IGFRS 1 – Presentation of Financial Statements

Background

About GASAB

Government Accounting in India is on cash basis. The Comptroller and Auditor General of India, with support of the Government of India, constituted Government Accounting Standards Advisory Board (GASAB) in 2002, to formulate and recommend accounting standards for strengthening the present cash based accounting system and to facilitate the transition from cash to accrual accounting.

In terms of Article 150 of the Constitution, any change in the basis of accounting (from cash to accrual) would be prescribed by the President of India on the advice of the Comptroller and Auditor General of India. In furtherance of said transaction, GASAB is engaged in formulating standards and advisories based on principles of accrual accounting to facilitate pilot studies and research efforts for transition from cash to accrual accounting in the Union, States and Union Territories with Legislature.

About IGFRS

The standards based on principles of accrual accounting and applicable to the Union Government, State Governments and Union Territories with Legislature are issued under the title *'Indian Government Financial Reporting* Standards *(IGFRS)'.*

These IGFRSs are in the nature of recommendations by GASAB that become mandatory with effect from the date of their notification by the Government of India.

Bases for Conclusions

The Government Accounting Standards Advisory Board (GASAB), in 21st meeting held on 13 December 2010, decided to formulate the Indian Government Financial Reporting Standards 1 (IGFRS 1) on 'Presentation of Financial Statements' for reporting of accounts on accrual basis. A Task Based Group (TBG), comprising, the Technical Director, Institute of Chartered Accountants of India, officers from GASAB Secretariat belonging to the Indian Audit & Accounts, Civil Accounts, Railway Accounts, Post and Telecommunication Accounts, Defence Accounts Services, and representatives from the Institute of Chartered Accountants of India, was entrusted with the responsibility of formulating the draft IGFRS.

In furtherance of the above directives, the TBG studied, *inter alia*, the Government Accounting Rules, 1990 the General Financial Rules, 2005, the International Public Sector Accounting Standards (IPSAS) 1 and standards developed by the Accounting Standards Boards of other countries. Drafts of the paper were discussed at the 23rd, 24th and 25th meetings of GASAB held on 7 September 2011, 20 December 2011 and 20 April 2012 respectively, and the Board approved the exposure draft during the 25th Board meeting of April 20, 2012 for circulation and invitation of comments. The draft IGFRS is now submitted after considering responses of various stakeholders.

The appendices to this IGFRS contain the suggested formats of financial statements (Appendix A), basic qualitative characteristics of financial reporting (Appendix B) and summary of gap analysis between financial statements prepared under cash and the accrual basis of reporting (Appendix C), as emanating from the pilot studies conducted on migration to accrual accounting in select departments and undertakings of some State Governments.

IGFRS1—PRESENTATION OF FINANCIAL STATEMENTS

CONTENTS

Introduction

1. The Indian Government Financial Reporting Standards (IGFRS) are applicable to Governments of the Union, States and Union Territories with Legislature, autonomous bodies and departmental undertakings controlled by these Governments. Hereafter the term Government entity will be used to refer to Government and entities/agencies controlled by Government, except where specific Acts state differently. The IGFRS is envisaged to provide guidance to pilot studies by Government entities and eventual development of a common reporting framework under accrual basis of accounting. The IGFRS may be revisited based on the experiences of pilot studies.

2. IGFRS 1 on 'Presentation of Financial Statements', sets overall requirements for the presentation of general purpose financial statements, (hereafter referred to as financial statements) by Government entities follow accrual basis of accounting.

3. Accrual basis means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate.

Objective

4. The objective of IGFRS 1 is to prescribe the manner of presentation of financial statements by Government entities that follow accrual basis of accounting. To achieve this objective, IGFRS 1 sets out over all requirement for the presentation of financial statements, guidance for their structure and minimum requirements for the content of financial statements presented under the accrual basis of accounting.

Scope

5. The government entity which prepares financial statements under accrual basis of accounting shall apply IGFRS 1 in the presentation of its financial statements.

6. Financial statements are intended to meet the needs of users. Users of financial statements include stake holders like taxpayers, members of Legislature, Government entities, the media and the public, including citizens. Financial statements include those statements or documents that are presented separately or within another public document, such as an annual report.

7. IGFRS 1 does not apply to Public Sector Undertakings (PSUs), as they are required to comply with Accounting Standards issued by the Chartered Accountants of India and notified by Government of India as per relevant sections of the applicable Companies Act .

8. Other IGFRS set out the recognition, measurement and disclosure requirements for specific transactions and other events. Where relevant IGFRSs on specific accounting transactions are not available, the Government entity shall follow relevant International Public Sector Accounting Standards (IPSAS), till an appropriate IGFRS is formulated.

Definitions

9. The following terms are used in this IGFRS with the meanings specified:

a. **Accrual basis** means a basis of accounting of accounting under which transactions and other events are recognized when they occur. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses.
b. **Amortization** means the systematic allocation of the depreciable amount of an intangible asset over its useful life.
c. **Assets** are resources controlled by Government entities as a result of past events and from which future economic benefits or service potential are expected to flow to the government entity.
d. **Budget** is a statement of the estimated receipts and expenditure of the government entity for a year, laid and passed by legislature.
e. **Cash** comprises cash on hand and demand deposits (Reserve Bank deposits which are retained as treasury bills).
f. **Cash basis** means a basis of accounting under which transactions and other events are recognized when cash or its equivalent is received or paid.
g. **Cash equivalents** are short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.
h. **Carrying amount** is the amount in which an asset is recognized in the balance sheet after deducting any accumulated depreciation and impairment losses.
i. **Contingent asset** is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity
j. **Contingent liability** is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognized because (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or (ii) the

amount of the obligation cannot be measured with sufficient reliability.

k. **Depreciation** is the systematic allocation of the depreciable amount of an asset over its useful life where depreciable amount is the cost of an asset, less its residual value.

l. **Earmarked Funds** are the funds identified for designated activities, benefits or purposes, and accounted for separately.

