

GOVERNMENT ACCOUNTING STANDARDS ADVISORY BOARD

Preface to Indian Government Accounting Standards (IGASs) and Indian Government Financial Reporting Standards (IGFRSs)

This Preface sets out the objectives and standard-setting procedure of the Government Accounting Standards Advisory Board (GASAB) and explains the scope and authority of the Indian Government Accounting Standards (IGASs) for cash system of accounting and Indian Government Financial Reporting Standards (IGFRSs) for accrual system of accounting. The Exposure Drafts issued by GASAB and the IGASs and IGFRSs formulated by GASAB and notified by the President of India in accordance with the provisions of Constitution of India should be read in the context of this Preface.

Introduction

Formation of GASAB

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.” Accordingly, with the support of the Government of India, the Government Accounting Standards Advisory Board (GASAB) was constituted by the Comptroller & Auditor General of India on August 12, 2002 for the Union and States.

Composition of GASAB

2. The following is the composition of the GASAB:
 - i. Deputy Comptroller and Auditor General as *Chairperson*
 - ii. Controller General of Accounts, Ministry of Finance, Government of India
 - iii. Financial Commissioner, Railways, Ministry of Railways, Government of India
 - iv. Controller General of Defence Accounts, Ministry of Defence, Government of India
 - v. Secretary (Posts), Department of Posts
 - vi. Member (Finance), Department of Telecommunications
 - vii. Additional Secretary (Budget), Ministry of Finance, Government of India
 - viii. Deputy Governor, Reserve Bank of India or his/ her nominee.
 - ix. Director General, National Council of Applied Economic Research (NCAER), New Delhi
 - x. President, The Institute of Chartered Accountants of India (ICAI), or his/her nominee
 - xi. President, The Institute of Cost and Works Accountants of India (ICWAI)
 - (xii-xv) Principal Secretary (Finance)/ Secretary (Finance) of four States by annual rotation and

- (xvi) Director General (Accounts)/ Principal Director, Office of the Comptroller and Auditor General of India, as *Member Secretary*.
3. All Members, except the Deputy Governor, Reserve Bank of India and the President, Institute of Chartered Accountants of India who could nominate their representatives, are required to attend the meeting personally. In case any Member is unable to attend the meeting, the *Chairperson* could be informed in advance and the absentee Member could send the views in advance of the scheduled Board meeting.
 4. The GASAB Secretariat is located in the Office of the Comptroller & Auditor General of India. The Secretariat normally consists of officers from the Indian Audit & Accounts Service, Indian Civil Accounts Service, Indian Defence Accounts Service, Indian Railway Accounts Service, Indian Posts & Telecommunications Accounts and Finance Service.

Scope, Objectives and Responsibilities of GASAB

5. The objective of the GASAB is to formulate Standards relating to accounting and financial reporting by the Union, the States and Union Territories with Legislature. The Standards so formulated by GASAB are recommended to the Government of India for notification in accordance with the provisions of the Constitution.
6. The GASAB shall have, inter alia, the following responsibilities:-
 - 6.1 To establish and improve Standards of Government accounting and financial reporting in order to enhance accountability mechanisms;
 - 6.2 To formulate and propose Standards that improves the usefulness of financial reports based on the needs of the users;
 - 6.3 To keep the Standards current and reflect change in the Governmental environment;
 - 6.4 To provide guidance on implementation of Standards;
 - 6.5 To consider significant areas of accounting and financial reporting that can be improved through the standard setting process; and
 - 6.6 To improve the common understanding of the nature and purpose of information contained in the financial reports.
7. While formulating Standards, the GASAB considers the well-established system of Government accounts in India with underlying accounting concepts and principles. The GASAB also examines relevance of international best practices and gives due consideration while formulating Standards to inclusion of encouraged disclosures or additional information.

8. Consequent upon the recommendation of the Twelfth Finance Commission for introduction of accrual basis of accounting in Government and acceptance by Government of India in principle, GASAB suggested an operational framework and roadmap for transition to accrual basis of accounting in Governments. Subsequently, following the mandate given by the Government to the C&AG to steer implementation of accrual accounting in consultation with different stakeholders and accounting organizations, GASAB is entrusted with the responsibility of formulating accrual based Standards.
9. The Standards formulated on cash basis of accounting are termed as Indian Government Accounting Standards (IGASs) and the Standards formulated on accrual basis of accounting are termed as Indian Government Financial Reporting Standards (IGFRSs)

Financial Statements of the Government

10. Financial Statements of the Government relate to the Annual Finance Accounts and Annual Appropriation Accounts of the Union Government, State Governments and Union Territories with Legislature. It would also include appropriate statements, schedules and notes to the above Statements. Detailed statements/schedules support the main statements/schedules while additional disclosures are meant to augment the financial statements and are included in the form of notes.

