

एक्सपोजर ड्राफ्ट
EXPOSURE DRAFT
आईजीएस-2 : एकाउंटिंग आफ ग्रान्टस इन एड
IGAS-2: Accounting of Grants-in-aid

जारी करने की तिथि 22 नवम्बर 2018
Issued on 22 November 2018
प्रतिक्रिया देय तिथि 19 फरवरी 2019
Response Due Date 19 February 2019

टिप्पणियों हेतु जारीकर्ता
Issued for comments by
सरकारी लेखाकरण मानक सलाहकार बोर्ड) गसब(
GOVERNMENT ACCOUNTING STANDARDS ADVISORY BOARD (GASAB)

MODIFIED IGAS 2: Accounting of Grants- in- Aid

In exercise of the powers conferred by article 150 of the Constitution of India, the President of India, on the advice of the Comptroller and Auditor General of India, hereby makes the following accounting standards, namely,- Indian Government Accounting Standards (IGAS)2- "Accounting of Grants- in- Aid."

The Indian Government Accounting Standards, (IGAS) 2-"Accounting of Grants-in-Aid", prescribes the principles of accounting of Grants-In-Aid in the Financial Statements of Government, both as Grantor as well as Grantee.

The Standard, which has been set in italic type, should be read in the context of the explanatory paragraphs in this Standard which are in plain type and in the context of the "Preface to Indian Government Accounting Standards". All the paragraphs have equal authority. The Indian Government Accounting Standards are intended to apply only to items which are material.

Introduction

1. Grants-in-aid are payments in the nature of assistance, donations or transfer of items (cash or kind) made by Government (grantor) to another entity (grantee) without receiving any consideration in return. Grants-in-aid are given for specified purpose of supporting an entity including acquisition of assets. Such grants-in-aid given in cash or in kind could be used by the recipient entities towards meeting their requirements for implementing programmes and schemes of the government.

2. Grants-in-aid are given by the Union Government to State Governments, Union Territories with Legislature, a person or a public body or an institution having a distinct¹ legal entity and by the State Governments and UTs with Legislature to a person or a public body or an institution having a distinct legal entity. Grants-in-aid released by the Union Government to the State Governments, Union Territories with Legislature and others are paid out of the Consolidated Fund of India as per Articles 275 and 282 of the Constitution. The Union Government releases grants-in-aid to the State/Union Territory with Legislature under Central Sector Schemes and Centrally Sponsored Schemes. Sometimes, the Union Government disburses funds to the State Governments in the nature of Pass-through Grants that are to be passed on to the Local Bodies. Funds are also released directly by the Union Government to District Rural Development Agencies (DRDAs) and other specialized agencies including Special Purpose Vehicles (SPVs) for carrying out rural

¹ Rule 228 of GFR 2017

development, rural employment, rural housing, other welfare schemes and other capital works schemes like construction of roads, etc. Similarly, the State Governments also disburse Grants-in-aid to agencies, bodies and institutions such as universities, hospitals, cooperative institutions and others. Grants are also given by the governments to the Public Sector Undertakings, including Statutory Corporations, Government Companies, apart from the private sector companies.

3. Article 243 of the Constitution endows the Panchayats and the Municipalities with such powers and authorities to enable them to function as institutions of self-government in relation to the matters listed in the Eleventh and the Twelfth Schedules respectively. The Constitution also authorizes the State Governments to provide for making such grants-in-aid to the Panchayats and the Municipalities as may be specified in the law. The State Governments also disburse Grants-in-aid to agencies, bodies and institutions having a distinct legal entity.

4. The disclosures prescribed in this Standard are expected to lead to a more informed decision making, *inter alia*, by:

- 4.1. ensuring that the grants provided were utilized for the specified purpose, especially, grants given for creation of capital assets. The extent of Grants-in-aid disbursed by the grantor to the grantee for the purpose of creation of capital assets would enable assessment of the quantum of future capital formation activity that must be undertaken by the grantee(s) duly supported by funds from the Government;
- 4.2. identifying the extent to which the grants have remained unspent by the grantee; and
- 4.3. ensuring that the Pass-through grants have been received by the ultimate grantee and have been utilized for the specified purpose.

Objective

5. The objective of this Standard is to prescribe the principles of accounting viz. recognition, measurement and disclosures of Grants-in-aid in the Financial Statements of Government both as a grantor as well as a grantee.

