards such as International Public Sector Accounting Standards (IPSAS) issued by the
International Public Sector Accounting Standards Board (IPSASB) of the Internal Federation of Accountants (IFAC) can be adapted while formulating the Government Accounting Standards given the conditions and practices prevailing in India.

4.2. The primary function of GASAB is to formulate Government Accounting Standards for government entities, so that such Standards are implemented by them after notification by the Ministry of Finance.

4.3. GASAB formulates Indian Government Accounting Standards (IGASs) under cash system of accounting for ensuring better disclosure and presentation of information as compared to the existing accounting framework of the Government.

4.4. GASAB also formulates Indian Government Financial Reporting Standards (IGFRS) under accrual system of accounting, with a view to eventually improve standard of Government accounting and financial reporting wherever accrual accounting is being implemented to enhance both the quality of decision-making and public accountability in government entities.

4.5. The procedure for formulation of both IGASs and IGFRSs, as contained in this Due Process Handbook, is the same.

4.6. GASAB has the responsibility of propagating the Government Accounting Standards and advocating the government entities to adopt them in preparation and presentation of financial statements. GASAB will provide interpretations and guidance on issues arising from Government Accounting Standards, where necessary.

5. Conduct of GASAB Meetings

5.1. GASAB shall meet quarterly. Apart from the quarterly meetings, special meetings, if any, may be convened by the Chair as and when necessary to address an emergent issue. The meetings are normally chaired by the Chairperson. In unforeseen circumstances when Chairperson is unable to attend, the senior-most Member of the Central Government shall chair the meeting.

5.2. It is imperative that the Members attend the meetings in person. In case any Member is unable to attend the meeting, the Chairperson shall be informed in advance and the absentee Member shall nominate its representative, duly authorized, ordinarily, not below the level of a Joint Secretary.

5.3. The quorum for the GASAB meetings requires the presence of seven Members or one-third of total Members, whichever is higher. Any decision of the GASAB shall be taken by a simple majority.
5.4. For voting purposes, each Member shall have one vote. Each Member may be accompanied by a Technical Advisor, who shall participate in the meeting but shall not be entitled to vote. In addition, the GASAB may invite experts for specific technical inputs, who may also participate but will not be entitled to vote.

5.5. Notice period for a GASAB meeting shall be at least one month unless a shorter period is warranted in case of an exigency.

6. The GASAB Secretariat

6.1. The GASAB Secretariat is constituted of five officers at Senior Administrative Grade level from the accounting departments of government of India, viz., Indian Audit & Accounts Service, Indian Civil Accounts Service, Indian Posts & Telecommunications Accounts and Finance Service, Indian Defence Accounts Service and Indian Railway Accounts Service on deputation basis with a tenure of up to five years. In addition, Director General (Accounts) from the IA&AS is the Member Secretary of GASAB.

6.2. The GASAB Secretariat shall be headed by Deputy Comptroller and Auditor General (DAI) who may be assisted by Additional Deputy Comptroller and Auditor General (ADAI).

7. Contents of a Government Accounting Standard

7.1. The Government Accounting Standard shall normally contain the following:

7.1.1. Introduction and Background

7.1.2. Present Status of the proposed accounting requirements in the Government Accounting Framework

7.1.3. Objective(s) of the Standard

7.1.4. Scope of the Standard

7.1.5. Definitions of the terms used in the Standard

7.1.6. Recognition and measurement principles (including initial and subsequent measurement) and de-recognition, wherever applicable

7.1.7. Presentation and disclosure requirements (including formats for disclosure and presentation)
7.1.8. Effective Date

7.1.9. Transitional provisions, if any.

7.2. Every Standard shall be read in the context of the Preface to IGASs and IGFRSs, which is contained in Annexure 1.


Broadly, the following process shall be adopted for formulating a Government Accounting Standard:

8.1. Strategic Development Plan (SDP)

8.1.1. SDP is a plan for the period of next three years identifying subjects for formulation of Government Accounting Standards, keeping in view the priorities areas, with a view to improve government accounting and financial reporting. While finalising the subjects for formulation of Government Accounting Standards by the GASAB Secretariat, proposals received from various sections of the Union and State Governments, suggestions of Members of GASAB, members of Civil Society, Professional Bodies and other stakeholders, shall be considered. Every three years, the GASAB Secretariat would initiate the process of obtaining suggestions from various stakeholders in areas requiring greater accountability and improving government accounting and financial reporting framework. GASAB shall approve the Strategic Development Plan, identifying the subjects and their priorities for preparation of Government Accounting Standards. The SDP shall further divide the priority areas into Annual Work Plans.

