

Research Question # 02**Can financial reporting model of PSEs serve as basis for accounting information systems, disclosures & reforms in the Government accounting?**

The present system of reporting in the Federal government is based upon the concept of cash accounting. The Finance Commission & Govt of India have formulated norms for financial reporting under which the Accrual Accounting system has been adopted with its implementation in the Municipal bodies & subsequent adoption in State & Central govt being envisaged, as a step-wise implementation process. Funding for special central schemes is also being monitored for further allocations based upon said accounting disclosures.

The question of whether the accrual system of accounting serve the purpose of administrative decision-making or not, has been evaluated by the undersigned in this study, based upon case-study approach & examination. For the purpose, the Municipal Corporation(s) of Trivandrum (TMC) & Cochin (CMC), Government of Kerala have been selected because they have adopted accrual based accounting system and submitted their performance in the public domain. The study has also taken inputs from primary data source of interactions with municipal officials during our urban study visit to Kerala, as part of the APPPA.

The analysis under the study has been devised keeping in view the focus on expenditure control, liquidity and sustainability of long-term operations out of self-generated resources. Their financial statements have been studied with the purpose of analysing :-

- a. Funds flow analysis & liquidity position
- b. The Income & Expenditure analysis and the solvency position
- c. The Assets & Liability analysis and the financial administration
- d. Submit solutions for better management & revenue generation

Further to municipal accounts & financial disclosures, the undersigned has also studied the biggest centrally sponsored programme, the Mahatma Gandhi National Rural Employment Guarantee Scheme, to understand whether a scientific financial information system helps in performance evaluation of projects & schemes. The accounts of given scheme are submitted on cash-based accounting system of federal government & is being submitted to substantiate need for accrual statements for analysis & disclosures.

Inputs were collected from primary sources during rural study visit to Shillong, Meghalaya through interaction with State Govt. officials, along with secondary data of information appended in public domain by Ministry of Rural Development.

A. Financial Analysis of Accounts of Municipal Corporations

Table # 16: Financial Statements of Trivandrum Municipal Corp

Sl No	Particulars of the Item	Trivandrum Municipal Corporation (TMC)					
		2010 - 2011		2009 -2010		2008-2009	
		Details	Total	Details	Total	Details	Total Rs. Cr.
A							
	Opening Cash Balance			24.8		27.4	
	Operating Receipts (Revenue)	76.8		73.2		67.0	
	Non Operating Receipts (Non-Revenue)	69.9		56.9		45.5	
	Total Receipts plus Opening Cash reserves		170.0		154.9		139.9
B							
	Operating Payments (Revenue)	39.4		27.2		37.2	
	Non-Operating Payments (Non-Revenue)	107.4		104.4		77.9	
	Closing Cash Balance	23.3		23.3		24.8	
	Total Payments plus Closing Cash reserves		170.0		154.9		139.9
C							
	Municipal Tax Revenue	50.3		49.3		40.8	
	Rental from Municipal Properties	3.0		2.9		3.2	
	User Charges & Other Fees	8.2		11.0		11.6	
	Income from Investments, Interests & Others	0.1		0.2		0.5	
	Total Self-generated Municipal Revenue	61.6		63.3		56.2	
	Grants & Subsidies	64.3		39.6		59.6	
	Total Income Generated		125.8		102.9		115.8
D							
	Personnel Expenditure	41.2		36.3		30.7	
	Administrative Expenditure	7.3		1.5		2.4	
	Total Personnel & Administration Expenditure	48.5		37.8		33.1	
	Operations & Maintenance Expenditure	34.4		37.4		37.2	
	Assets Depreciation Expenditure	5.4		1.9		2.9	
	Total Operations & Maintenance Expenditure	39.8		39.3		40.1	

