**Go Global with the knowledge of IPSAS- Internationally accepted Accounting Language for Governmental Accounting**


By

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Your Candidate for Central Council Election (ICAI-WIRC) 2021 requesting your FIRST/BEST preference vote to Ballot No. 1 on my credentials and proven record and performance and let us contribute to make India No. 1 economy in world by making contributory services in all levels of economic activities, policy making initiatives through you and ICAI

- **MY MISSION IS TO TRANSFORM CA PROFESSION - MAKE EVERY CITIZEN ECONOMICALLY POWERFUL & INDIA THE MOST POWERFUL NATION OF WORLD !**
- **MY PASSION IS TO MAKE EVERY CA MEMBER & STUDENT SPEAKER & WRITER !**

Author of more than 300 books & Global business, professional growth and motivational coach
Passionate to make anyone Speaker, Writer, Acquiring New Knowledge ,Professional Qualifications , Growth in Business & Promotion As CEO
Member IFAC-PAIB committee 2001-2004; Member IFRS SMEIG London 2018-2020
Ex-director - SBI mutual fund, BOI mutual fund, global mediator and international arbitrator
B. Com (Hons), M.Com, FCA, FCS, FCMA, LL.B, LLM(Constitution),Dip CG, MBA, Dip IFRS (UK), DLL&LW, Dip IPR, Dip in Criminology, Ph. D, Mediation ,IP(IBBI), MBF, Dip HRM, Dip Cyber Law
20+ Certificate courses; 75+ Self Development Courses
Student of : MA(Psychology), MA (Economics), PGD CSR, PGD Crime Investigation
IBBI(RV)+++++++++++++++++

Ranks ALL INDIA 1st in Inter CA; 6th in CA Final; 3rd in CMA Final, 5th in Mumbai University +++

Chairman western region ICAI 1997; Council Member ICAI 1998-2016

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**By giving your most valuable First/Best Preferential Vote to me,**

**I vouch you yourself will be the member of the council!**

You may read & download my articles from my website:- www.cadrrajkumaradukia.com

**Introduction:**

**International Public Sector Accounting Standards** (**IPSASs**) are a set of accounting standards issued by the IPSAS Board (IPSASB) for use by public sector entities around the world in the preparation of financial statements. These standards are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). These standards are used by the national governments, regional (e.g., state, provincial, territorial) governments, local (e.g., city, town) governments and related governmental entities (e.g., agencies, boards and commissions). IPSASs are widely used by intergovernmental organizations or institutions. Presently, financial statements of the 24 UN System Organizations like United Nations (UN), the World Health Organization (WHO), the World Food Programme (WFP), the European Commission (EC), the Organization for Economic Co-Operation and Development (OECD), etc are based on the IPSAS . Earlier, UN System Organizations have been doing their financial reporting on what is called a modified cash basis for many years. This modified cash system was commonly referred to as UNSAS. Arguably, the UNSAS were modified cash or modified accrual, but the UN itself classified them as modified cash, because of UNSAS fell short of the accrual principle

However, IPSASs do not apply to government business enterprises. The primary aim of IPSASs are to improve the quality of general purpose financial reporting by public sector entities, leading to better informed assessments of the resource allocation decisions made by governments, thereby increasing transparency and accountability. It will also enable consistency of practice throughout the world.

**International Federation of Accountants**

The **International Federation of Accountants** (**IFAC**) is the global advocacy organization for the accountancy profession the accountancy profession; mainly for the financial accounting and auditing professions. Founded in 1977, IFAC has more than 175 members and associates in more than 130 countries and jurisdictions, representing more than 3 million accountants employed in public practice, industry and commerce, government, and academe. The organization supports the development, adoption, and implementation of international standards for accounting education, ethics, and the public sector as well as audit and assurance. It supports four independent standard-setting boards, which establish international standards on ethics, auditing and assurance, accounting education, and public sector accounting. It also issues guidance to encourage high-quality performance by professional accountants in small and medium business accounting practices.

To ensure the activities of IFAC and the independent standard-setting bodies supported by IFAC are responsive to the public interest, an international Public Interest Oversight Board (PIOB) was established in February 2005 by the Monitoring Group, which was formed when it became apparent that governance reform of the IFAC was needed.