8.1.2. At every meeting of GASAB, the update of the Annual Work Plan shall be provided by the GASAB Secretariat along with placing the updated information on the activities on the GASAB. The GASAB Website shall also include the Work Plans as updated from time to time with each project usually having its own project page to communicate the progress.

8.2. Discussion Paper

8.2.1. Once an accounting and financial reporting issue has been identified and included in SDP, a Member of the GASAB Secretariat shall be assigned the subject by the competent authority within GASAB Secretariat, who will prepare a draft ‘Discussion Paper’ of the Government Accounting Standard, on time bound basis, which will contain a project description, key issues, possible
approach to address the issues and an assessment of the potential benefits for undertaking the project.

8.2.2. In developing the Standards, the GASAB Members shall study the existing rules, codes and principles as internal sources, and seek inputs from external experts, and consider and make use of accounting pronouncements issued by:

a. The Government of India;

b. The International Public Sector Accounting Standards Board (IPSASB) and other international best practices to the extent they are applicable to the Government sector;

c. Regulatory authorities and similar bodies;

d. Other organizations interested in financial statements of the government

8.2.3. **Internal Working Group (IWG)** The Member of the GASAB Secretariat, preparing the draft Discussion Paper, may also hold consultation with such other experts as are considered necessary. For this purpose, an IWG, generally chaired by MS/GASAB, shall be formed with the approval of Deputy Comptroller & Auditor General of India (DAI). It would include domain experts from other entities/individuals from appropriate accounting organizations and academia, to help the Member of the GASAB Secretariat in finalizing the Discussion Paper, through meetings held over time.

8.3. **Preliminary Draft:**

8.3.1. The Discussion paper finalised as above is taken up for consideration by the Technical Advisers (TAs) for finalizing the Preliminary Draft of the proposed Standard, having content as that of a Government Accounting Standard, as enumerated in paragraph 7 above.

8.3.2. The Discussion Paper will be circulated to all TAs as an agenda item for discussion during the Technical Advisors’ meeting. There may be at least one and not more than four TA meetings, ordinarily, on a proposed Standard. If required, a select group of experts may also be invited to attend the meetings. The TAs, during the course of meetings, shall finalise the Preliminary Draft of the Accounting Standard to be put up for approval of the GASAB. The presence and participation of TAs is imperative to ensure an in-depth discussion on the subject providing their organisations’ perspective.
8.4. **Exposure Draft:**

8.4.1. The Preliminary Draft of the Accounting Standard is presented by the concerned officer in the GASAB Secretariat for detailed discussion at a meeting of the GASAB. The GASAB deliberates and approves it by a majority vote, to be issued as an Exposure Draft (ED) uploading it for a minimum period of 90 days on the GASAB website. The ED would also be widely circulated, in order to get an opinion from all stakeholders, their comments or suggestions, to be considered by the GASAB.

8.4.2. As far as possible, the time period of the Exposure Draft (ED) shall also be utilized for executing a simultaneous pilot run on the proposed Standard.

8.4.3. The Exposure Draft shall also be simultaneously forwarded to the Ministry of Finance for their preliminary examination and suggestions thereon, if any.

8.5. **Approval of the proposed Government Accounting Standard**

8.5.1. The Exposure Draft shall be modified by the concerned Member in the GASAB Secretariat to ensure due incorporation of the responses and suggestions received from stakeholders including the suggestions proposed by the Ministry of Finance (MoF).

8.5.2. The ED so modified is included as an agenda item for the GASAB meeting, highlighting key modifications along with collation of all comments received on the ED, along with responses thereon of the GASAB Secretariat. In case of fundamental changes to the draft, the GASAB may also decide to hold another TA’s meeting for deliberation and consideration of modifications. Approval to the Final Standard is accorded by the GASAB by a simple majority.

8.5.3. The concerned Member of the GASAB Secretariat, while presenting the draft pronouncement to the GASAB for approval, shall confirm that all due-process stages as per the check-list included in **Annexure 2** have been duly adhered to.
8.6. **Notification of the Government Accounting Standard**

The Government Accounting Standard as approved by the GASAB, shall be submitted to the MoF under intimation to the C&AG for notification in the Gazette of India for enforcement and implementation by all government accounting entities. The MoF shall notify the Government Accounting Standard within three months of its receipt from the GASAB unless it conveys its reservations to the GASAB through a written communication.

8.7. **Post-implementation review of a Government Accounting Standard.**

Ordinarily, a mandatory review of each Government Accounting Standard shall be undertaken every 3 years, post-notification, unless it is desirable to do so earlier. The GASAB shall then decide by a majority vote whether a Standard is to be revised or withdrawn, after recording the justification for the same.

