



Presentation on financial transactions of various funds of Panchayat Department

SUBHAYAN CHAKRABORTY, PRDO(FM), MBA
(FINANCE AND ENTREPRENEURSHIP
DEVELOPMENT), PRTI, ARUNDHUTINAGAR

Field Level Issues

Computer generated Account do not tally with manual accounts

Reasons?

Mis- Classification of Receipts / Expenditure

Use of in-correct codes to enter data

Posting of figures under “Others” , If correct Head is not identified

Basic knowledge: For Correct Entries

What are :

- ✓ Sources of receipts
- ✓ Different type expenditure
- ✓ Accounting Principles
- ✓ Codes for various transactions
- ✓ Reports to be generated

Back Ground of PRI Accounting

PRIs are third Governments after 73rd CAA

The 11th FC (2000) recommendations:

1. The Accounts of PRIs shall be maintained on par with Central / State government accounts
2. CAG to prescribe:
 - Account codes for uniform presentation of financial data of PRIs
 - Formats PRIs for keeping PR accounts

Back Ground of PRI Accounting

CAG in 2002 prescribed -

- 1. A New Accounting System** for PRIs on par with Central / State Governments
 2. Recommended 4 tier classification of accounts
 3. 16 registers for keeping the accounts
- This was adopted by PRIs from 2004
 - But by 2008, the implementation was found to be poor

Model Accounting System

In 2008 MoPR constituted a Technical committee to simplify the accounting system

The committee proposed a simplified “Model Accounting System” (MAS) for PRIs

Three tier classification is recommended

8 Registers prescribed for keeping Accounts

MAS become effective from 1st April 2010

Features of Model Accounting System

- 1. Accounting System-** How to present the transactional data
- 2. Accounting Codes-** How to Codify the transactions
- 3. Accounting Formats-** Formats to keep the Accounts

Accounting System

1 . The Accounts are to be kept in two parts

- **Part-I** to record transactions of all receipts and expenditure relating to **Panchayats Fund**.

This consists of Revenue and Capital Section

- **Part-II** to record transactions relating to Provident Funds, Loans, **Deposits and Advances**

Receipts of Panchayats Under Part I of Accounts

Taxes

Non Taxes

Grants-in Aid

Tax Resources of Panchayats

Nature of Receipt	Classification
Trade License Fee / Share of Profession Tax assigned /	Taxes on Profession and Trades
Share of Surcharge on stamp duty assigned	Stamps and Registration fees
House Tax on Residential / Non Residential Buildings	Taxes on Property
Taxes on Cycle/Cart / Share of net proceeds assigned from MV tax	Taxes on Vehicles
Toll Tax	Taxes on Goods and Passengers
Entertainment Tax /Advertisement Tax/ Tax on village produce / Receipts under Other Acts	Taxes on Duties and Commodities
Share of Land Revenue assigned to Panchayats/Surcharge on land revenue	Land Revenue

Non Tax Resources of Panchayats

Nature of Receipt	Classification
Interest on Bank Deposit/ Interest on Loans and Advances	Interest Receipts
Rent from Buildings/ Recovery of Percentage Charges /	Maintenance of Community Assets
Pension Contribution / Leave Salary Contribution	Contribution towards retirement Benefits
Hire Charges /Fishery rentals/Market fee/ Fee for House building permission/ Fee for issue of certificates etc	Misc. Revenues of Panchayats under various services

Grants-in Aid

Nature of Grant	Classification
Tax Devolution, General Purpose Grants, Incentive grants Award money, Donations	Un Tied Funds
Scheme Grants, Matching Grants, CSR funds	Tied Funds
Grants with certain conditions attached for spending	Partly Tied funds

Receipts of Panchayat under

Part II of the Account

Loans

Nature of Advance	Classification
House Building Advance/ Motor Cycle Advance / Festival Advance /	Loans to Panchayat Employees
Insurance and Pension Fund/Group Insurance Scheme	Insurance and Pension Fund Section
GPF / Panchayat Employees Contributory PF	Pension & Provident Fund
EMD / Security Deposit / Panchayat Deposit	Deposits & Advances

Advances

Nature of Advance	Classification
Advances to PRI Functionaries for works & Supplies/Advances to agencies for works & Supplies	Civil Advances
Tax deduction at source / Income Tax/ Profession Tax/ GST/ Unclassified Suspense	Suspense Account
Civil Deposit : Account comprises of money received for specific purposes, which is not revenue of the PRIs	
Suspense Account: When the details of the receipts adjusted to PRI funds, are not immediately available these amounts are shown under Suspense	

Accounting Procedure

Transaction is only recorded when cash is actually received or paid

Transactions are recorded in Cash Book

The financial transactions are classified on three tier structure

The amounts due to or payable by Panchayat are not recorded in the cash book but are kept in separate records

contd...