IFAC is not an accreditation organization. Membership of IFAC is not obtained via an accreditation process, but instead, IFAC membership is obtained via an application process that must be sponsored by at least two current IFAC member organizations.

IFAC has four Standard Setting Boards:

- International Auditing and Assurance Standards Board (IAASB): The IAASB is an independent standard-setting board that develops the International Standards on Auditing covering various services offered by professional accountants worldwide like auditing, review, other assurance, quality control, and related services.
- International Ethics Standards Board for Accountants: The IESBA develops a Code of Ethics for Professional Accountants to be followed by professional accountants throughout the world.
- International Accounting Education Standards Board: IAESB develops uniform guidelines for education, training, and continuing professional development. National professional accounting organizations are required to consider these educational standards while formulating their educational systems.
- International Public Sector Accounting Standards Board: The International Public Sector Accounting Standards Board or IPSASB develops the **IPSASs** based on IFRSs.

**IPSASB**

The IPSASB sets International Public Sector Accounting Standards (IPSASs™) and Recommended Practice Guidelines (RPGs), IPSASB has so far issued a Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities, 42 standards on accrual basis accounting (of which 5 have been repealed). So, effectively there are 37 standards based on accrual basis of accounting. Besides, there is also 1 standard on cash basis of accounting along with the introduction to the international public sector accounting standard under the cash basis of accounting. IPSASs relate to the general purpose financial statements (financial statements) and are authoritative. The IPSASs issued so far can be classified for facilitating studies as follows:

<u>Assets</u>

- IPSAS 12—INVENTORIES
- IPSAS 13—LEASES

- IPSAS 16—INVESTMENT PROPERTY
- IPSAS 17—PROPERTY, PLANT, AND EQUIPMENT
- IPSAS 21—IMPAIRMENT OF NON-CASH-GENERATING ASSETS
- IPSAS 26—IMPAIRMENT OF CASH-GENERATING ASSETS
- IPSAS 27—AGRICULTURE
- IPSAS 31—INTANGIBLE ASSETS

Liabilities

- IPSAS 32—SERVICE CONCESSION ARRANGEMENTS: GRANTOR
- IPSAS 39—EMPLOYEE BENEFITS

Revenues

- IPSAS 9—REVENUE FROM EXCHANGE TRANSACTIONS
- IPSAS 11—CONSTRUCTION CONTRACTS

Expenses

- IPSAS 5—BORROWING COSTS
- IPSAS 19—PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS
- IPSAS 23—REVENUE FROM NON-EXCHANGE TRANSACTIONS (TAXES AND TRANSFERS)
- IPSAS 39—EMPLOYEE BENEFITS
- IPSAS 42—SOCIAL BENEFITS

Financial Instruments

- IPSAS 28—FINANCIAL INSTRUMENTS: PRESENTATION

- IPSAS 29—FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT
- IPSAS 30—FINANCIAL INSTRUMENTS: DISCLOSURES
- IPSAS 41—FINANCIAL INSTRUMENTS

Consolidation and Public Sector Combination

- IPSAS 34—SEPARATE FINANCIAL STATEMENTS
- IPSAS 35—CONSOLIDATED FINANCIAL STATEMENTS
- IPSAS 36—INVESTMENTS IN ASSOCIATES AND JOINT VENTURES
- IPSAS 37—JOINT ARRANGEMENTS
- IPSAS 38—DISCLOSURE OF INTERESTS IN OTHER ENTITIES
- IPSAS 40—PUBLIC SECTOR COMBINATIONS

Presentation

- IPSAS 1—PRESENTATION OF FINANCIAL STATEMENTS
- IPSAS 2—CASH FLOW STATEMENTS
- IPSAS 3—ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS
- IPSAS 4—THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES
- IPSAS 10—FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES
- IPSAS 14—EVENTS AFTER THE REPORTING DATE
- IPSAS 18—SEGMENT REPORTING
- IPSAS 20—RELATED PARTY DISCLOSURES
- IPSAS 22—DISCLOSURE OF FINANCIAL INFORMATION ABOUT THE GENERAL GOVERNEMENT SECTOR
- IPSAS 24—PRESENTATION OF BUDGET INFORMATION IN FINANCIAL STATEMENTS

First time Adoption of IPSAS

IPSAS 33—FIRST-TIME ADOPTION OF ACCRUAL BASIS INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASs)