1. Subject approved in Strategic Development Plan

2. Discussion Paper

3. Preliminary Draft / TA Meeting

4. Consideration of GASAB for approval as Exposure Draft / uploaded / Pilot Run conducted

5. Duly modified ED approved as Government Accounting Standard by GASAB

Compliance on Due Process

6. Under intimation to C&AG, approved Government Accounting Standard sent to MoF for Notification

7. Notification by MoF

9. Compliance with the Government Accounting Standards

9.1. The Government Accounting Standards shall be mandatory from the period mentioned in the Notification of the Government Accounting Standard. However, no standard will have retrospective application, unless otherwise stated. The onus of complying with the Standard shall be that of the head of the Accounting Authority of the entity. In the event of a deviation, there shall be adequate disclosures conveying the same, to the users of financial statements. However, the disclosure of deviation does not mean compliance with the requirements of a Government Accounting Standard.

9.2. Financial Statements cannot be described as complying with the Government Accounting Standards unless they comply with all the requirements of each applicable Standard.

10. Guidance Notes

10.1. Guidance Notes (GN) are prepared and issued when the need for a Standard is not felt immediately, as an interim document, to be codified as part of General Financial Rules (GFR) recommending good accounting practices. Overtime, the GN paves way for a Standard.

10.2. GN can also be issued to provide guidance on implementation of a Standard.

10.3. Thus, a GN could be promulgated both as a precursor to a Standard or as a document detailing implementing mechanism of a Standard.

10.4. The process of development of a GN shall be the same as that of a Standard.

11. Research papers

11.1. The GASAB’s research programme may involve the analysis of possible government accountability issues on the nature and extent of the perceived shortcomings and assessing potential ways to improve government financial reporting and/or to remedy a deficiency. The research programme also includes the consideration of broader financial reporting issues, e.g., accounting for natural resources, heritage assets etc., to encourage debate on financial reporting matters amongst various interest groups.

11.2. A research project which may have the potential for development of a Government Accounting Standard shall be included in the SDP for approval of the GASAB.
member of the GASAB Secretariat shall be assigned the project, who would
prepare a draft Research Paper on the subject, after consulting relevant interest
groups and studying the available literature on the subject.

11.3. Not all matters included in the research programme will proceed to a proposal for
a new or modified standard or other pronouncement.

11.4. The GASAB shall decide whether the findings of a research paper indicate that a
Government Accounting Standard or a Guidance Note needs to be developed. In
case there is no such indication, the GASAB may then decide whether it shall be
published as a research paper for general information and debate.

12. **Annual Report of the GASAB**

An Annual Report of the GASAB, as prepared by the GASAB Secretariat, shall be
approved by the GASAB at the end of each financial year. It shall include the activities, events
and accomplishments for the year particularly in the light of the Annual Work Plan for the
current year. It shall also include next year’s Annual Work Plan and priorities of GASAB.
Preface to the IGASs and IGFRSs

1. Introduction

1.1. The Preface shall be used as a reference for applying both the IGASs (Indian Government Accounting Standards based on Cash-based system of accounting) and IGFRSs (Indian Government Financial Reporting Standards based on Accrual-based system of accounting).

1.2. The Indian Government Accounting Standards (IGASs) are Government Accounting Standards as notified by Union government and are applicable to Union Government, State Governments and Union Territories with Legislature for preparation and presentation of General Purpose Financial Statements (hereinafter referred to as ‘GPFS’ or ‘financial statements’) under the existing cash-based system of accounting. In Cash Basis of Accounting, with the exception of such book adjustments as may be authorised by these rules or by any general or special orders issued by the Central Government on the advice of the Comptroller and Auditor General of India, the transactions in Government accounts shall represent the actual cash receipts and disbursements during a financial year as distinguished from amounts due to or by government during the same period.

1.3. The Indian Government Financial Reporting Standards (IGFRSs) are accrual-based standards formulated, initially, to facilitate pilot projects to implement preparation and presentation of accrual-based financial statements, wherever a Government decides to so (e.g., in railways). Accrual Based System of Accounting measures the performance and position of an entity by recognizing economic events at the time in which the transaction occurs rather than when payment is made or received. Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. Going forward, the IGFRSs may also be implemented for preparation and presentation of the GPFS of all government entities with effect from the date of notification by Government of India.