m. **Equity** is the residual interest in the assets of a Government entity after deducting all of its liability.

n. **Expenses** are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity.

o. **Fair Value** is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

p. **Financial Asset** is an asset that is cash, equity instrument of another entity, or a contractual right to receive cash or another financial asset from another entity.

q. **Impracticable** Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.

r. **Intangible Assets** are identifiable non-monetary assets that have no physical form and are owned for producing goods or services or for other purposes. Such intangible assets include rights on intellectual property.

s. **Inventories** are current assets in the form of goods or supplies that are intended to support the operational activities of the government, and the goods that are intended for sale and/or to be delivered for public services.

t. **Investments** are assets intended to gain economic benefits. Such economic benefits include interest, dividend, and royalty.

u. **Liabilities** are present obligations of the Government entity arising from past events, the settlement of which is expected to result in an outflow of resources from the Government entity in the future.

v. **Monetary Assets** are units of currency held to be received in a fixed or determinable number of units of currency.

w. **Notes** contain information in addition to that presented in the statements of financial position, statements of financial performance, statements of changes in net assets/equity and statements of cash flows. Notes provide narrative descriptions or disaggregation of items disclosed in those statements and information about items that do not qualify for recognition on the face of those statements.

x. **Operating Cycle** is the time taken to convert inputs or resources into outputs.

y. **Revenue** is the gross inflow of cash, receivables, economic benefits or service potential during the reporting period, when those inflows result in an increase in net assets/equity.

z. **Surplus/Deficit** is the residual difference between revenues and expenditures during one reporting period.

aa. **Transfer** is receipt or disbursement of assets/liabilities from/ to a reporting Government entity to/ from another government entity.

Other important terms used

10. **Economic entity**: The term economic entity defines, for financial reporting purposes, a group of entities comprising the controlling entity and one or more controlled entities.

11. **Reporting entity**: The term reporting entity means a Government entity which is required to present its financial statements in accordance with the IGFRSs. This includes an entity which raises budget demands and/or receives funds from the Government in response to budget demands or allotted earmarked funds for specific purposes and is required to prepare financial statements to demonstrate utilization of the appropriated amount.

12. **Future Economic Benefits or Service Potential**: Assets provide a means for government entities to achieve their objectives. Assets that are used to deliver goods and services in accordance with a Government entity's objectives, but which do not directly generate cash inflows, are often described as embodying service potential. Assets that have the potential to generate cash inflows are often described as embodying future economic benefits. To encompass all the purposes to which assets may be put, this IGFRS uses the term "future economic benefits or service potential" to describe the essential characteristic of assets.

13. **Materiality** provides a threshold for information, the omission or misstatement of which could influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. It is important for true and fair presentation of financial information.

Purpose of Financial Statements

14. The objective of financial statements is primarily to provide 'true and fair' view of the financial position, financial performance and cash flows of the Government entity which is useful to a wide range of users in making and evaluating decisions about the

allocation of resources and to demonstrate the accountability of the Government entity for the resources entrusted to it, by:

a. Providing information about the sources, allocation, and utilization of financial resources;
b. Providing information about how the Government entity financed its activities and met its cash requirements;
c. Providing information that is useful in evaluating the Government entity's ability to finance its activities and to meet its liabilities and commitments;
d. Providing information about the financial condition of the Government entity and changes in it, including its assets and liabilities; and,
e. Providing aggregate information useful in evaluating the Government entity's performance in terms of cost of providing services and efficiency in delivery of services besides other accomplishments.

15. Financial statements can also have a predictive or prospective role, providing information useful in predicting the level of resources required for continued operations, the resources that may be generated by continued operations, and the associated risks and uncertainties. Financial reporting may also provide users with information:

a. Indicating whether resources were allocated, obtained and used in accordance with the budget;
b. Indicating whether resources were allocated, obtained and used in accordance with legal and contractual requirements, including financial limits established by appropriate legislative authorities and
c. Indicating whether resources were obtained outside the budget/direct transfers.

16. To meet these objectives, the financial statements provide detailed information about the Government entity's:

a. Assets;
b. Liabilities;
c. Net assets/ equity;
d. Revenue;
e. Expenses;
f. Transfers/ subsidies;
g. Cash flows.

17. Although the information contained in financial statements can be relevant for the purpose of meeting the objectives as stated in paragraph 14, supplementary information, including non-financial statements, may be reported alongside the financial statements in order to provide a more comprehensive picture of the Government entity's activities during the period.

Responsibility for Financial Statements

18. The responsibility for the preparation and presentation of financial statements vests with the Chief Accounting Authority as defined in Rule 64 of the General Financial Rules (GFR) 2005, notified by Department of Expenditure, Ministry of Finance, and Government of India. The Chief Accounting Authority is the Secretary of a Ministry/Department who is responsible and accountable for financial management of his Ministry or Department.

Components of Financial Statements

19. A complete set of financial statements comprises:

a. A statement of financial position;
b. A statement of financial performance;
c. A statement of changes in net assets/equity;
d. A cash flow statement;
e. Appropriation Accounts: A comparison of budget and actual amounts as a separate additional financial statements and reasons for variations, if any.
f. Notes, comprising a summary of significant accounting policies and other explanatory notes.

20. Historically, the components listed above are referred to by a variety of terminology. For example, the statement of financial position is sometimes referred to as balance sheet or statement of assets and liabilities; the statement of financial performance is referred to as statement of revenue and expenses, income statement, operating statement, or profit and loss statement, and the Financial Statements Discussion Analysis is referred to as the Statement of Financial Responsibility. However, for the purpose of uniformity, the government entity presenting the financial statements shall refer to various components of financial statements as detailed in the preceding paragraph.

21. The financial statements provide users with information about the government entity's resources and obligations at the reporting date and the flow of resources between two reporting dates. This information is useful in making assessments of the government entity's ability to continue to provide goods and services at a given level,

and the level of resources that may need to be provided to the government entity in the future, so that it can continue to meet its service delivery obligations.