Besides, IPSASB has also issues 3 Recommended Practice Guidelines and an Introduction to Recommended Practice Guidelines. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS, RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected. The RPGs issued so far are:

- RPG 1—REPORTING ON THE LONG-TERM SUSTAINABILITY OF AN ENTITY'S FINANCES (PDF | 468K)
- RPG 2—FINANCIAL STATEMENT DISCUSSION AND ANALYSIS (PDF | 299K)
- RPG 3—REPORTING SERVICE PERFORMANCE INFORMATION

Also there is a Glossary of Defined Terms. All these material are freely downloadable from site of IPSASB.

**Applicability of IPSAS**

It applies to general purpose financial reports of national, regional, state/provincial and local governments. It also applies to a wide range of other public sector entities including:

- Government ministries, departments, programs, boards, commissions, agencies;
- Public sector social security funds, trusts, and statutory authorities; and
- International governmental organizations

**Uses of General Purpose Financial Statements of Public Sector Entities**

Most public sector entities operate to deliver services to the public, rather than to make profits and generate a return on equity to investors. Therefore, the performance of such entities cannot be fully evaluated by examination of financial position, financial performance and cash flows. The general purpose financial reports (GPFRs) provide information to users for accountability and decision-making purposes. They provide information in respect to matters as:

- resources available with the entity for future expenditures, and restrictions or conditions attached to their use, if any;
- extent to which the burden on future-year taxpayers of paying for current services has changed;
- The extent to which management has discharged its responsibilities for safekeeping and managing the resources of the entity;
- The amounts and timing of future cash flows necessary to service and repay existing claims tothe entity's resources.
- Extent of compliance with approved budgets and other authority governing its operations
- Expectations regarding service delivery and other activities in future periods, and the long termconsequences of decisions made and activities undertaken during the reporting period
- efficiency and effectiveness of services provided to its constituents by the entity; and
- improvement or deterioration in ability of the entity to provide services compared with thepprevious year.

**Characteristics of the Public Sector Reporting Entities**

A public sector reporting entity is a government or other public sector organization, program or identifiable area of activity (hereafter referred to as an entity or public sector entity) that prepares GPFRs. A public sector reporting entity may comprise two or more separate entities that present GPFRs as if they are a single entity—such a reporting entity is referred to as a group reporting entity.

- Profit not the main aim of the entity
- Significance of Non-Exchange Transactions
- Importance of the Approved Budget
- Lengthy Public Sector Programs
- The primary reason for holding assets is for their service potential rather than their ability to generate cash flows
- The Regulatory Role of Public Sector Entities

**Qualitative Characteristics of Information in GPFRs**

GPFRs present financial and non-financial information about economic and other phenomena. The qualitative characteristics of information included in GPFRs are the attributes that make that information useful to users and support the achievement of the objectives of financial reporting. The qualitative characteristics of information included in GPFRs of public sector entities are

- relevance,
- faithful representation,
- understandability,
- timeliness,
- comparability, and
- verifiability.

**Constraints on Information in GPFRs**

Pervasive constraints on information included in GPFRs are

- materiality,
- cost-benefit, and

- achieving an appropriate balance between the qualitative characteristics.

**Users of General Purpose Financial Statements**

General purpose financial statements are developed primarily to respond to the information needs of service recipients and resource providers and representatives of these users including:

- citizens,
- residents,
- taxpayers and ratepayers,
- members of the legislature and members of parliament
- donor agencies,
- lenders and
- others that provide resources to, or benefit from, services of governments.

**Elements of Financial Statements**

Elements are the building blocks from which financial statements are constructed. They are broad classes which share common economic characteristics. The 6 elements that are relevant for GFPR by Public Sector Entities are:

1. **Assets:** An asset is a resource presently controlled by the entity as a result of a past event.
2. **Liabilities**: A liability is a present obligation of the entity for an outflow of resources that results from a past event.
3. **Revenue:** Revenue is increases in the net financial position of the entity, other than increases arising from ownershipcontributions.
4. **Expense:** Expense is decreases in the net financial position of the entity, other than decreases arising from ownershipdistributions
5. **Ownership contributions:** Ownership contributions are inflows of resources to an entity, contributed by external parties in their capacity as owners, which establish or increase an interest in the net financial position of the entity.

