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Govt may migrate to accrual accounting in 5 yrs

Our Bureau

New Delhi, May 6 Accrual accounting may become a reality in Government within a five-year time frame. This emerged at a national round table conference on accrual accounting held in the Capital on Tuesday.

This conference, which was convened by the Government Accounting Standards Advisory Board (GASAB), deliberated the issue of migration from cash to accrual basis accounting and laid down the roadmap for such process. Currently, the Government adopts cash basis of accounting.

It is contended that the accrual based financial statements would provide more appropriate presentation of financial performance and position of the Government.

The Union and States would have a common format of financial statements that would include a Balance Sheet, a Statement of financial performance and a Cash flow statement. The framework for the accrual accounting would be Indian Government Financial Reporting Standards (IGFRS) issued by GASAB.

IGFRS are harmonised with International Public Sector Accounting Standards (IPSAS), the international standards for governments.

Principal Secretaries from State Governments, officials from Department of Posts, Accountant General of various states, and World Bank officials participated in the National Round Table Conference.

A Government-RBI appointed committee on financial sector assessment (CFSA) had in its recent report noted that there should not be any hasty move towards accrual-based accounting.

The CFSA report said that accrual based accounting should be attempted only in phases after ascertaining the benefits and costs of doing so and preparing a strong ground in terms of skills and awareness at all levels.

However, this should not preclude Governments from removing serious distortions caused by cash-based fiscal reporting on account of factors

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such as deferment of payment of subsidies through issue of bonds, the CFSA report said.