22. Government entities are encouraged to present additional information to assist users in assessing the performance of the government entity, and its stewardship of assets, as well as making and evaluating decisions about the allocation of resources. This additional information may include details about the government entity's outputs and outcomes in the form of

a. performance indicators,
b. statements of service performance,
c. programme reviews, and
d. other reports by the government entity about its achievements over the reporting period.

23. Government entities are also encouraged to disclose information about compliance with legislative, regulatory, or other externally-imposed regulations. When information about compliance is not included in the financial statements, it may be useful for a note to refer to any documents that include that information. Knowledge of non-compliance is likely to be relevant for accountability purposes, and may affect a user's assessment of the government entity's performance and direction of future operations. It may also influence decisions about resources to be allocated to the government entity in the future.

Overall Considerations

Presentation of true and fair view and Compliance with IGFRSs

24. A government entity whose financial statements comply with IGFRSs shall make an explicit and unreserved statement of such compliance in the Financial Statements and Discussion Analysis (FSDA). Financial statements shall not be described as complying with IGFRSs unless they comply with all the requirements of IGFRSs.

25. Financial statements shall present a true and fair view of the financial position, financial performance, and cash flows of a government entity. True and fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses as set out in the IGFRSs and detailed in qualitative characteristics of financial reporting in the Appendix.

26. Presentation of true and fair view also requires the government entity:

a. To select and apply accounting policies in accordance with well established system of Government accounts and rules applicable for the Governments of the Union, the States and Union Territories with Legislature and the underlying accounting concepts and principles.

b. To present information, including accounting policies, in a manner that makes financial reporting relevant, reliable, comparable, and understandable.
c. To provide additional disclosures when compliance with the specific requirements in IGFRSs is insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the government entity's financial position and financial performance.

Consistency of Presentation

27. The presentation and classification of items in the financial statements shall be retained from one period to the next unless:

a. It is apparent, following a significant change in the nature of the government entity's operations or a review of its financial statements, that, another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies, or,
b. An Accounting rule/policy/IGFRS requires a change in presentation. The change in the accounting policy and its impact be clearly detailed in the summary of significant accounting policies and explanatory notes.

28. A government entity changes the presentation of its financial statements only if the changed presentation provides information that is reliable and is more relevant to users of the financial statements, and the revised structure is likely to continue, so that comparability is not impaired.

29. The change in the accounting policy and its impact on the financial statements shall be disclosed in the notes to accounts in the relevant statements.

Materiality and Aggregation

30. Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall also be presented separately, unless they are immaterial.

31. Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items on the face of the financial statements.

32. If a line item is not individually material, it is aggregated with other items either on the face of those statements or in the notes. An item that is not sufficiently material to warrant separate presentation on the face of those statements may nevertheless be presented separately in the notes.

Offsetting

33. Assets and liabilities, and revenue and expenses, shall not be offset unless required or permitted by another IGFRS.

34. It is important that assets, liabilities, revenue and expenses, are reported separately. Offsetting in the statement of financial performance or the statement of financial position, except when offsetting reflects the substance of the transaction or other event, detracts from the ability of users, both,

a. To understand the transactions, other events and conditions that have occurred, and
b. To assess the government entity's future cash flows.

35. IGFRS 3 on "Revenue from Government Exchange Transactions" defines revenue from government exchange transactions and lays down principles of recognition and measurement. A government entity undertakes, in the course of its ordinary activities, other transactions that do not generate revenue but are incidental to the main revenue generating activities. The results of such transactions are presented, when this presentation reflects the substance of the transaction or other event, by netting any revenue with related expenses arising on the same transaction. For example:

a. Gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds, on disposal, the carrying amount of the asset and related selling expenses; and
b. In addition, gains and losses arising from a group of similar transactions are reported on a net basis, for example, foreign exchange gains and losses. Such gains and losses are, however, reported separately if they are material.

Comparative Information

36. Except when an IGFRS permits or requires otherwise, comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

37. In some cases, narrative information provided in the financial statements for the previous period(s) continue(s) to be relevant in the current period. For example, details

of a legal dispute, the outcome of which was uncertain at the last reporting date and is yet to be resolved, are disclosed in the current period. Users benefit from information (a) that the uncertainty existed at the last reporting date, and (b) about the steps that have been taken during the period to resolve the uncertainty.

38. When the presentation or classification of items in the financial statements is amended, comparative amounts shall be reclassified unless their classification is impracticable. When comparative amounts are reclassified, an government entity shall disclose:

a. The nature of the reclassification;
b. The amount of each item or class of items that is reclassified; and
c. The reason for the reclassification.

39. When it is impracticable to reclassify comparative amounts, a government entity shall disclose:

a. The reason for not reclassifying the amounts; and
b. The nature of the adjustments that would have been made if the amounts had been reclassified.

Structure and Content

40. This IGFRS requires particular disclosures on the face of the statement of financial position, statement of financial performance, statement of cash flow, Appropriation accounts and Statement of changes in net assets/equity, and requires disclosure of other line items in the notes.

41. Structure and content of the format of statements of financial position, financial performance, changes in net assets/equity and cash flow statements are detailed in the Appendix. The formats are indicative and not exhaustive.

Identification of the Financial Statements

42. IGFRSs shall apply only to financial statements, and not to other information presented in an annual report or other documents. Therefore, it is important that users can distinguish information that is presented using IGFRSs from other information that may be useful to users but is not the subject of those requirements.

43. Each component of the financial statements shall be identified clearly. In addition, the following information shall be displayed prominently, and repeated when it is necessary for a proper understanding of the information presented:

a. The name of the reporting government entity or other means of identification, and any change in that information from the preceding reporting date;

b. Whether the financial statements cover the individual government entity or the economic entity;
c. The reporting date or the period covered by the financial statements, whichever is appropriate to that component of the financial statements;
d. The presentation currency for all the government entities shall be Indian Rupees (INR);and
e. The level of rounding used in presenting amounts in the financial statements.

