

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

**ASLB 24: Presentation of Budget Information in Financial Statements**

**Objective**

This Standard requires a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s), and for which they are, therefore, held publicly accountable. This Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts. Compliance with the requirements of this Standard will ensure that entities discharge their accountability obligations and enhance the transparency of their financial statements by demonstrating - (a) compliance with the approved budget(s) for which they are held publicly accountable and (b) where the budget(s) and the financial statements are prepared on the same basis, their financial performance in achieving the budgeted results.

**Scope**

1. An entity that prepares and presents financial statements under the accrual basis of accounting should apply this Standard.
2. This Standard applies to all entities that are described as the Local Bodies in the Preface to Accounting Standards for Local Bodies and are required or elect to make their approved budget(s) publicly available.
3. This Standard does not require approved budgets to be made publicly available, nor does it require that the financial statements disclose information about, or make comparisons with, approved budgets that are not made publicly available.
4. In some cases, approved budgets will be compiled to encompass all the activities controlled by a local body. In other cases, separate approved budgets may be required to be made publicly available for certain activities, groups of activities, or entities included in the financial statements of a local body.

## Definitions of Terms:

The following terms are used in this Standard with the meanings specified:

1. **Annual budget** means an approved budget for one year. It does not include published forward estimates or projections for periods beyond the budget period.
2. **Appropriation** is an authorisation granted by a governing body to allocate funds for purposes specified by the governing body or similar authority.
3. **Approved budget** means the anticipated revenue or receipts and expenditure approved by the governing body or similar authority relating to the budgeted period.
4. **Budgetary basis** means the accrual, cash, or other basis of accounting adopted in the budget that has been approved by the governing body.
5. **Budget period** is the period covered by the budget as prescribed in the relevant legislation.
6. **Comparable basis** means the actual amounts presented on the same accounting basis, same classification basis, for the same entities and for the same period as the approved budget.
7. **Revised budget** is the original budget adjusted for all reserves, carry-over amounts, transfers, allocations, supplemental appropriations and other changes authorised by the governing body or similar authority changes applicable to the budget period.
8. **Governing body** is a body that is authorised by relevant legislative law to formulate policies concerning the activities of a local body such as a Committee, Board or a Council.
9. **Multi-year budget** is an approved budget for more than one year. It does not include published forward estimates or projections for periods beyond the budget period.
10. **Original budget** is the initial approved budget for the budget period.

## Presentation of a Comparison of Budget and Actual Amounts

Subject to the requirements of ASLB, an entity should present a comparison of the budget amounts for which it is held publicly accountable and actual amounts, either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with ASLBs. The comparison of budget and actual amounts should present separately for each level of governing body's oversight:

- (a) The original and revised budget amounts;
- (b) The actual amounts on a comparable basis; and
- (c) By way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts.

## Presentation and Disclosure

An entity should present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis.

Comparisons of budget and actual amounts may be presented in a separate financial statement, (Statement of Comparison of Budget and Actual Amounts or a similarly titled statement) included in the complete set of financial statements as specified in ASLB 1. Alternatively, where the financial statements and the budget are prepared on a comparable basis – that is, on the same basis of accounting for the same entity and same reporting period, and adopt the same classification structure – additional columns may be added to the existing primary financial statements presented in accordance with ASLBs. These additional columns will identify original and revised budget amounts and, if the entity so chooses, differences between the budget and actual amounts.

### **Changes from Original to Revised Budget**

An entity should present an explanation of whether changes between the original and revised budget are a consequence of reallocations within the budget, or of other factors by way of note disclosure in the financial statements.

The revised budget includes all changes approved by the governing body or other designated authority to revise the original budget. Consistent with the requirements of this Standard, an entity will include in the notes to the financial statements, an explanation of changes between the original and revised budget. That explanation will include whether, for example, changes arise as a consequence of reallocations within the original budget parameters or as a consequence of other factors, such as changes in the overall budget parameters, including changes in government policy.