6. **Ownership distributions**: Ownership distributions are outflows of resources from the entity, distributed to external parties in their capacity as owners, which return or reduce an interest in the net financial position of the entity.

**Net Financial Position, Other Resources, and Other Obligations:** In some circumstances, to ensure that the financial statements provide information that is useful for a meaningful assessment of the financial performance and financial position of an entity, recognition of economic phenomena that are not captured by the elements as defined above may be necessary. In these cases, the IPSASs may require or allow these resources or obligations to be recognized as other resources or other obligations, which are items additional to the six elements defined above. Net financial position is the difference between assets and liabilities after adding other resources and deducting other obligations recognized in the statement of financial position.

**Surplus or Deficit for the Period:** The entity's surplus or deficit for the period is the difference between revenue and expense reported on the statement of financial performance.

**Recognition** and **Derecognition**

Recognition is the process of incorporating and including in amounts displayed on the face of the appropriate financial statement an item that meets the definition of an element and can be measured in a way that achieves the qualitative characteristics and takes account of the constraints on information included in GPFRs. All items that satisfy the recognition criteria are recognized in the financial statements. The recognition criteria are that:

- An item satisfies the definition of an element; and
- Can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in GPFRs.

The failure to recognize items that meet the definition of an element and the recognition criteria is not rectified by the disclosure of accounting policies, notes or other explanatory detail. However, disclosure can provide information about items that meet many, but not all the characteristics of the definition of an element. Disclosure can also provide information on items that meet the definition of an element but cannot be measured in way it is required.

Derecognition is the process of evaluating whether changes have occurred since the previous reporting date that warrant removing an element that has been previously recognized from the financial statements, and removing the item if such changes have occurred. In evaluating uncertainty about the existence of an element the same criteria are used for derecognition as at initial recognition.

**Measurement**

The objective of measurement is to select those measurement bases that most fairly reflect the cost of services, operational capacity and financial capacity of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes.

There is no single measurement basis (or combination of bases) for all transactions, events and conditions.

**Measurement Bases for Assets**

The commonly used measurement bases for assets are:

- **Historical cost**: Historical cost for an asset is the consideration given to acquire or develop an asset, which is the cash or cash equivalents or the value of the other consideration given, at the time of its acquisition or development. It is an entry, entity-specific value.
- **Market value**: Market value for assets is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
- **Replacement cost**: Replacement cost is the most economic cost required for the entity to replace the service potential of an asset (including the amount that the

entity will receive from its disposal at the end of its useful life) at the reporting date.

- **Net selling price**: Net selling price is the amount that the entity can obtain from sale of the asset, after deducting the costs of sale; and
- **Value in use:** Value in use is the present value to the entity of the asset's remaining service potential or ability to generate economic benefits if it continues to be used, and of the net amount that the entity will receive from its disposal at the end of its useful life.
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**Measurement Bases for Liabilities**

The commonly used measurement bases for liabilities are:

- **Historical Cost**: Historical cost for a liability is the consideration received to assume an obligation, which is the cash or cash equivalents, or the value of the other consideration received at the time the liability is incurred.
- **Cost of Fulfillment**; Cost of fulfillment is the costs that the entity will incur in fulfilling the obligations represented by the liability, assuming that it does so in the least costly manner.
- **Market Value**: Market value for liabilities is the amount for which a liability could be settled between knowledgeable, willing parties in an arm's length transaction
- **Cost of Release**: Cost of release refers to the amount of an immediate exit from the obligation. Cost of release is the amount that either the creditor will accept in settlement of its claim, or a third party would charge to accept the transfer of the liability from the obligor; and
- **Assumption Price**: Assumption price is the amount which the entity would rationally be willing to accept in exchange for assuming an existing liability

## Components of Financial Statements

A complete set of financial statements prepared in line with IPSASA comprises of:

- A statement of financial position;
- A statement of financial performance;
- A statement of changes in net assets/equity;
- A cash flow statement;
- When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements;
- Notes, comprising a summary of significant accounting policies and other explanatory notes; and
- Comparative information in respect of the preceding period.

## General Features of Financial Statements under IPSAS

**Fair presentation and compliance with IPSASs:** Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses. The application of IPSASs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation**.**

An entity whose financial statements comply with IPSASs shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRSs unless they comply with all the requirements of all the IPSASs.