44. The requirements in the preceding paragraph are normally met by presenting page headings and abbreviated column headings on each page of the financial statements. Judgment is required in determining the best way of presenting such information. For example, when the financial statements are presented electronically, separate pages are not always used; the above items are then presented frequently enough to ensure a proper understanding of the information included in the financial statements.

45. Financial statements are often made more understandable by presenting information in thousands of INR. This is acceptable as long as the level of rounding in presentation is disclosed and material information is not omitted.

Reporting Period

46. Financial statements shall be presented at least annually. In order to have intergovernmental entity comparability, the annual period of all government entities shall be from 1 April to 31 March.

Timeliness

47. The usefulness of financial statements is impaired if they are not made available to users within a reasonable period after the reporting date. The government entity shall follow General Financial Rule 65 which states that the accounts prepared shall be certified by the Comptroller and Auditor General of India. The report of the Comptroller and Auditor-General of India relating to these accounts shall be submitted to the President of India, who shall cause them to be laid before each House of Parliament.

48. A government entity shall compile its financial statements within three months of the reporting date and shall present the financial statements within six months of the reporting date (after these are laid in the respective legislature). Ongoing factors such as the complexity of a government entity's operations are not sufficient reason for failing to report on a timely basis. More specific deadlines may be dealt with by legislation and regulations.

Statement of Financial Position

Current/Non-current distinction

49. A government entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its statement of financial position in accordance with paragraphs 52-62.

50. A government entity shall disclose the amount expected to be recovered or settled

a. Less than twelve months after the reporting date, and

b. More than twelve months after the reporting date.

51. When a government entity supplies goods or services within a clearly identifiable operating cycle, separate classification of current and non-current assets and liabilities in the statement of financial position provides useful information by distinguishing the net assets that are continuously circulating as working capital from those used in the government entity's long-term operations. It also highlights assets that are expected to be realized within the current operating cycle, and liabilities that are due for settlement within the same period. When the government entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

Current Assets

52. An asset shall be classified as current when it satisfies any of the following criteria:

a. It is expected to be realized in, or is held for sale or consumption in the government entity's normal operating cycle or is held for the purpose of trading;
b. It is expected to be realized within twelve months after the reporting date; or
c. It is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets shall be classified as non-current.

53. This IGFRS uses the term non-current assets to include tangible, intangible, and financial assets of a long term nature.

54. Current assets include assets (such as taxes receivable, user charges receivable, fines and regulatory fees receivable, inventories and accrued investment revenue) that are either realized, consumed or sold, as part of the normal operating cycle even when they are not expected to be realized with in twelve months after the reporting date.

Current Liabilities

55. A liability shall be classified as current when it satisfies any of the following criteria:

a. It is expected to be settled in the government entity's normal operating cycle;
b. It is held primary for the purpose of being traded.
c. It is due to be settled within twelve months after the reporting date; or
d. The government entity does not have an unconditional right to defer settlement of the liability for at least twelvemonths after the reporting date.

All other liabilities shall be classified as non-current.

56. Some current liabilities, such as amount payable on transfer and some accruals for employee and other operating costs, are part of the working capital used in the government entity's normal operating cycle. Such operating items are classified as current liabilities even if they are due to be settled more than twelve months after the reporting date.

57. A government entity classifies its financial liabilities as current when they are due to be settled within twelve months after the reporting date, even if:

a. The original term was for a period longer than twelve months; and
b. An agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorized for issue.

58. If a government entity expects, and has the discretion, to refinance or roll over an obligation for at least twelve months after the reporting date under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. However, when refinancing or rolling over the obligation is not at the discretion of the government entity (for example, there is no agreement to refinance), the potential to refinance is not considered, and the obligation is classified as current.

59. When a government entity breaches an undertaking under a long-term loan agreement on or before the reporting date (except when the breach is technical/procedural in nature), with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the reporting date and before the authorization of the financial statements for issue, not to demand payment as a consequence of the breach. The liability is classified as current

because, at the reporting date, the government entity does not have an unconditional right to defer its settlement for at least twelve months after that date.

60. However, the liability is classified as non-current if the lender has agreed by the reporting date to provide a period of grace ending at least twelve months after the reporting date, within which the government entity can rectify the breach and during which the lender cannot demand immediate repayment.

61. In respect of loans classified as current liabilities, if the following events occur between the reporting date and the date the financial statements are authorized for issue, those events qualify for disclosure as non-adjusting events in accordance with the IGFRS on "Events after the Reporting Date:"

a. Refinancing on a long-term basis;
b. Rectification of a breach of a long-term loan agreement; and
c. The receipt from the lender of a period of grace to rectify a breach of a long-term loan agreement ending at least twelve months after the reporting date.

Information to be presented on the face of the Statement of Financial Position

62. At a minimum, the face of the statement of financial position shall include line items that present the following amounts:

a. Property, Plant and Equipment;
b. Investment;
c. Intangible assets;
d. Inventories;
e. Recoverable from non-exchange transactions (taxes and transfers);
f. Receivables from government exchange transactions;
g. Cash and cash equivalents;
h. Financial assets [excluding amounts shown under(e), (f) and (g)];
i. Taxes and transfers payable;
j. Payables under exchange transactions;
k. Provision for Employee Benefits
l. Other provisions;
m. Deferred revenue
n. Financial liabilities including borrowings (excluding amounts shown under(i), (j), (k), (l) and (m));
o. Net assets/equity.

63. Additional line items, headings, and sub-totals shall be presented on the face of

the statement of financial position when such presentation is relevant to an understanding of the government entity's financial position.

64. The judgment on whether additional items are presented separately is based on an assessment of:

a. The nature and liquidity of assets;
b. The function of assets within the government entity; and
c. The amounts, nature and timing of liabilities.

Additional Information to be presented either on the face of the Statement of Financial Position or in the Notes

65. A government entity shall disclose, either on the face of the statement of financial position or in the notes, further sub classifications of the line items presented, classified in a manner appropriate to the government entity's operations. It will depend upon the requirements of other IGFRSs and/or the materiality thresholds decided by the government entity.

