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Centre, 21 states to migrate to accrual basis accounting norms

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In a major decision, the Centre and State governments have decided to migrate to accrual basis accounting standards, known as Indian Government Financial Reporting Standards, from cash basis accounting. Already, 21 state governments have expressed their willingness to opt for the new standards. The decision, which is expected to improve finance reporting in the government, was taken on July 30 at the 15th meeting of the Government Accounting Standards Advisory Board (GASAB), set up by the Comptroller and Auditor General of India with support from the Ministry of Finance. The standards will be issued as Indian Government Financial Reporting Standards (IGFRS) and on notification by the government, will be applicable to the Centre and state governments in preparation of accounts.

The board has decided to develop standards on accrual basis on the following topics: IGFRS 1 -- Framework for financial reporting under accrual basis accounting; IGFRS 2 -- Property, Plant and Equipment; IGFRS 3 -- Revenue from exchange transactions; IGFRS 4 -- Inventories and IGFRS 5 -- Provision, contingent liabilities and contingent assets.

Ms Bharti Prasad, chairperson (GASAB) and Deputy Comptroller and Auditor General of India, speaking on the occasion said accrual basis IGFRSs will provide guidance for changing to accrual accounting. Initially, these standards will be recommendatory in nature to facilitate transition to accrual accounting.

Government accounting in India follows cash basis accounting and GASAB has been formulating them. The decision to switch was on the basis of the 12th Finance Commission recommendations asking the government to gradually migrate to accrual basis accounting. Mr V N Kaila, Controller General of Accounts, Ms Sudha M Chobe, Financial Commissioner, Railways, Mr Ved Jain, President, Institute of Chartered Accountants of India, Mr Suman K Berry, Director General, National Council of Applied Economic Research, Mr S V Raghavan, Chief General Manager, Reserve Bank of India, Principal Secretaries (Finance) from various state governments were among those who attended the board meeting.

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