Transactions as recorded in the cash book are transferred to the Register of Receipts and payments (R&P)

At the end of each month the totals of R&P are to be posted to the Monthly Account

At the end of the year the progressive figure of monthly accounts consolidated and Annual Account is prepared

Accounting Codes

3 Tier Classification

All transactions are classified under 3 tier Coding Structure

1. **Major Head** – 4 digits- Represents Functions
2. **Minor Head** - 3 digits- Represents Programme/ scheme/ Activity
3. **Object Head**- 2 digits- Represents object item

For Central Schemes a separate 2 digit Sub Head is given

For State Programs Alpha Numerical codes are given

First Tier Major Head (MH)

The MH indicate the Function. It is given 4 digit code

- Out of 29 functions of PRIs 17 are assigned with an independent MH
- For 12 functions 6 MH are indicated
- In addition to the above 23 MH:
 - 11 MH are prescribed for Tax & Non tax revenues
 - 4 MH are prescribed for Other Receipts
 - 6 MH for recording Deposits and Advances

States may choose and operate only those heads as required in their particular context

Receipts and Expenditure Heads

If the first digit of the 4 digit MH is:

'0' or '1': Revenue Receipt (0000 to 1999)

'2' or '3': Revenue Expenditure (2000 to 3999)

'4' or '5': Capital Expenditure (4000 to 5999)

'6' or '7': Loans and Advances Head (6000 to 7999)

Function	Revenue Receipt	Revenue Expr	Capital Expr	Loans
Agriculture	0435	2435	4435	6435
Education	0202	2202	4202	6202
PR&RD Programs	0515	2515	4515	6415

Second tier Minor Heads

The second tier is 3 digit Minor Head : It indicate Programme / Scheme under the Functions (or Major Head) Ex:

Major Head	Function	Minor Heads
0028	Taxes on Profession/Trades	101- Profession Tax 103- Trade License Fees
0045	Taxes on Duties and Commodities	101- Entertainment Tax 102- Advertisement Tax 104- Receipts under Other Acts
2202	Education	101- Primary Education 102 -secondary Education 103-Adult Education

Third tier Object Head

For commonly used items of receipts/ expenditure an Object Head is prescribed .This is in two digits

Ex:

S.No	Purpose of Expenditure	Object code
1	Salaries	01
2	Traveling allowance	07
3	Administrative expenses	12
4	Maintenance	26

Sub Head for Central Schemes

To capture Central/State scheme separate sub heads are prescribed under the respective Minor Head

Ex:

The sub heads are in two digits

MGNREGA - 11

PMAY - 14

NRHM 15

For State Schemes/ Grant Alpha numerical Codes are prescribed

Ex: Codes prescribed in Haryana

Pavement of Streets	S001
construction of Choupal	S003
SFC	S009
Establishment	S010

Identifying Head of Account

1. Determine whether the Expenditure / Receipt is Revenue or Capital

2. Identify the relevant codes:

Function to which the expenditure belong (Major Head)

Scheme/ Program under the function (Minor Head)

If it is a specific or central or State scheme (Sub Head)

The purpose or objective (Object Head)

XXXX-XXX-XX-XX

Revenue and Capital

Revenue receipts : Tax collected by the Panchayat and other receipts like interest and fees for the services rendered

Capital Receipt : Is not part of the operating activities. It include loans raised for creating assets and sale of asset

Revenue Expenditure - It means outlay benefiting only the current year. Includes Salaries / O&M

Capital Expenditure - Expenditure incurred for acquisition / construction of fixed assets

Expenditure towards wage paid for Construction of Connected Road in GP under PMGSY

Major Head: 5054 –Capital Outlay on
Transportation

Minor Head: 101 – Construction of village roads

Sub Head: 20 – PMGSY

Object Head:02- Wages

5054-101-20-02

Identifying Receipts Head of Account

House Tax Collected from the Residents

- Taxes on Property 0035
 - House Tax on Residential building 101
 - House Tax 78
1. Tax on Property 0035-101-78 Tax on residential bldgs.
 2. Fish Pond lease 0405- 102 - 58 Fish Pond Lease
 3. Lease on Sand 0515- 103- 59 Fee for use of Quarry
 4. Lease on Land 0515 -103- 60 Lease on Land
 5. Allocation of Seniorage Charges 0045- 104- 67 Other receipts Adjustment of SFC
Grant 1601- 102- 17 Grant

3.Accounting Formats

Following 8 formats are prescribed

1. Monthly/Annual Receipts and Payment Accounts
2. Consolidated abstract register
3. Reconciliation Statement Bank /Treasury
4. Statement of Receivable and Payable
5. Register of Immovable of Property
6. Register of Movable property
7. Inventory Register
8. Register of Demand, Collection and balance

Preparation of Vouchers

Preparation of Vouchers

The process of recording a transaction begins with its documentation in “voucher”

This will be the basis to key in the data in eGramSwaraj

If voucher is prepared correctly ,it easy for the DEO to just enter the details in eGramSwaraj

Classify the Vouchers for the given transactions

Nature of Payment	Voucher to be Passed
Cash withdrawn from bank	
Property tax received	
Recovery of Advance (Cash/Cheque)	
Stale Cheques (issued but not encashed)	
Grants received form Central/State/Others	
Salary paid to Staff	
Advance given to contractor/employee	
Transfer of Funds to other PRI	
Correction in Source of Grant (Same Bank A/c)	
Cash deposited in bank	

Vouchers to be Passed

Nature of Payment	Voucher to be Passed
Cash withdrawn from bank	Contra
Property tax received	Receipt
Recovery of Advance (Cash/Cheque)	Receipt
Stale Cheques (issued but not encashed)	Receipt
Grants received from Central/State/Others	Receipt
Salary paid to Staff	Payment
Advance given to contractor/employee	Payment
Transfer of Funds to other PRI	Payment
Correction in Source of Grant (Same Bank A/c)	Journal
Cash deposited in bank	Contra

“The secret of getting ahead is getting started.”

- MARK TWAIN

THANK YOU