66. Disclosures may vary for each item, for example:

a. Receivables are detailed according to total tax receivables, sales, advanced payment, and other amounts; amount receivables on transfers are detailed according to their sources;
b. Inventories are detailed further in accordance with IGFRS 4 on inventories;
c. Fixed assets are classified based on categories in accordance with the IGFRS 2 on property plant and equipments;
d. Transfer debts are analyzed according to the receiving government entities;
e. Reserved funds are classified in accordance with their purposes;

Statement of Financial Performance

67. All items of revenue and expense recognized in a period are included in the statement of financial performance.

68. As a minimum, the face of the statement of financial performance shall include line items that present the following amounts:

a. Revenue from operational activities and government exchange transactions in accordance with IGFRS 3;
b. Revenue from non-exchange transactions such as taxes, fees, fines, penalties and licenses
c. Transfers from other government entities;
d. Expenditures based on classification of function;

e. Grants and other transfer payments;

f. Depreciation expense;

g. Financial costs;

h. Share of the surplus of deficit from associates and joint ventures;

i. Pretax gain or loss recognized from the disposal of assets or settlement of liabilities attributable to discontinued operations;

j. Surplus or Deficit;

69. The Statement of Financial Performance is analyzed according to classification of functions. A reporting government entity may disclose additional information of expenses according to economic classification, among others, covering depreciation/ amortization expenses, salary and allowances expenses, and loan interest expenses.

70. When items of revenue and expense are material, their nature and amount shall be disclosed separately.

Additional Information to be presented either on the face of the Statement of Financial performance or in the Notes

a. Write-downs of inventories to net realizable value or of Property, Plant and Equipment to recoverable amount, as well as reversals of such write-downs;

b. Restructurings of the activities of an government entity and reversals of any provisions for the costs of restructuring;

c. Disposals of items of Property, Plant and Equipment;

d. Disposals of investments;

e. Discontinued operations

f. Litigation settlements; and

g. Other reversals of provisions.

Statement of Changes in Net Assets/Equity

71. Changes in a government entity's net assets/equity between two reporting dates reflect the increase or decrease in its net assets during the period.

72. A reporting government entity that presents a Statement of Changes in net assets/equity presents at least the following accounts:

a. The balance of accumulated surpluses or deficits of the beginning of the period and at the reporting date.

b. Each item of revenue and expense for that period is directly recognized as net asset/equity.

c. Gain/Loss on property revaluation;

d. Exchange differences on translating foreign operations;

e. The accumulative effect of changes in accounting policy and adjustment of basic errors prescribed in IGFRS 6.

73. The overall change in equity during a period represents the total amount of income and expense including gains and losses, generated by the activities of government entities during that period.

Cash Flow Statement

74. Cash flow in formation provides users of financial statements with a basis to assess

a. the ability of the government entity to generate cash and cash equivalents, and,

b. the needs of the government entity to utilize those cash flows.

75. The Statement of Cash Flow presents information concerning sources, usages, changes in cash and cash equivalent during the accounting period, and the balance of cash and cash equivalent on the reporting date.

76. Cash inflows and outflows are classified based on operating, investing and financing, activities.

a. Financing activities are those which result in changes in the size and composition of the capital and borrowing of the government entity;

b. Investing activities are those which are engaged in acquisition and disposal of long term assets and other investments not included in cash equivalents;

c. Operating activities are those activities of the government entity which are neither investing nor financial activities. These are derived from government entity's operating activities and may include cash receipts and payments

77. IPSAS 2 (till relevant IGFRS is formulated), sets out requirements for the presentation for the cash flow statements and related disclosures.

Appropriation accounts: A comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements

78. Government entities are typically subject to budgetary limits in the form of appropriations or budget authorizations (or equivalent), which may be given effect through legislation.

79. At a minimum, the face of the Appropriation Accounts shall include line items that present the following:

a. The use of a columnar format to show budgeted amounts and actual amounts;
b. Disclosure that the budgeted amounts have not been exceeded;
c. If any budgeted amounts or appropriations have been exceeded, or expenses incurred without appropriation or other form of authority, then, details may be disclosed by way of foot note to the relevant item in the financial statements;
d. A column showing variances from the budget or appropriations shall also be presented along with broad reasons for such variations.

Notes

80. In order that users can understand and compare the financial statements against those of other government entities, the Notes to the Financial Statements at least should be presented in the following structure:

a. Information concerning basis and accounting policies selected for preparation of financial statements;
b. Disclosure of information as prescribed by the IGFRSs which is not yet presented on the face of the financial statements, but is relevant to an understanding for any one of them;
c. Additional information required for a fair presentation, which is not presented on the face of the financial statements;
d. Lists and schedules.

81. A government entity shall present notes in systematic manner. A government entity shall cross reference each which is part of the statement of financial position, financial performance, cash flow statement and/or statement of changes in net assets/equity to any related information in the notes.

82. Notes are normally presented in the following order, to assist users in understanding the financial statements and comparing them with financial statements of other government entities:

a. Statement of compliance with IGFRS;
b. Summary of significant accounting policies applied
c. Other disclosures including contingent liabilities and contingent assets (IGFRS 5) and other non-financial disclosure

Key Sources of Estimation Uncertainty

83. A government entity shall disclose in the notes, information about

a. The key assumptions concerning the future, and,
b. Other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:
    i. their nature; and
    ii. their carrying amount as at the reporting date.

84. When it is impracticable to disclose the extent of the possible effects of a key assumption or key source of estimation uncertainty at the reporting date, the government entity discloses that it is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the government entity discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.

Disclosure of Accounting Policies

85. A government entity shall disclose in the summary of significant accounting policies:

a. The measurement basis (or bases) used in preparing the financial statements;
b. The extent to which the government entity has applied any transitional provisions in any IGFRS; and
c. The other accounting policies used that are relevant to an understanding of the financial statements.

86. It is important for users to be informed of the measurement basis or bases used in the financial statements (for example, historical cost, current cost, net realizable value, fair value, recoverable amount, or recoverable service amount), because the basis on which the financial statements are prepared significantly affects their analysis. When more than one measurement basis is used in the financial statements it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.

