

# Indian Government Accounting Standard (IGAS)

## Prior Period Adjustments

### 1. Introduction

- 1.1. Accounting on Cash Basis recognizes Prior Period Items for rectification of errors/adjustment of financial statements for one or more prior periods for which Accounts have been closed.
- 1.2. Presently, Prior Period Adjustments (PPA) are presented as a part of Statement No. 5 (in Union Finance Accounts) and Statement No. 13 (in some State Finance Accounts) as 'Summary of Balances'. While, the Prior Period Adjustments in Union Finance Account is governed by the para 5.15.3 of the Civil Accounts Manual (CAM) but in States there are no such rules in "Accounts code for Accountant General".
- 1.3. Further, in a study of various Finance Accounts of States it was observed that majority of the States are not taking cognizance of PPA in their accounts or following a wrong practice of passing Transfer entries to correct PPA.
- 1.4. The present Standard therefore not only aims to disclose such information which pertains to prior period errors but also covers entries requiring prior period adjustments arising out of changes in Government decisions which may impact current balances and progressive amounts during the earlier years for which accounts have been closed.

### 2. Objective

The objective of this Standard is to prescribe the manner in which Prior Period Adjustments including errors once identified shall be presented and disclosed in the current period (FY) under the cash basis of accounting.

### 3. Scope

This Standard will apply to Union Government, State Government and U.T.s with Legislature which prepares and presents financial statements under the cash basis of accounting; which are laid before the Parliament, State Legislature and U.T.s with Legislature respectively. This Standard while taking cognizance of Prior Period Adjustments does not include transactions such as payment of arrears arising due to increase in salaries or revision of pension or increase in D.A. etc. in current period though they belong to prior periods as these transactions cannot be attributed to any type of errors or any adjustment in Government Policies. This IGAS shall not include in its ambit, defaults of Loans & Grants-in-aid dealt in IGAS-2 & 3 exclusively as it is only a process for rectification/adjustment of financial statements of prior periods.

### 4. Definitions

- 4.1. **Accounting Authority** - It is the authority which prepares the Financial Statements of the Governments.
- 4.2. **Prior Period**- means one or more prior financial years for which accounts are already closed
- 4.3. **Prior period errors** are omissions from, and mis-statements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of,