An entity cannot rectify inappropriate accounting policies either by disclosure of the accounting policies used or by notes or explanatory material.

In the extremely rare circumstances in which management concludes that compliance with a requirement in an IPSAS would be so misleading that it would conflict with the objective of financial statements, the entity shall depart from that requirement by giving proper disclosures, if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.

When an entity has departed from a requirement of an IPSAS in a prior period, and that departure affects the amounts recognised in the financial statements for the current period**.**

**Going Concern:** When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.

**Consistency of presentation**

An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless:

- it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies

- an IPSAS requires a change in presentation.

**Materiality and aggregation:** An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial.

**Offsetting:** An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an IPSAS.

**Comparative information:** Except when IPSASs permit or require otherwise, an entity shall present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements. An entity shall present, as a minimum, one statement of financial position with comparative information for the preceding period, one statement of financial performance with comparative information for the preceding period, one cash flow statement with comparative information for the preceding period and one statement of changes in net assets/equity with comparative information for the preceding period, and related notes.

**Frequency of reporting:** An entity shall present a complete set of financial statements (including comparative information) at least annually. When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:

- the reason for using a longer or shorter period, and

- the fact that amounts presented in the financial statements are not entirely comparable.

**IPSAS under The Cash Basis Of Accounting**

The cash basis of accounting recognizes transactions and events only when cash or cash equivalents is received or paid by the entity. Financial statements prepared under the cash basis provide readers with information about the sources of cash raised during the period, the purposes for which cash was used and the cash balances at the reporting date. The measurement focus in the financial statements is balances of cash and changes therein. Notes to the financial statements may provide additional information about liabilities, such as payables and borrowings, and some non-cash assets, such as receivables, investments and property, plant and equipment.

Beside the IPSASs on accrual basis, the IPSASB issues IPSAS dealing with financial reporting under the cash basis of accounting and the accrual basis of accounting to improve both the quality and comparability of financial information reported by public sector entities around the world. It is an important step forward in improving the consistency and comparability of financial reporting under the cash basis of accounting and encourages the adoption of the Standard. The Cash Basis IPSAS has been developed as an intermediate step to assist in the transition to the accrual basis of financial reporting and adoption of accrual IPSAS. The Cash Basis standard is in two parts. Part 1 is mandatory whereas Part 2 identifies additional accounting policies and disclosures that a public sector entity is encouraged to adopt. Financial statements should be described as complying with this IPSAS only if they comply with all the requirements of Part 1 of the IPSAS under Cash Basis issued by IPSASB.

**Component of Financial Statement under Cash Basis**

An entity shall prepare and present financial statements which include the following components:

- A statement of cash receipts and payments which recognizes all cash receipts, cash payments and cash balances controlled by the entity;
- Accounting policies and explanatory notes; and
- When the entity makes publicly available it's approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the statement of cash receipts and payments.

**Statement of Cash Receipts and Payments**

The statement of cash receipts and payments shall present the following amounts for the reporting period:

- Total cash receipts of the entity showing separately a sub-classification of total cash receipts using a classification basis appropriate to the entity's operations;
- Total cash payments of the entity showing separately a sub-classification of total cash payments using a classification basis appropriate to the entity's operations; and
- Beginning and closing cash balances of the entity.

**Accounting Policies and Explanatory Notes**

The notes to the financial statements of an entity shall:

- Present information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and other events; and
- Provide additional information which is not presented on the face of the financial statements but is necessary for a fair presentation of the entity's cash receipts, cash payments and cash balances.

**Opportunities for Chartered Accountants in IPSAS**

Implementation of accrual accounting in the public sector is a significant priority across many jurisdictions. Accrual accounting promotes more transparency, improves accountability and provides better information for decision-making purposes. According to the International Public Sector Financial Accountability Index, in 2018 only 25% of governments in the 150 jurisdictions included in the Index reported on an accruals basis, but these are projected to increase to 65% by 2023. Therefore, the knowledge of IPSASs presents following opportunity for Chartered Accountants:

- To assist governments and government entities/ programs wishing to report in accordance with the accrual based International Public Sector Accounting Standards
- Beside, directly assisting the government in adopting IPSAS, Chartered Accountants can explore opportunities in training workforce that would be required to implement IPSASs in these countries. With online training facilities gaining importance all over the globe, this work can be done from India itself.
- Developing Content on IPSASs like Book, Articles, Blogs etc
- Preparation of training material like PPTs, videos on the subject.
- Helping Governments and entities in transition from Cash Basis IPSASs to accrual basis IPSAS.