87. In deciding whether a particular accounting policy should be disclosed, the government entity considers whether disclosure would assist users in understanding how transactions, other events, and conditions are presented in the financial statements.

88. Each government entity considers the nature of its operations and the policies

that the users of its financial statements would expect to be disclosed for that type of government entity. For example, government entities would be expected to disclose an accounting policy for recognition of taxes, donations, and other forms of non-exchange revenue. When a government entity has significant foreign operations or transactions in foreign currencies, disclosure of accounting policies for the recognition of foreign exchange gains and losses would be expected.

89. In the process of applying accounting policies, the government entity makes various references involving estimations that can significantly affect the amounts recognized in the financial statements. For example:

a. Whether assets are investment properties;
b. Whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; and
c. Whether the substance of the relationship between the reporting government entity and other entities indicates that these other entities are controlled by the reporting government entity,
d. The materiality threshold.

Financial Statements and Discussion Analysis

90. The Financial Statements and Discussion Analysis provides users of financial statements with integrated information which detail the context for the related financial statements. This needs to be signed by the Secretary of the department, who in terms of Rule 64 of the General Financial Rules, 2005, is responsible for effective, efficient, economical and transparent use of resources of the Ministry/Department in achieving the stated programme/project objectives of that Ministry/Department. The rule further lays down that the Secretary of a Ministry/Department who is the Chief Accounting Authority of the Ministry/Department shall:

a. Be responsible and accountable for financial management of his Ministry or Department;
b. Ensure that the public funds appropriated to the Ministry or Department are used for the purpose for which they were meant;
c. Be responsible for the effective, efficient, economical and transparent use of the resources of the Ministry or Department in achieving the stated project objectives of that Ministry or Department, whilst complying with performance standards;
d. Appear before the Committee on Public Accounts and any other Parliamentary Committee for examination;
e. Review and monitor regularly the performance of the programmes and

projects assigned to his Ministry to determine whether stated objectives are achieved;

f. Be responsible for preparation of expenditure and other statements relating to his Ministry or Department as required by regulations, guidelines or directives issued by Ministry of Finance;
g. Shall ensure that his Ministry or Department maintains full and proper records of financial transactions and adopts systems and procedures that will at all times afford internal controls;
h. Shall ensure that his Ministry or Department follows the Government procurement procedure for execution of works, as well as for procurement of services and supplies, and implements it in a fair, equitable, transparent, competitive and cost-effective manner;
i. Shall take effective and appropriate steps to ensure his Ministry or Department collects all moneys due to the Government and avoids unauthorized, irregular and wasteful expenditure.

91. As a minimum, the Financial Statements and Discussion Analysis shall include Information on:

a. Fiscal/financial policies, macro economic picture, achievement of targets of Revenue and Expenditure Budget for government entities, highlighting the impediments and obstacles faced in achieving targets etc.,
b. Summary of achievement of financial performance during the reporting year

Other Disclosures

92. A government entity shall disclose the following, if not disclosed else wherein information published with the financial statements:

a. The domicile and legal form of the government entity, and the jurisdiction within which it operates;
b. A description of the nature of the government entity's operations and principal activities;
c. A reference to the relevant legislation governing the government entity's operations;
d. If it is a limited life government entity, information regarding the length of its life.

Transitional Provisions

93. All provisions of this IGFRS shall be applied from the date of first adoption of this IGFRS. Comparative information is not required in respect of the financial statements to

which accrual accounting is first adopted in accordance with IGFRSs.

94. Notwithstanding the existence of transitional provisions under another IGFRS, government entities that are in the process of adopting the accrual basis of accounting for financial reporting purposes are encouraged to comply in full with the provisions of that other IGFRS as soon as possible.

Effective Date

95. IGFRS 1 is recommendatory in nature and shall be mandatory for financial reports covering periods subsequent to the date of notification by Government.

Appendix A

PRESENTATION OF FINANCIAL STATEMENTS

Statement of Financial Position

As at March 31, 20X2

(In INR)

	20X2	**20X1**
ASSETS		
Current assets		
Cash and cash equivalents	X	X
Recoverable from non-exchange transactions	X	X
Receivables	X	X
Inventories	X	X
Prepayments	X	X
Other current assets	X	X
Non-current assets	X	X
Recoverable	X	X
Receivables	X	X
Investments in associates	X	X
Other financial assets	X	X
Infrastructure, plant and equipment	X	X
Land and buildings	X	X
Intangible assets	X	X
Other non-financial assets	X	X
Loans and Advances	X	X
Total assets	X	X
LIABILITIES		
Current liabilities		
Payables	X	X

Short-term borrowings	X	X
Current portion of long-term borrowings	X	X
Short-term provisions	X	X
Employee benefits	X	X
Superannuation	X	X
Non-current liabilities		
Payables	X	X
Long-term borrowings	X	X
Long-term provisions	X	X
Employee benefits	X	X
Superannuation	X	X
Total liabilities	X	X
Net assets	X	X
Net assets/equity		
Capital contributed by other Government entity	X	X
Reserves	X	X
Funds	X	X
Accumulated surplus/deficit	X	X
Total net assets/equity	X	X

Statement of Financial Performance

for the Year Ended March 31, 20X2

(Expenses by Function)

(In INR)

	20X2	20X1
Revenue		
Revenue from non-exchange transactions (taxes)	X	X
Fees, fines, penalties, and licenses	X	X
Revenue from exchange transactions (sale of goods and services, Interest, Dividends, royalties and other non-tax revenue)	X	X
Transfers from other government entities	X	X
Grants	X	X
Other revenue	X	X
Total revenue	X	X
Expenses		
General Services		
General public services	X	X
Defence	X	X
Public order and safety	X	X
Administrative services	X	X
Environmental protection	X	X
Other services	X	X
Social Services		
Education	X	X
Medical and Public Health	X	X
Family Welfare	X	X
Water Supply and Sanitation	X	X
Social Security and Welfare	X	X
Housing and Community Amenities	X	X
Recreational, Cultural, and Religion	X	X
Others	X	X
Economic Services		
Agriculture and allied activities	X	X
Animal Husbandry	X	X

