

Accounting for Local Bodies
B.Com. Hons. in Accounting
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Unit 5: Accounting Standards for Local Bodies (ASLB)

ASLB 1 - PRESENTATION OF FINANCIAL STATEMENT

Accounting Standard for Local Bodies (ASLB) 1, 'Presentation of Financial Statements', issued by the Council of the Institute of Chartered Accountants of India, will be recommendatory in nature in the initial years for use by the Local Bodies. This Standard will be mandatory for Local Bodies in a State from the date specified in this regard by the State Government concerned.

The objective of this Standard is to prescribe the manner in which general purpose financial statements should be presented to ensure comparability both with the 56 entity's financial statements of previous periods and with the financial statements of other entities. To achieve this objective, this Standard sets out overall considerations for the presentation of financial statements, guidance for their structure, and minimum requirements for the content of financial statements prepared under the accrual basis of accounting. The recognition, measurement and disclosure of specific transactions and other events are dealt with in other Accounting Standards for Local Bodies (ASLBs).

Scope

This Standard should be applied to all general purpose financial statements prepared and presented under the accrual basis of accounting in accordance with Accounting Standard for Local Bodies (ASLBs).

General purpose financial statements are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs. Users of general purpose financial statements include various stakeholders, Governments and their agencies and the public.

General purpose financial statements include those that are presented separately or within another public document such as an annual report. This Standard does not apply to condensed financial information.

This Standard applies equally to all entities and whether or not they need to prepare consolidated financial statements or separate financial statements, as defined in ASLB on 'Consolidated and Separate Financial Statements'.

Although the information contained in financial statements can be relevant for the purpose of meeting the objectives, it is unlikely to enable all the objectives to be met. This is likely to be particularly so in respect of entities whose primary objective may not be to make a profit, as

managers are likely to be accountable for the achievement of service delivery as well as financial objectives. Supplementary information, including non financial statements, may be reported alongside the financial statements in order to provide a more comprehensive picture of the entity's activities during the period.

Reporting Period

Financial statements should be presented at least annually. When an entity's reporting date changes and the annual financial statements are presented for a period longer or shorter than one year, an entity should disclose, in addition to the period covered by the financial statements:

- (a) The reason for using a longer or shorter period; and
- (b) The fact that comparative amounts for certain statements such as the income and expenditure statement, statement of changes in equity annexed to the balance sheet, cash flow statement and related notes are not entirely comparable.

Responsibility For Financial Statements

The responsibility for the preparation, presentation, and authorization of financial statements for issue varies within and across local bodies as may be prescribed by the state laws.

Components of Financial Statements

A complete set of financial statements comprises:

- (a) A balance sheet (including statement of changes in equity annexed thereto);
- (b) An Income and expenditure statement;
- (c) A cash flow statement;
- (d) Notes, comprising a summary of significant accounting policies and other explanatory notes.

When the entity makes publicly available its approved budget, a comparison of budget and actual amounts may be given as a separate additional financial statement.

Information to be Presented on the Face of the Balance Sheet

As a minimum, the face of the balance sheet should include following line items:

- (a) Property, plant and equipment;
- (b) Investment property;
- (c) Intangible assets;
- (d) Biological assets (i.e. living, plants and animals)
- (e) Investments accounted for using the equity method;
- (f) Other investments (excluding amounts shown under (e), (h), (i) and (j));
- (g) Inventories;
- (h) Recoverables from non-exchange transactions (taxes and transfers);
- (i) Receivables from exchange transactions;
- (j) Cash and cash equivalents;
- (k) Taxes and transfers payable;
- (l) Payables under exchange transactions;
- (m) Provisions;
- (n) liabilities (excluding amounts shown under (k), (l) and (m)); Presentation of Financial Statements
- (o) Minority interest, presented within equity; and
- (p) Equity/reserves and surplus attributable to owners of the controlling entity.

Information to be Presented on the Face of the Income and Expenditure Statement

As a minimum, the face of the Income and expenditure statement should include following items:

- (a) Revenue;
- (b) Employee costs;
- (c) Finance costs;
- (d) Depreciation and amortisation;
- (e) Other operating expenditure;
- (f) Share of the surplus or deficit of associates and joint ventures accounted for using the equity method;
- (g) Minority interest share of surplus or deficit; and
- (h) Surplus or deficit

Disclosure of Accounting Policies

An entity should 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 entity has applied any transitional provisions in any ASLBs; and
- (c) The other accounting policies used that are relevant to an understanding of the financial statements

Format of Balance Sheet of Local Bodies:

LOCAL BODY – BALANCE SHEET AS OF 31ST MARCH _____

(Rs. in Thousands)

Description of Items	Schedule No.	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
EQUITY AND LIABILITIES			
Equity			
(a) Corpus Fund			
(b) Retained Earnings			
(c) General Fund			
(d) Earmarked Funds			
(d) Reserves			
(e) Others			
Non-current liabilities			
(a) Long-term borrowings			
(b) Long-term provisions			
(c) Other non-current liabilities			
Current liabilities			
(a) Short Term Borrowings			
(b) Short-term provisions			
(c) Taxes and transfers payable			
(d) Payable under exchange transactions			
(d) Other current liabilities			
TOTAL			
ASSETS			
Non-current assets			
(a) Property, Plant and Equipment			
(b) Capital work-in-progress			
(c) Investment Property			

Compendium of ASLBs

(d) Intangible Assets (i) Goodwill (ii) Other Intangible assets (iii) Intangible assets under development (e) Biological Assets (f) Long –term investments (g) Long-term loans and advances (h) Other non-current assets Current assets (a) Inventories (b) Current investments (c) Recoverable from non-exchange transactions (taxes and transfers) (d) Receivables from exchange transactions (e) Cash and cash equivalents (f) Short-term loans and advances (g) Other current assets			
TOTAL			

Format of Income and Expenditure of Local Bodies:

LOCAL BODY – INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH _____

(Rs. in Thousands)

(Classification of Expenses by Nature)

Items/Head of Account	Schedule No.	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
Revenue			
Tax Revenue			
Assigned Revenue and Compensation			
Rental Income from Municipal Properties			
Fees and User Charges			
Sale and Hire Charges			
Revenue Grants, Contribution and Subsidies			
Income from Investments			
Interest Earned			
Other Income			
Total Revenue			
Expenditure			
Employee Costs			
Finance Costs			
Depreciation and Amortisation expenses			
Other Expenses			
Total Expenditure			
Share of Surplus of associates and joint ventures			

(Classification of Expenses by Nature)

Items/Head of Account	Schedule No.	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
Revenue Tax Revenue Assigned Revenue and Compensation Rental Income from Municipal Properties Fees and User Charges Sale and Hire Charges Revenue Grants, Contribution and Subsidies Income from Investments Interest Earned Other Income Total Revenue Expenditure Employee Costs Finance Costs Depreciation and Amortisation expenses Other Expenses Total Expenditure Share of Surplus of associates and joint ventures			
Gross Surplus ((deficit) of Income over expenditure before exceptional items Exceptional items Gross Surplus ((deficit) of Income over expenditure after exceptional items <u>Attributable to</u> Owners Minority Interest			

References:

<https://shodhganga.inflibnet.ac.in/>

<https://resource.cdn.icai.org/>