Authority, Scope and Applicability of IGASs and IGFRSs

11. The Standards are notified by the Government as per the powers vested under Article 150 of the Constitution. The IGASs and IGFRSs, as notified by the Government, are applicable to the Union and the States.
12. The provisions of the Standards do not override the provisions of any existing or future Acts or Rules made there under by the Union or State Governments.
13. The Standards would be prospective in their application. The Standards are not applicable retrospectively and the Governments are not required to reframe their Financial Statements of previous periods to comply with the Standards.
14. Standards by their very nature are meant to apply to material items. Any other limitation on their applicability or otherwise is made clear by GASAB in the respective Standards.
15. The Standards have standard portions set in bold italic type which should be read in the context of explanatory paragraphs in the respective Standards set in plain type. Both have equal authority; portion in bold, italic type indicating main principles whereas those in plain type explain those principles.

Standard-setting Procedure for Accounting Standards

16. The following procedures are adopted by the GASAB for formulating Standards:

- 16.1 The GASAB Secretariat identifies areas for Standard formulation and places them before the GASAB for selection and approval. While doing so, the Secretariat places before the GASAB all important suggestions, references, proposals received from various sections of the Union and State Governments, members of GASAB, members of Civil Society, Professional Bodies and other stakeholders. The priorities, as approved by the GASAB, guide further functioning of the GASAB Secretariat.
- 16.2 The GASAB Secretariat thereafter prepares the discussion paper on the selected issues for consideration of the GASAB.
- 16.3 While doing so, the Secretariat studies the existing rules, codes and principles as internal sources, and documents/pronouncements/Standards issued by other national and international Standard setting and regulatory bodies. The Secretariat may also hold consultation with such other persons as are considered necessary for this purpose.
- 16.4 On consideration of the Discussion paper and the comments received thereon, the GASAB finalizes the Exposure Draft.
- 16.5 The GASAB may constitute Standing Committee and/or Task based Groups from amongst the Members or their representatives to consider specific areas before finalization.
- 16.6 The Exposure Draft, as approved for issue by the GASAB, are widely circulated in the public domain and forwarded to all stakeholders. The Exposure Draft is required to be hosted at the website of GASAB.
- 16.7 Based on the comments received on the Exposure Draft, the Standards are finalized by the GASAB. The Standards, as finalized, are forwarded to the Government for notification in accordance with the provisions of the Constitution of India.
17. The meetings are normally chaired by the Chairperson. In unforeseen circumstances when Chairperson is unable to attend, the senior-most member from the Central Government will chair the meeting. The Comptroller & Auditor General of India will be kept informed of the important developments in the meetings of GASAB.
18. The GASAB may meet as often as is deemed necessary but generally not less than four times in a financial year. The decisions of the GASAB may preferably be by general consensus. In case differences persist, the decision shall be on the basis of voting favoring the recommendation. The dissenting views should also be forwarded to the Government along with the recommendations.
19. GASAB allows an exposure period of 90 days for inviting comments on Exposure Draft.

20. The format of the IGASs and IGFRSs ordinarily includes the following:
- (i) Introduction
 - (ii) Objective
 - (iii) Scope
 - (iv) Definition of the terms used in the Standard
 - (v) Accounting and Presentation requirements
 - (vi) Disclosure requirements for complying with the Standard, including format of disclosure, etc., if necessary
 - (vii) Explanatory paragraphs
 - (viii) Transitional Provisions, if any
 - (ix) Effective Date.

Compliance with IGASs and IGFRSs

21. All the Standards are mandatory from the effective date(s) mentioned therein after notification of the Standards by Government. Financial Statements cannot be described as complying with IGASs and IGFRSs unless they comply with all the requirements of each applicable IGAS and IGFRS.
22. Where the accounting authorities of the Union and State Governments have deviated from the applicable notified Standards, a disclosure shall be made with reasons for such deviations as well as the effect of the deviations on the Financial Statements.