Rural Development	X	X
Irrigation and Flood Control	X	X
Industry & Minerals	X	X
Transport	X	X
Energy	X	X
Science, Technology and Environment	X	X
General Economic Services	X	X
Depreciation expense	X	X
Other expenses	X	X
Finance costs	X	X
Total expenses	X	X
Transfers to other Government entities	X	X
Share of surplus of associates & joint ventures	X	X
Gain or loss recognised from the disposal of assets or settlement of liabilities attributable to discontinued operations	X	X
Surplus/(deficit) for the period	X	X

Cash Flow Statement

(In INR)

	20X2	20X1
Cash Flows from Operating Activities		
Receipts		
Taxation	X	X
Sales of goods and services	X	X
Grants	X	X
Interest received	X	X
Other receipts	X	X
Payments		
Employee costs	X	X
Superannuation	X	X
Suppliers	X	X
Interest paid	X	X
Other payments	X	X
Net cash flows from operating activities	X	X
Cash Flows from Investing Activities		
Purchase of plant and equipment	X	X
Proceeds from sale of plant and equipment	X	X
Proceeds from sale of investments	X	X
Purchase of foreign currency securities	X	X
Net cash flows from investing activities	X	X
Cash Flows From Financing Activities		
Proceeds from borrowings	X	X
Repayment of borrowings	X	X
Distribution/dividend to government	X	X
Net cash flows from financing activities	X	X
Cash and cash equivalents at beginning of period	X	X
Cash and cash equivalents at end of period	X	X

Statement of Changes in Net Assets/Equity for the Year Ended March 31, 20X2

Balance at March 31, 20X1	X
Changes in accounting policy(if any)	X
Restated balance	**X**
Opening balances on 1 April 20X2	**X**
Gain/loss on property revaluation	**X**
Gain/Loss on revaluation of investments	X
Exchange differences on translating foreign operations	X
Net revenue & expense recognized directly in net assets/equity	**X**
Cumulative effect of changes in accounting policy	**X**
Closing Balance on March 31, 20X2	**X**

Financial Statements & Discussion Analysis

Sample

Ministerial Statement

(Government of New Zealand)

The New Zealand economy continues to recover from the domestic recession in 2008 and the Global Financial Crisis that followed. The Government's programme to build a more competitive and productive economy remains on track, with real GDP growing by 2.6 per cent for the year ended 30 June 2012, its highest growth since late 2007.

In this improving economic environment, the operating deficit before gains and losses halved to $9.2 billion in 2011/12, compared with $18.4 billion the previous year. This reflected an increase in tax revenue, as the economy recovered, and lower core Crown expenses, due to a number of factors including costs associated with the Emissions Trading Scheme and the weather tight homes assistance package, and lower Canterbury earthquake recovery costs in the latest year.

The financial impact of the Canterbury earthquakes continues to significantly affect the New Zealand economy and the Government's finances. Total Crown expenses relating to the earthquakes totaled $1.9 billion this year (net of reinsurance) as the cost of insurance claims and red zone property purchases increased, along with the inclusion of an initial estimate of some of the costs associated with replacing water infrastructure in the Canterbury region. These expenses are in addition to the $9.1 billion recorded last year. The Government remains committed to supporting the recovery of the Canterbury region, which is why we've set aside $5.5 billion for the Canterbury Earthquake Recovery Fund.

The OBEGAL deficit in 2011/12 included a $1.4 billion expense in relation to the rail-related assets of KiwiRail. These assets were devalued by $6.3 billion this year, reflecting the Government's decision to move the company towards a more commercially focused operation. With the one-off Kiwi Rail expense excluded, the deficit would have been $7.8 billion, which is $0.6 billion less than forecast in the Budget in May.

Core Crown tax revenue has risen to $55.1 billion or 26.9 per cent of GDP, compared with $51.6 billion or 26.1 per cent of GDP last year, and was slightly higher than we expected. Core Crown expenses fell to $69.1 billion or 33.8 per cent of GDP, compared with $70.5 billion or 35.6 per cent of GDP last year. Finance costs increased in line with debt, reaching $3.5 billion or 1.7 per cent of GDP this year.

The Government's two large long term liabilities, ACC and the Government Superannuation Fund (GSF), have increased significantly this year, resulting in a loss of $6.8 billion being reported. Because these liabilities are paid out over more than 50 years, the present-day value of these future payments is sensitive to interest rate changes. When interest rates fall, as they have in the past year, the present-day value of these liabilities increases. Conversely, if interest rates rise, the present day-value of these liabilities is expected to decrease.

In addition to the losses on ACC and GSF, significant gains recorded last year by the Government's investment funds (New Zealand Superannuation Fund and ACC) were not repeated this year, as growth in international markets was more subdued.

The operating balance deficit (after taking these gains and losses into account) was $14.9 billion, compared with $13.4 billion last year.

The Government's residual cash deficit improved markedly to $10.6 billion, down from the $13.3 billion deficit last year. Core Crown net debt was less than predicted at $50.7 billion or 24.8 per cent of GDP, compared with $40.1 billion or 20.3 per cent of GDP last year.

Ongoing cash deficits and rising long-term liabilities such as ACC and superannuation have continued to erode the Crown's net worth over the past four years. The Crown's net worth stood at $59.3 billion on 30 June 2012, compared with $80.6 billion a year before. The Crown's balance sheet, as measured by total assets, shrank two per cent to $240.3 billion compared with $245.2 billion a year before.

(signature)

Hon Bill English

Minister of Finance

28 September 2012

Statement of responsibility

(Government of New Zealand)

These financial statements have been prepared by the Treasury in accordance with the provisions of the Public Finance Act 1989. The financial statements comply with New Zealand generally accepted accounting practice and with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for public benefit entities.