**Governmental Accounting in India**

The Government accounting system in India is rule based and follows primarily, cash basis accounting. The Comptroller and Auditor General of India (CAG) has constituted Government Accounting Standards Advisory Board (GASAB) with the support of Government of India (GoI) to formulate and recommend Indian Government Accounting Standards (IGASs) and 'Indian Government Financial Reporting Standards (IGFRSs)' with a view to improving standards of Governmental accounting and financial reporting. Where IGAS are based on Cash Basis of accounting as are currently in vogue in India, IGFRS are on accrual basis and futuristic in nature.

**Indian Government Accounting Standards (IGASs)**

So far, GASAB has approved 6 IGASs of which 3 has been implemented and other three are under consideration by the Government. These Standards are based on internationally recognized IPSAS for Cash basis of accounting (popularly known as Cash IPSAS) issued by the International Public Sector Accounting Board (IPSASB), constituted by the International Federation of Accountants (IFAC). The three IGASs notified by the GoI are:

IGAS 1: Guarantees given by Governments: Disclosure Requirements

IGAS 2: Accounting and classification of Grants-in-Aid; and

IGAS 3: Loans and Advances made by Governments

Following IGASs approved by GASAB are under consideration by GoI:

IGAS 7: Foreign Currency and Loss/ Gain by Exchange Rate Variations;

IGAS 9: Government Investments in Equity; and

IGAS 10: Public Debt and Other Liabilities of Governments: Disclosure Requirements.

**'Indian Government Financial Reporting Standards (IGFRSs)**

Though traditionally, cash based accounting system is followed in India for budgeting, accounting and financial reporting as cash based system is simple and recognizes a transaction when cash is paid or received. It requires less skilled personnel and is geared to cash management needs. It has also served the basic requirements of financial accountability of Government to Parliament.  However, cash based system of accounting is not the most informative way of presenting government account and much need is being felt for accounting framework and accounting standards on accrual basis to keep in pace with the global best practices and to facilitate pilot studies and research efforts on migration to accrual accounting at Union and State level. GASAB has also taken a decision to develop accrual basis accounting standards alongside cash basis standards. The accrual basis standards are issued under the title 'Indian Government Financial

Reporting Standards (IGFRSs)'. So far, GASAB has approved 5 IGFRS and all are under consideration of the Government. These are:

- IGFRS 1 : Presentation of Financial Statements
- IGFRS 2: Property, Plant & Equipment
- GFRS 3: Revenue from Government Exchange Transactions
- IGFRS 4: Inventories
- IGFRS 5: Contingent Liabilities (other than guarantees) and Contingent Assets: Disclosure Requirements

GASAB has also developed an operational framework of the accrual system that will prevail in Government. The operational framework would provide overall architecture of the accounting model that would prevail in Government while conforming to the national and constitutional reporting needs. This important document is also under consideration of the Government.

**Accounting Standards for Local Bodies (ASLB)**

Accounting Standards issued by GASAB are applicable to accounting by central and state governments. They do not deal with accounting aspects of Local Bodies. The term 'Local Body' may be defined as a local self-government at the third tier of governance in an administrative and geographical vicinity, e.g., a municipal corporation, a municipality or a panchayat. In many cases, the Local Bodies delegate their functions such as building of schools, city roads, parks, running transport services, providing water supply etc., to some other bodies that may or may not be controlled by the Local Bodies, e.g. development authorities, boards, parastatals. Such bodies may be constituted, in partnership with private sector or otherwise, directly or indirectly by or on behalf of a Local Body to promote or carry out some specific objective(s) or function(s) of the Local Bodies. Such bodies may be constituted under a statute. The term 'Local Body' would also encompass such bodies too.

