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New Accounting System on Cards

Govt in the process of phased introduction of accrual-based financial reporting system to track and assess assets created out of public money

ENS Economic Bureau

New Delhi: Warning that migration from cash-based to accrual-based financial reporting is not an easy task, Union Finance Minister Pranab Mukherjee on Tuesday called for a need to work out its smoother implementation.

"Introduction of accrual accounting is not going to be an easy task. We need to clearly identify the critical and the preparatory steps which need to be taken. While doing so, the requirements and the capacity of the third tier of governance, at the level of local bodies, should be borne in mind," Mukherjee said in his key note address at the conference of Accrual-based Financial Reporting organised by CAG.

"An incremental and

phased introduction of accrual systems would therefore be appropriate," he added.

The Government Accounting Standards Advisory Board (GASAB) in the Office of the Comptroller & Auditor General of India has prepared a road map on accrual-based financial reporting from the current cash-based reporting and it has said in its framework manual that transition may involve 5 to 6 years.

Mukherjee also highlighted area of inadequate reflection of government liabilities in accounts related to pensions.

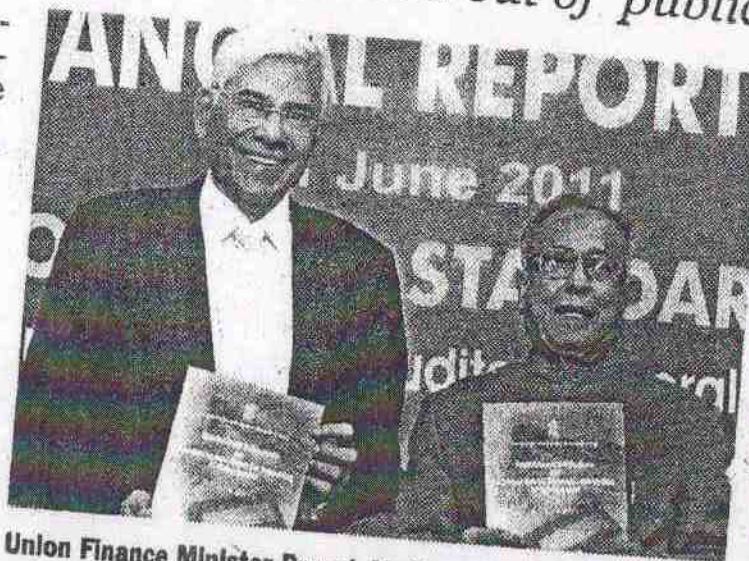
"In case of pensions only yearly expenditure is reflected in the accounts, but future liability of the government is not accounted for. Calculation of future pension liabilities is indeed a difficult task

as it depends on longevity of individual pensioners," he said.

The Finance Minister also called for a strong IT-based system for recording assets be established to strengthen

the existing disclosures under the FRBM Act.

Earlier in his address the Comptroller and Auditor General of India (CAG), Vinod Rai said that various Central Government organi-



Union Finance Minister Pranab Mukherjee and Comptroller and Auditor General (CAG) of India Vinod Rai release a book on Operational Guidelines for 'Accrual-based Financial Reporting' at a conference in New Delhi on Tuesday | PTI

zations like Railways, Department of Posts etc., are conducting pilot studies to move towards accrual accounting.

Over the last few years over 48 urban local bodies in 17 states have switched over to accrual-based accounting. Four States — Gujarat, Karnataka, Kerala and West Bengal — have adopted double entry/accrual based accounting for PRIs.

Also, 16 states have adopted the Model Accounting System developed by the Ministry of Panchayati Raj. The model accounting system is amenable to conversion to accrual basis.

The US, UK, Canada, Australia, New Zealand, Spain, Italy and Finland are in various stages of migration to accrual accounting, he noted.