The Treasury is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance that the transactions recorded are within statutory authority and properly record the use of all public financial resources by the Crown. To the best of my knowledge, this system of internal control has operated adequately throughout the reporting period.

(signature)

Gabriel Makhlouf

Secretary to the Treasury

28 September 2012

I accept responsibility for the integrity of these financial statements, the information they contain and their compliance with the Public Finance Act 1989.

In my opinion, these financial statements fairly reflect the financial position of the Crown as at 30 June 2012 and its operations for the year ended on that date.

(signature)
Hon Bill English
Minister of Finance
28 September 2012

Appendix B

Qualitative Characteristics of Financial Reporting

This Appendix is an integral part of IGFRS 1.

1. This IGFRS requires a government entity to present information, including accounting policies, in a manner that meets a number of qualitative characteristics. This guidance summarizes the qualitative characteristics of financial reporting.

2. Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are understandability, relevance, reliability, and comparability.

Understandability

3. Information is understandable when users might reasonably be expected to comprehend its meaning. For this purpose, users are assumed to have a reasonable knowledge of the government entity's activities and the environment in which it operates, and to be willing to study the information.

4. Information about complex matters should not be excluded from the financial statements merely on the ground that it may be too difficult for certain users to understand.

Relevance

5. Information is relevant to users if it can be used to evaluate past, present or future events or to confirm, or correct, past evaluations. In order to be relevant, information must also be timely.

Materiality

6. The relevance of information is affected by its nature and materiality.

7. Information is material if its omission or misstatement could influence the decisions of users or assessments made on the basis of the financial statements. Materiality depends on the nature or size of the item or error, judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic that information must have if it is to be useful.

Reliability

8. Reliable information is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.

Faithful Representation

9. For information to represent faithfully transactions and other events, it should be presented in accordance with the substance of the transactions and other events, and not merely their legal form.

Substance over Form

10. If information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they be accounted for and presented in accordance with their substance and economic reality, and not merely their legal form. The substance of transactions or other events is not always consistent with their legal form.

Neutrality

11. Information is neutral if it is free from bias. Financial statements are not neutral if the information they contain has been selected or presented in a manner designed to influence the making of a decision or judgment in order to achieve a predetermined result or outcome.

Prudence

12. Prudence is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or revenue are not overstated and liabilities or expenses are not understated.

13. However, the exercise of prudence does not allow, for example,

The creation of hidden reserves or excessive provisions,

The deliberate understatement of assets or revenue, or

the deliberate overstatement of liabilities or expenses, because the financial statements would not be neutral and, therefore, not have the quality of reliability.

Completeness

14. The information in financial statements should be complete within the bounds of materiality and cost.

Comparability

15. Information in financial statements is comparable when users are able to identify similarities and differences between that information and information in other reports.

16. Comparability applies to the:

i) Comparison of financial statements of different government entities; and
ii) Comparison of the financial statements of the same government entity over periods of time.

17. An important implication of the character of comparability is that users need to be informed of the policies employed in the preparation of financial statements, changes to those policies, and the effects of those changes. Because users wish to compare the performance of a government entity over time, it is important that financial statements show corresponding information for preceding periods.

Constraints on Relevant and Reliable Information

Timeliness

18. If there is undue delay in the reporting of information, it may lose its relevance. To provide information on a timely basis, it may often be necessary to report before all aspects of a transaction are known, thus impairing reliability. Conversely, if reporting is delayed until all aspects are known, the information may be highly reliable but of little use to users who have had to make decisions in the interim. In achieving a balance between relevance and reliability, the overriding consideration is how best to satisfy the decision-making needs of users.

Balance between Benefit and Cost

19. The balance between benefit and cost is a pervasive constraint. The benefits derived from information should exceed the cost of providing it. The evaluation of benefits and costs is, however, substantially a matter of judgment. Furthermore, the costs do not always fall on those users who enjoy the benefits. Users other than those for whom the information was prepared may also enjoy benefits. For these reasons, it is difficult to apply a benefit-cost test in any particular case.

Balance between Qualitative Characteristics

20. In practice, a balancing, or trade-off, between qualitative characteristics is often necessary. Generally, the aim is to achieve an appropriate balance among the characteristics in order to meet the objectives of financial statements. The relative importance of the characteristics in different cases is a matter of professional judgment.

Appendix C

Gap Analysis between

Accounting system based on cash basis and

Financial statements based on accrual basis

A.1 Two research studies on piloting accrual accounting in Government were conducted under the aegis of Government Accounting Standards Advisory Board (GASAB). These pilot studies were conducted in the States of Andhra Pradesh and Madhya Pradesh with the non-technical financial assistance from the World Bank.

A.2 These pilot studies studied the existing system in detail, mapped the information required for presenting financial statements based on accrual accounting and flagged the gap between the existing information captured in Finance Accounts on cash basis and future requirements of financial statements based on accrual basis.

A.3 The gaps are classified into to following for purpose of analysis:

3.1 Non availability of a few key Information

a. Identification of assets by class

b. Valuation of assets

c. Classification of assets and liabilities as current and non current

d. Receivables (income accrued but not realized)

e. Inventories

f. Depreciation of assets

g. Identification and valuation of committed and contingent liabilities

h. Payables (expenditure incurred but not paid, revenue refunds from taxes and non-tax sources)

i. Employee benefits including pension liabilities, gratuity and leave encashment

3.2 Reclassification of available information

a. The cash flow is not classified according to its usage. Accrual accounting requires cash to be classified as per its usage and activities it performs namely in the form of operating, investing and financing activities to allow users to assess the impact of these activities on the financial position of the government entity.

b. Capital works in progress included as part of capital expenditure but not segregated. Though it is mentioned that the finance accounts exhibits statement of commitment list of incomplete capital works.

3.3 Absence of explicit IGFRSs /guidance notes on presenting financial statements on accrual basis of accounting.

3.4 Absence of disclosure of the relevant accounting policies and notes.

3.5 Need for a robust IT system.

3.6 Capacity building including training requirements.