Scope

6. *This Standard applies to Union Government, State Governments and Union Territories with Legislature in accounting of Grants-in-aid given or received by them excluding grants received from external sources.*

Definitions

7. *The following terms are used in this Standard with meanings specified, unless the context otherwise requires:*

- 7.1. **Accounting Authority** is the authority which prepares the Financial Statements of the Government.
- 7.2. **Asset** is a resource presently controlled by the entity as a result of a past event. A resource is an item (e.g. a fixed asset or a consumable) with service potential or the ability to generate economic benefits.
- 7.3. **Capital Assets** mean investments in fixed assets and investments in equity/ long term loans (more than twelve months from the date of issue).
- 7.4. **Financial statements** mean the Annual Finance Accounts of the Union Government, the State Governments and UTs with Legislature.
- 7.5. **Grants-in-aid** are payments, in the nature of assistance, donations or transfer of assets (cash or kind) made by Government (grantor) to another entity (grantee) without receiving any consideration in return. These include Pass-through Grants also.
- 7.6. **Government** means departments and ministries of Government, whether of the Union Government or State Government or Union Territories with Legislature.
- 7.7. **Local Body** is an authority legally entitled or specially empowered by government to administer a local fund which may include Panchayati Raj Institution² and Urban Local Body³ under the provisions of Article 243 and Schedules 11 & 12 of the Constitution.
- 7.8. **Pass-through Grants** means grants-in-aid in cash given by the Union Government to State Governments/ Union Territories with Legislature (the intermediate grantee) for transfer to Local Bodies, (the ultimate grantee).

Recognition

8. *Grants-in-aid in cash shall be recognised as revenue expenditure in the Financial Statements of the grantor at the time cash is disbursed. Grants-in-aid in cash shall be recognized as revenue receipts in the Financial Statements of the grantee at the time cash is received.*

9. *Grants-in-aid in kind shall be recognized as a grant by the grantor in the Financial Statements at the time of their delivery. Grants-in-aid in kind shall be recognized by the grantee in the Financial Statements at the time of their receipt by the grantee.*

² Panchayati Raj Institutions include entities like Zilla Parishads (District Panchayats), Block Panchayats, Gram Panchayats (Village Panchayats), and equivalent organisation.

³ Urban Local Bodies include Municipal Corporations, Municipalities, Notified Area Authorities and similar institutions.

10. Classification

- 10.1. *Grants-in-aid shall be classified as grants-in-aid in cash or grants-in-aid in kind.*
- 10.2. *The grants-in-aid in cash shall further be classified by both the grantor and the grantee, on the basis of the purpose for which the funds disbursed as grants-in-aid are to be spent by the grantee, i.e. Grant-in-aid Salaries; Grant-in-aid for creation of Capital Assets (as specified in the sanction letter); and Grants-in-aid General.*

Measurement

11. Grants-in-aid by the grantor shall be measured as follows:

- 11.1. *Grants-in aid disbursed by the grantor in cash, shall be measured at the disbursed amount.*
- 11.2. *Grants-in-aid disbursed by the grantor, in kind, shall be measured at the historical cost of the asset (except where such grants are covered by paragraph 11.3 below) and in appropriate quantitative terms.*
- 11.3. *Grants-in-aid disbursed by the grantor, in kind, shall be measured at the nominal value of Re.1 per asset (for the purpose of this Standard) and in appropriate quantitative terms, where cost of the asset (including land) is not available.*

12. Measurement of Grants-in-aid by the grantee(s), shall be disclosed as per the following:

- 12.1. *Grants-in aid received by the grantee, in cash, shall be measured at the amount received.*
- 12.2. *Grants-in-aid received by the grantee, in kind, shall be measured at the historical cost of the asset incurred by the grantor (except where such grants are covered by paragraph 12.3 below) and in appropriate quantitative terms.*
- 12.3. *Grants-in-aid given in kind, received by the grantee, shall be measured at the nominal value of Re.1 per asset (for the purpose of this Standard) and in appropriate quantitative terms, where cost of the asset (including land) is not available.*

Disclosure

13. *Information regarding Grants-in-aid given and received in the formats prescribed in Statements 1, 2 and 5 of the Annexure shall be generated from the accounting records. The information regarding Grants-in-aid given and received in the formats prescribed in Statements 3 and 4 of the Annexure shall be generated from the subsidiary records of the entity.*

Where Grants-in-aid in kind is required to be measured at Re.1, it shall be specified in the format prescribed of the Annexure, that the same has been taken at nominal value.