1.4. The term General Purpose Financial Statements (GPFS) of the Union and the State Government includes Finance Accounts, Appropriation Accounts and Statements and Schedules with Notes to Accounts which form part thereof, issued for the use of various stakeholders, Governments and their agencies and the public. These are

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1 GAR Rule 21
2 IPSAS
3 Adapted from Preface of Compendium of ACCOUNTING standards.
submitted by the Comptroller and Auditor General of India to the President or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, who shall cause them to be laid before the Houses of Parliament, Legislatures of the States and of Union Territories respectively.

1.5. **Finance Accounts** are Annual Accounts of the Government of India (including transactions of Department of Posts and Ministries of Defence and Railways and transactions under Public Account of India of Union Territory Governments), showing under the respective Heads the annual receipts and disbursements and statement of balances. **Appropriation Accounts** are the accounts reflecting the Government’s expenditure in a financial year compared against the amounts of voted grants and charged appropriations, as specified in the Schedules appended to the Appropriation Act passed by Parliament. These accounts contain information regarding re-appropriation of the sanctioned provision from one unit of appropriation to another, savings and excess of expenditure if any against these appropriations as well as the supplementary grants. Appropriation Account is an aid for the Parliament and the Public Accounts Committee to ascertain the performance of Government against the budgeted provisions. Any expenditure in excess of the Grants requires regularisation by the Parliament.

1.6. With the formulation and implementation of IGAS and IGFRs (also referred to as ‘Government Accounting Standards’), the terminologies, contents, and formats and GPFS may undergo changes to facilitate greater transparency to ensure greater accountability of the governments.

1.7. **Accounting Authority** is the authority which has the responsibility for the preparation of Financial Statements of the Government entity. The auditor’s responsibility is to form his opinion and report on such financial statements. The term ‘Government entity’ means a department or a ministry of Government, whether of the Union Government or State Government or Union Territories with Legislature. It could be a subsidiary accounting unit for which accounts are prepared.

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4 in accordance with the provisions of Section 11 of the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971 and Clause (1) of Article 151 of the Constitution of India, and to the Governor.

5 Rule 89, GFR 2017


7 As defined under Rule 2(c) of, Government Accounting Rules, 1990 (‘Chief Accounting Authority’, means the Secretary of a Ministry or Department of the Government of India in which the Departmentalised System of Accounting has been introduced and in the case of a Union Territory with separated accounts, its Chief Secretary/ Chief Commissioner)
1.8. Efforts will be made to issue Government Accounting Standards which are in conformity with the provisions of the applicable laws and Constitutional provisions. However, if a particular Government Accounting Standard is found to be not in conformity with law, the provisions of the said law shall prevail.

1.9. The Government Accounting Standards by their very nature cannot and do not override the government policy regulations which govern the preparation and presentation of financial statements in the country. Further, the Government Accounting Standards are intended to apply only to material items. For discharging its functions, GASAB will keep in view the purposes and limitations of the financial statements. Any limitation of the applicability of a specific IGASs/IGFRSs is made clear in those documents.

1.10. **Materiality**\(^8\) depends on the nature and size of the omission or misstatement judged in the surrounding circumstances. Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. The nature or size of the item, or a combination of both, could be the determining factor.

1.11. GASAB shall clarify the terms used in the Standards and suggest improvements in the terminology used in the financial statements, wherever necessary, along with standardizing the procedures, thereby reducing or eliminating alternative practices.

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8 IPSAS 1
ANNEXURE 2:

Check list as envisaged under para 8.5.3, confirming that all due stages have being duly adhered to.

1. The proposed subject has been approved by the GASAB and included in the Annual Work Plan of Strategic Development Plan (SDP) as a priority subject for formulation of a Government Accounting Standard.

2. A Discussion Paper for the proposed Standard was prepared in consultation with Internal Working Group (IWG) and domain experts and due consideration was given to their suggestions.

3. Discussion Paper taken up for detailed deliberation in the ….. (numbers) Technical Advisors’ meetings. Suggestions therein given due consideration, collated comments and responses prepared, modifications incorporated and the Preliminary Draft finalised for taking it up by the GASAB.

4. GASAB met for consideration of and discussion on the Preliminary Draft and Exposure Draft was approved by the GASAB.

5. The Exposure Draft was uploaded for 90 days on the GASAB Website and was separately circulated for all stakeholders to provide their inputs.

6. Pilot runs were conducted during the exposure period of the Exposure Draft.

7. All comments received from various entities along with inputs received from pilot runs were considered by the GASAB secretariat in revising the Exposure Draft for the consideration of the GASAB.

8. The responses of GASAB Secretariat on all collated comments/inputs received from pilot runs of the Exposure Draft are placed before the GASAB along with revised ED as per 7 above.

9. The relevant Agenda Item includes an assertion that the above stages of the Due Process have been complied with.