### **Multi-year Budgets**

Some local bodies approve and make publicly available multi-year budgets, rather than separate annual budgets. Conventionally, multi-year budgets comprise a series of annual budgets or annual budget targets. The approved budget for each component annual period reflects the application of the budgetary policies associated with the multi-year budget for that component period. In some cases, the multi-year budget provides for a roll forward of unused appropriations in any single year.

## Example:

### Illustrative Examples

*These examples accompany, but are not part of, ASLB 24, "Presentation of Budget Information in Financial Statements".*

#### Statement of Comparison of Budget and Actual Amounts

For Local Body XX for the Year Ended March 31, 20XX Budget on Cash  
Basis  
(Classification of Payments by Functions)

Note: The budget and the accounting basis is different. This Statement of Comparison of Budget and Actual Amounts is prepared on the budget basis.

(In rupees)

Actual 20XX- XX	Particulars (1)	Original Budget (2)	* Revised Budget (3)	Actual Amounts on Comparable Basis (4)	** Difference: Revised Budget and Actual (5) = (3) – (4)
	<b>RECEIPTS</b>				
X	Taxation	X	X	X	X
	Aid Agreements				
	International agencies	X	X	X	X
X	Other Grants and Aid	X	X	X	X
X	Proceeds: Borrowing	X	X	X	X
X	Proceeds: Disposal of plant & Equipment	X	X	X	X
X	Trading Activities	X	X	X	X
X	Other receipts	X	X	X	X
X	<b>Total Receipts</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
	<b>PAYMENTS</b>				
(X)	Health	(X)	(X)	(X)	(X)
(X)	Education	(X)	(X)	(X)	(X)
(X)	Public order/safety Social protection	(X)	(X)	(X)	(X)
(X)	Housing and community amenities	(X)	(X)	(X)	(X)
(X)	Recreational, cultural and religion	(X)	(X)	(X)	(X)
(X)	Economic affairs				
(X)	Others	(X)	(X)	(X)	(X)
(X)	<b>Total Payments</b>	<b>(X)</b>	<b>(X)</b>	<b>(X)</b>	<b>(X)</b>
X	<b>NET RECEIPTS/(PAYMENTS)</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

\*The "Difference..." column is not required. However, a comparison between actual and the original or the revised budget, clearly identified as appropriate, may be included.

# Additional Column Approach

For Local Body YY for the Year Ended March 31, 20XX  
Both Annual Budget and Financial Statements Adopt Accrual Basis  
(Illustrated only for Income and Expenditure Statement. Similar presentation would be adopted for other financial statements.)

(In rupees)

Actual 20XX- XX (1)	Particulars (2)	Actual 20XX (3)	Revised Budget 20XX (4)	Original Budget 20XX (5)	*Difference: Original Budget and Actual (6) = (5) - (3)
	<b>Revenue</b>				
X	Taxes	X X	X X	X	X
X	Fees, fines, penalties, and licenses			X	X
	Revenue from exchange	X	X		
X	transactions	X X	X X	X	X
X	Transfers from other governments			X	X
X	Other revenue			X	X
X	<b>Total revenue</b>	X	X	X	X
	<b>Expenses</b>				
(X)	Wages, salaries, employee benefits	(X)	(X)	(X) (X)	(X)
(X)	Grants and other transfer payments	(X)	(X)	(X) (X)	(X)
(X)	Supplies and consumables used	(X)	(X)	(X)	(X)
(X)	Depreciation/amortisation expense	(X)	(X)	(X)	(X)
(X)	Other expenses	(X)	(X)		(X)
(X)	Finance costs	(X)	(X)		(X)
(X)	<b>Total expenses</b>	(X)	(X)	(X)	(X)
X	Share of surplus of associates	X	X	X	X
X	<b>Surplus(deficit) for the period</b>	X	X	X	X
	<b>Attributable to:</b>				
X X	Owners of the controlling entity	X	X	X	X
	Minority interest	X	X	X	X
X		X	X	X	X

\*The "Difference..." column is not required. However, a comparison between actual and the original or the revised budget, clearly identified as appropriate, may be included.

