



Introduction to the Process of Government Accounting

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Abstract: *The purpose of this paper is to enlighten a broad framework and context about the government accounting and its accounting principles used by the governments. Government accounting is the systematic and scientific process of recording the financial transaction of the government offices which works according to generally accepted accounting principles for governments set by the Government Accounting Standards Board, commonly known as GASB. The GASB is a private organisation financially controlled by Financial Accounting Foundation (FAF), which is not for profit organisation.*

Government Accounting - Introduction

Government accounting which is followed by government offices is known as government accounting. Government account is the systematic and scientific process of recording, collecting, classifying and summarising the financial transaction of the government offices. It helps to analyse the sources of government revenue as well as its utilization on administrative and development works. It also maintains the proper record of the government revenues and they are all implementation of development and administrative works. Government accounting refers to all the financial. Government accounting is a term provided to the structures like processing and recording of financial data related to government entities. These records are analysed and scrutinized for reflecting transactions and other economic liabilities on national scale. To establish uniformity in their accounting processes, government agencies follow what's referred to as generally accepted accounting principles or GAAP. Government accounting refers to the accounting system implemented and followed by the government offices to record the financial transactions of the government. It includes the records of government revenue, expenditure, penalties, subsidies, grants, loans, etc.

Under new accounting system, government accounting has been classified into two levels of accounting viz., central level accounting and operating level accounting.

Central level accounting: Central level accounting refers to the accounting system which is maintained in central level government offices. The central level government refers to the constitutional body, ministry, secretarial office, commission and department office. Central level accounting is concerned with recording the budget received from the ministry of finance and releasing it to its under operating level offices. The major accounting documents which are used in central level offices viz., Journal voucher, ledger, bank statement and statement of advance given.

Operating level accounting: The accounting system which is maintained by operating government offices is known as operating level accounting. The operating government offices refers to the government offices which work in the regional or district level offices and receive the budget from concerned central level office and working and the concerned level office i.e. regional offices, zonal offices, district offices, district level offices, etc. The operating level accounting keeps the record of the budget amount receive from central level office and spends it in development work and administrative works. The major documents which are used in operating level offices to keep records of financial transactions are Journal voucher, bank cash book, budget sheet, monthly advance expenditure report, statement of expenditure.



“Government Accounting is the process of recording, analysing, classifying, summarising, communicating, and interpreting information about government in aggregate and in detail, reflecting all transactions involving the receipts, transfer and disposition of government funds and property” –

Oshisami and Dean

Government accounting system (GAS)

The government is the biggest spender in any economy. Public expenditure management becomes a major function in all countries. Accounting is one of the principal ways of addressing transparency and accountability in public systems, and gains greater significance when the role of the state in the economy increases.

A good accounting system with appropriate mix of financial and physical reporting is basic for ensuring accountability. This was the hall mark of reforms during the post-independent era in the developed countries. In India, the basic foundation laid by the British still holds good. There are unique features about GAS which has distinguished it from commercial accounting. In India, it follows the broad provisions of the constitution. There is provision for flexibility in the form of maintenance of government accounts. Article 150 of the constitution provides the following in this context:

“Form of the accounts of the union and of the states- The accounts of the Union and of the states shall be kept in such form as the president may, on the advice of the Comptroller and Auditor General of India prescribe”.

The form in which the account of the union and the state are to be eliminated has been delegated to the Controller general of accounts (CGA) by a government notification. He has powers for prescribing the “General principles of accounting relating to the Union or State governments and form of accounts, and to frame or revise rules and manuals thereto.

Features of government accounting

1. **Profit and Loss:** Government accounting does not reveal profit and loss of government organisation. Its aim is to determine operating result of the organisation.
2. **Government regulations:** Government accounting is maintained as per the government rules and regulations.
3. **Double entry system:** It is based on the principles and assumptions of double entry system of book keeping.
4. **Budget heads:** All the expenditures of government offices are classified into different budget heads and expenditure are made on approved budget heads.
5. **Controlling budget:** Government accounting facilitates the public administration for controlling the budget expenditures. All the records of public revenues and expenditures are made as per the specific directives, policies and principles and hence the effective controlling of the budget is possible.
6. **Auditing:** The concerned department of the government must audit the books of accounts so as to avoid misuse and misappropriation of public funds.

Objectives of Government Accounting

- To record financial transactions of revenues and expenditures related to the government organisation
- To avoid the excess expenditures beyond the limit of the budget approved by the government.



- To make expenditures according to the appropriate act, rules and legal provisions of the government.
- To provide reliable financial data and information about the operation of public firms.
- To prevent misappropriation of government properties by maintaining the systematic records of cash and store items.
- To facilitate for making auditing of the books of accounts.
- To help for preparing different financial statements and reports.
- To facilitate for estimating annual budget by providing historical financial data of government revenues and expenditures.

Setting of Generally Accepted Accounting Principles for Governments

Generally accepted accounting principles for governments are basically set by the governmental accounting standards board, or as it are commonly called the GASB. The GASB is a private organisation that is financially controlled by the Financial Accounting Foundation (FAF) , which is a not for profit organisation. The GASB does for governments what the FASB does for commercial and not for profit organisations. The GASB was created in 1984 and is currently located in Norwalk, Connecticut. The GASB is composed of seven board members. The chair of the GASB is a full time board member, while the other six members serve on a part time basis. The GASB has full time technical staff, which reports to its Director of research.

The National Council on Governmental accounting (NCGA) was the name of the organisation that set accounting principles for governments prior to the creation of the GASB. Some of its accounting principles resulting from its municipal accounting standards and other standards are still in use today. The NCGA, which no longer exists, was sponsored by the Government Finance Officers Association (GFOA). Prior to the establishment of the GASB, the GAAFR (Governmental Accounting, Auditing and Financial Reporting) was an authoritative source of accounting principles.

Conclusion:

It is clear that the government accounting is the systematic and scientific process of recording, presenting, analysing, summarising, classifying and communicating the financial transaction of the government offices. It is concerned with keeping a record of government revenue and their proper utilisation in different development and administration work. It presents the receipt and payment position of the public fund. Generally accepted accounting principles for governments are basically set by the governmental accounting standards board or as it are commonly called the GASB.

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