The Committee on Accounting Standards for Local Bodies (CASLB) set up by Council of the Institute of Chartered Accountants of India issues Accounting Standards for Local Bodies (ASLB) to fill this gap. These Standards are based on IPASAS. So far it has issued the following:

- The Conceptual Framework for General Purpose Financial Reporting by Local Bodies
- Preface to the Accounting standard for Local Bodies
- Accounting Standard for Local Bodies (ASLB) 1, 'Presentation of Financial Statements'
- Accounting Standard for Local Bodies (ASLB) 2, 'Cash Flow Statements'
- Accounting Standards for Local Bodies (ASLB) 3, 'Accounting Policies, changes in Accounting Estimates and Errors"
- Accounting Standards for Local Bodies (ASLB) 4, 'The Effects of Changes in Foreign Exchange Rates'
- Accounting Standard for Local Bodies (ASLB) 5, 'Borrowing Costs'
- Accounting Standard for Local Bodies (ASLB)9, 'Revenue from Exchange Transactions'
- Accounting standard for Local Bodies (ASLB) 11, "Construction Contracts"
- Accounting Standard for Local Bodies (ASLB) 12, 'Inventories'
- Accounting Standards for Local Bodies (ASLB) 13, 'Leases'
- Accounting Standard for Local Bodies (ASLB) 14, 'Events After the Reporting Date'
- Accounting Standards for Local Bodies (ASLB) 16, 'Investment Property'
- Accounting Standard for Local Bodies (ASLB) 17, 'Property, Plant and Equipment'
- Accounting Standard for Local Bodies (ASLB) 18, 'Segment Reporting'
- Accounting Standards for Local Bodies (ASLB) 19, 'Provision, Contingent Liabilities and Contingent Assets'

- Accounting Standard for Local Bodies (ASLB) 20, ‘Related Party Disclosures’
- Accounting Standards for Local Bodies (ASLB) 21, ‘Impairment of Non-Cash-Generating Assets’
- Accounting Standards for Local Bodies (ASLB) 23, ‘Revenue from Non-Exchange Transaction (Taxes and Transfers)’
- Accounting Standard for Local Bodies (ASLB) 24, ‘Presentation of Budget Information in Financial Statements’
- Accounting Standards for Local Bodies (ASLB) 26, ‘Impairment of Cash-Generating Assets’
- Accounting Standards for Local Bodies (ASLB) 31, ‘Intangible Assets’
- Accounting Standards for Local Bodies (ASLB) 32, ‘Service Concession Arrangements: Grantor’
- Accounting Standards for Local Bodies (ASLB) 33, ‘First-Time Adoption of Accrual Basis Accounting Standards for Local Bodies (ASLBs)’
- Accounting Standards for Local Bodies (ASLB) 34, ‘Separate Financial Statements’
- Accounting Standards for Local Bodies (ASLB) 36, ‘Investment in Associates and Joint Ventures’
- Accounting Standards for Local Bodies (ASLB) 39, ‘Employee Benefits’
- Accounting Standards for Local Bodies (ASLB) 42, ‘Social Benefits’
- Accounting Standards for Local Bodies (ASLB ), ‘Financial Reporting under Cash Basis of Accounting’

## Conclusion

Analyzing data captured by IFAC International Public Sector Financial Accountability Index, in 2020 Status Report analyzes information from 165 jurisdictions across the globe to develop an understanding of public sector financial reporting. 49 jurisdictions (30% of the jurisdictions included in the 2020 Index) reported on accrual in their 2020 published financial statements. 40% already had some element of accrual in their financial reports – categorized in the 2020 Index as ‘Partial Accrual’. 30% of governments still reported on a cash basis. The results paint a positive picture for future accrual and adoption efforts globally as compared to report of 2018. The greatest opportunities for accrual reform during this time will be across Africa, Asia and Latin America and the Caribbean. By the end of 2023, nearly three-quarters (73%) of governments that report on accrual will use International Public Sector Accounting Standards (IPSAS) in one of three ways.

Of the 49 jurisdictions that reported on accrual in 2020, 28 (57%) are using IPSASs in one of these three ways: 4 jurisdictions adopted IPSASs with no modifications; 8 modified IPSASs for the local context; and 16 referred to IPSASs to develop their own national standards.

The data above confirms that the knowledge of the IPSASs is going to be a great opportunity for the accounting professionals worldwide. So it time to gear up and acquire knowledge in this relatively new domain.

Important Links and websites

- https://www.ipsasb.org/
- http://gasab.gov.in/