## Extract of Note Disclosures—for Local Body X

*(Local Body X presents its approved budget on a cash basis and the financial statements on the accrual basis.)*

1. The budget is approved on a cash basis by functional classification. The approved budget covers the fiscal period from April 1, 20XX to March 31, 20XX, and includes all entities within the local body. (Prepared in accordance with ASLB XX, "Consolidated and Separate Financial Statements".)
2. The original budget was approved by governing body on (date), and a supplemental appropriation of XXX for disaster relief support was approved by governing body on (date) due to the earthquake in the Northern Region on (date). The original budget objectives and policies and subsequent revisions are explained more fully in the Operational Review and Budget Outcomes reports issued in conjunction with the financial statements.
3. The excess of actual expenditure over the revised budget of XX% (XX% over original budget) for the Health function was due to expenditures above the level approved by governing body in response to the earthquake. There were no other material differences between the final approved budget and the actual amounts.
4. The budget and the accounting bases differ. The financial statements are prepared on the accrual basis, using a classification based on the nature of expenses in the income and expenditure statement. The financial statements are consolidated statements that include all controlled entities for the fiscal period from April 1, 20XX to March 31, 20XX. The financial statements differ from the budget which is approved on the cash basis.
5. The amounts in the financial statements were re-cast from the accrual basis to the cash basis, and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the financial statements for timing differences associated with the continuing appropriation were made to express the actual amounts on a comparable basis to the final approved budget. The amount of these adjustments are identified in the following table.
6. A reconciliation between the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and the actual amounts in the Statement of Cash Flows for the Year Ended March 31, 20XX is presented below. The financial statements and budget documents are prepared for the same period. There is an entity difference: the budget is prepared for the local body and the financial statements consolidate all controlled entities.  
There is also a basis difference: the budget is prepared on a cash basis and the financial statements on the accrual basis.

(in Rs.)

	Operating	Financing	Investing	Total
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	X	X	X	X
Basis Differences	X	X	X	X
Timing Differences	-	-	-	-
Entity Differences	X	X	X	X
Actual Amount in the Statement of Cash Flows	X	X	X	X

(This reconciliation could be included on the face of the Statement of Comparison of Budget and Actual Amounts or as a note disclosure.)

Particulars	Original Biennial Budget Year	Target Budget for 1 <sup>st</sup> Year	Revised Budget in 1 <sup>st</sup> Year	1 <sup>st</sup> Year Actual on Comparable Basis	Balance Available for 2 <sup>nd</sup> Year	Target Budget for 2 <sup>nd</sup> Year	Revised Budget in 2 <sup>nd</sup> Year	2 <sup>nd</sup> Year Actual on Comparable Basis	<sup>4</sup> Difference: Budget and Actual over Budget Period
1	2	3	4	5	6=2-4	7=2-3	8	9	10
<b>RECEIPTS</b>									
Taxation	X	X	X	X	X	X	X	X	X
Aid Agreements	X	X	X	X	X	X	X	X	X
Proceeds: Borrowing	X	X	X	X	X	X	X	X	X
Proceeds: Disposal of plant and equipment	X	X	X	X	X	X	X	X	X
Trading Activities	X	X	X	X	X	X	X	X	X
Other receipts	X	X	X	X	X	X	X	X	X
<b>Total Receipts</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>PAYMENTS</b>									
Health	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Education	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Public order and safety	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Social protection	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Housing, community amenities	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Recreational, cultural, religion	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Economic affairs	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Other	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
<b>Total Payments</b>	<b>(X)</b>	<b>(X)</b>	<b>(X)</b>	<b>(X)</b>	<b>(X)</b>	<b>(X)</b>	<b>(X)</b>	<b>(X)</b>	<b>(X)</b>
<b>NET RECEIPTS/ (PAYMENTS)</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

<sup>4</sup>This column is not required. However, a comparison between actual and the original or the revised budget, clearly identified as appropriate, may be included.

#### References:

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

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