14. Disclosures on the face of the Formats for the grantor :

14.1 Grants-in-aid given in cash shall be disclosed separately as Grant-in-aid Salaries; Grant-in-aid for creation of Capital Assets; and Grant-in-aid General during the financial year in the format prescribed in Statement 1 of the Annexure of this Standard.

14.2 Grants-in-aid given in kind shall be disclosed at the historical cost of the asset (except where such grants are covered by paragraph 14.3 below) and in appropriate quantitative terms in the format prescribed in in Statement 3 of the Annexure of this Standard.

14.3 Grants-in-aid given in kind shall be disclosed at the nominal value of Re.1 per asset (for the purpose of this Standard) and in appropriate quantitative terms where cost of the asset (including land) is not available in the format prescribed in Statement 3 of the Annexure of this Standard.

14.4 Refunds of the grants-in-aid and the interest thereon received in cash shall be disclosed in the format prescribed in Statement 1 of the Annexure of this standard.

15 Disclosure on the face of the Formats for the grantee:

15.1 Grants-in-aid received in cash shall be disclosed separately as Grant-in-aid Salaries; Grant-in-aid for creation of Capital Assets; and Grant-in-aid General during the financial year in the format prescribed in Statement 2 of the Annexure of this Standard.

15.2 Grants-in-aid received in kind shall be disclosed at the historical cost (as indicated by the grantor) of the asset (except where such grants are covered by paragraph 15.3 below) and in appropriate quantitative terms in the format prescribed in Statement 4 of the Annexure of this Standard.

15.3 Grants-in-aid received in kind shall be disclosed at the nominal value of Re.1 per asset (for the purpose of this Standard) and in appropriate quantitative terms where cost of the asset (including land) is not available in the format prescribed in the Statement 4 of the Annexure of this Standard.

15.4 Refunds given of the grants-in-aid in cash and the interest thereon shall be disclosed in the format prescribed in the Statement 2 of the Annexure of this Standard.

16 The extent of Grants-in-aid disbursed by the grantor to the grantee for the purpose of creation of capital assets would enable the users of Financial Statements to assess the quantum of

future capital formation activity that must be undertaken by the grantee(s) duly supported by funds from the Government.

17 The **Pass-through Grants** are normally given through an intermediate grantee for transfer to ultimate grantee(s). All principles of Recognition, Measurement and Disclosure as applicable in respect of the grantee (at the time of receipt) and grantor (at the time of disbursement) shall be applicable *mutatis mutandis* to the intermediate grantee.

18 *Disclosures in the Notes to the Formats*

18.1 *The following shall be disclosed by way of separate notes to the given format for Disclosure on Grants-in-aid by both the grantor and the grantee:*

- i. *Whether the Utilisation Certificates of Grants-in-aid (in cash and in kind) have been furnished except where it is not required to be submitted.*
- ii. *Grants-in-aid in kind given/ received in the form of land and measured at the nominal Re.1 as prescribed in the paragraphs 14.3 and 15.3 above, the prevailing circle rates shall be disclosed.*
- iii. *Grants-in-aid in kind given/ received in the form of land, any change in the land use shall be disclosed along with the authority approving the change.*
- iv. *Grants-in-aid in cash/kind given/received are conditional in nature, any infringement in the condition shall be disclosed.*
- v. *Where the sanctioned letter specifies/requires that all interests⁴ or other earnings against Grants in aid or advances (other than reimbursement) released to any Grantee institution should be mandatorily remitted to the Consolidated Fund of India immediately after finalisation of the accounts and not be adjusted against future releases, such interest or other earnings received in respect thereof, if not remitted to the Consolidated Fund, under intimation to the grantor, shall be disclosed.*
- vi. *Whether Achievement-cum-Performance Report⁵ on utilization of grant has been submitted/ received.*

⁴ GFR 230 (8)

⁵ Rule 242(2) of GFR 2017

18.2 *Balances unspent in case of Grants-in-aid in cash and quantity unutilized in case of Grants-in-aid in kind shall be disclosed by the grantee.*

Presentation

19 Disclosures specified in the above paragraphs shall be provided as Statements in the Formats included in the Annexure to be presented as relevant Appendices to the Financial Statements of the Union Government, the State Governments and UTs with Legislature.

Effective Date

20 This Indian Government Accounting Standard on Accounting of Grants-in-aid becomes effective from the date of notification of Ministry of Finance on

Annexure

1. Statement containing Details of Total Grants-in-aid disbursed by the grantor in cash during the Year:
(Amount in lakhs of Rs.)

Name/ Category of the grantee	Total Funds Disbursed as Grants-in-aid in cash					Amount refunded to Consolidated Fund (for grants pertaining to previous years)	Interest/ other earnings deposited by the grantee
	Account Head	Grant-in-aid Salaries	Grant-in-aid for creation of Capital Assets	Grant-in-aid General	Total		
1	2	3	4	5	6 (3+ 4+ 5)	7	8
State Government ⁶							
Union Territories with legislature							
Urban local Bodies							
Rural Local Bodies							
Autonomous bodies, Public Sector Undertakings							
Foreign Governments							
International Bodies							
Other Bodies							
Individuals							
Others, if any							

⁶ The disclosure shall be under Plan/Non-plan wherever applicable

2. Statement containing Details of Total Grants-in-aid received by the grantee in cash during the Year:

(Amount in lakhs of Rs.)

Name/ Category of the Grantor	Ac cou nts He ad	Opening Balance				Total Funds (O.B.+Received during the year) as Grants-in- aid in cash				Expenditure Incurred				Amo unt refun ded to Cons olida ted Fund	Unspent Balance				Interest / other earnings deposited
		Grant -in-aid Salarie s	Grant -in-aid for creatio n of Cap	Grant -in-aid Gene ral	Total (3+4 +5)	Grant -in-aid Salarie s	Grant -in-aid for creatio n of Capita l Assets	Grant -in-aid Gene ral	Tot al (7+8 +9)	Grant -in-aid Salarie s	Grant -in-aid for creat ion of Capi tal	Grant -in-aid Gene ral	Total (11+1 2+13)		Grant- in-aid Salarie s	Grant- in-aid for creatio n of Capital Assets	Grant -in-aid Gene ral	Total (6+10-14)	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Union Governme nt ⁷																			
Internatio nal Bodies																			
State Governme nt ⁷																			
Union Territorie s with																			

⁷ The disclosure shall be under Plan/Non-plan wherever applicable

3. Statement Containing Details of Total Grants-in-aid in kind disbursed by the grantor during the Year:
(Amount in lakhs of Rupees)

Name/ Category of the grantee	Name of Assets ⁸	Total Grants-In-aid in kind disbursed		Remarks
		Amount	Quantity in relevant units of measurement	
1	2	3	4	5
State Government				
Union Territories with legislature				
Urban local Bodies				
Rural Local Bodies				
Autonomous bodies, Public Sector Undertakings				
Foreign Governments				
International Bodies				
Other Bodies				
Individuals				
Others, if any				

⁸ Each class of asset shall be disclosed in a separate row

4. Statement Containing Details of Total Grants-in-aid in kind received by the grantee during the Year:
(Amount in lakhs of Rupees)

Name/ Category of the Grantor	Opening Balance	Name of Assets ⁹	Total Grants-in-aid in kind received		Quantity remaining unused	Remarks
			Amount	Quantity in relevant units of measurement		
1	2	3	4	5	6	7
Union Government						
International Bodies						
State Government						
Union Territories with legislature						

⁹ Each class of asset shall be disclosed in a separate row

Statement Containing Details of Total Pass-Through Grants-in-aid during the Year:

(Amount in lakhs of Rupees)

Name/ Category	Total Funds Received as Grants-in-aid in cash				Name/ Category of the Grantee	Total Funds Disbursed as Grants-in-aid in cash			
	Grant-in-aid Salaries	Grant-in-aid for creation of Capital Assets	Grant-in-aid General	Total		Grant-in-aid Salaries	Grant-in-aid for creation of Capital Assets	Grant-in-aid General	Total
1	2	3	4	5 (2+3+4)	6	7	8	9	10 (7+8+9)
State Government ¹⁰									
Union Territories with legislature									
Urban Local Bodies									
Rural Local Bodies									

¹⁰ The disclosure shall be under Plan/Non-plan wherever applicable