	Total Municipal Expenditure (Non-Special)	88.3		77.1		73.1	
	Special Programmes Expenditure	36.6		18.5		41.3	
	Total Expenditure Incurred		124.9		95.7		114.4
E	Surplus (+) / Deficit (-)		0.9		7.3		1.4
F							
	Municipal Reserves & Surpluses	134.4		121.5		104.4	
	Special Purpose Grants & Contributions	41.4		40.2		10.6	
	Sundry Creditors / Short-term Loans	14.0		9.3		6.1	
	Total Source of Funds		189.8		170.9		121.1
G							
	Fixed Assets	87.6		69.5		53.4	
	Investments	0.5		0.5		0.4	
	Loans, Advances & Deposits to Others	35.8		35.5		8.9	
	Sundry Debtors	42.6		42.1		33.6	
	Cash & Bank Balance	23.3		23.4		24.8	
	Total Application of Funds		189.8		170.9		121.1
H							
	Operating Receipts (Revenue)	76.8		73.2		67.0	
	Operating Payments (Revenue)	39.4		27.2		37.2	
1	Operating Funds Flow Analysis	37.5	1.0	46.0	1.7	29.7	0.8
	Non Operating Receipts (Non-Revenue)	69.9		56.9		45.5	
	Non-Operating Payments (Non-Revenue)	107.4		104.4		77.9	
2	Non-Operating Funds Flow Analysis	-37.5	-0.3	-47.5	-0.5	-32.3	-0.4
	Total Self-generated Municipal Revenue	61.6		63.3		56.2	
	Total Municipal Expenditure (Non-Special)	88.3		77.1		73.1	
3	Revenue Deficit for Municipal Operations	-26.8	-0.3	-13.9	-0.2	-16.9	-0.2
	Grants & Subsidies	64.3		39.6		59.6	
	Total Income Generated	125.8		102.9		115.8	

4	Grants as %age of Total Municipal Income		0.5		0.4		0.5
	Special Programmes Expenditure	36.6		18.5		41.3	
	Total Expenditure Incurred	124.9		95.7		114.4	
5	Special Programme Expenditure Ratio		0.3		0.2		0.4
	Total Personnel & Administration Expenditure	48.5		37.8		33.1	
	Total Expenditure Incurred	124.9		95.7		114.4	
6	Administrative Expenditure Ratio		0.4		0.4		0.3
	Surplus (+) / Deficit (-)	0.9		7.3		1.4	
	Total Income Generated	125.8		102.9		115.8	
7	Net Surplus Ratio		0.0		0.1		0.0
	Fixed Assets	87.6		69.5		53.4	
	Municipal Reserves & Surpluses	134.4		121.5		104.4	
8	Fixed Assets Ratio		0.7		0.6		0.5
	Sundry Creditors / Short-term Loans	14.0		9.3		6.1	
	Municipal Reserves & Surpluses	134.4		121.5		104.4	
9	Debt-Equity Ratio (External Capital to Internal Capital)		0.1		0.1		0.1
	Sundry Debtors	42.6		42.1		33.6	
	Total Self-generated Municipal Revenue	61.6		63.3		56.2	
10	Debtors Turnover Ratio		0.7		0.7		0.6
	Debtors Turnover Period (days)		252.4		242.9		218.4

Source of Data : Annual Reports of TMC as on website

<http://www.corporationoftrivandrum.in/> : downloaded on

20.11.2011

Table # 17 : Financial Statements of Cochin Municipal Corp

SI No	Particulars of the Item	Cochin Municipal Corporation (CMC)					
		2010 - 2011 (Upto 30.09.2010)		2009 -2010		2008-2009	
		Details	Total	Details	Total	Details	Total Rs. Cr.
A							
	Opening Cash Balance	77.7		67.0		33.0	
	Operating Receipts (Revenue)	21.0		45.8		55.0	
	Non Operating Receipts (Non-Revenue)	23.9		72.5		102.1	
	Total Receipts plus Opening Cash reserves		122.5		185.3		190.1
B							
	Operating Payments (Revenue)	14.5		32.7		33.7	
	Non-Operating Payments (Non-Revenue)	29.8		69.1		89.4	
	Closing Cash Balance	78.2		83.6		67.0	
	Total Payments plus Closing Cash reserves		122.5		185.3		190.1
C							
	Municipal Tax Revenue	35.3		56.0		48.4	
	Rental from Municipal Properties	1.7		4.7		3.4	
	User Charges & Other Fees	4.4		10.0		7.9	
	Income from Investments, Interests & Others	2.0		3.2		1.7	
	Total Self-generated Municipal Revenue	43.4		73.8		61.4	
	Grants & Subsidies	6.1		6.8		38.0	
	Total Income Generated		49.5		80.6		99.4
D							
	Personnel Expenditure	10.2		30.8		34.7	
	Administrative Expenditure	4.4		9.9		9.6	
	Total Personnel & Administration Expenditure	14.6		40.7		44.3	
	Operations & Maintenance Expenditure	10.6		16.4		22.6	
	Assets Depreciation Expenditure	0.2		0.4		1.8	
	Total Operations & Maintenance Expenditure	10.9		16.8		24.4	
	Total Municipal Expenditure (Non-Special)	25.4		57.5		68.7	

	Special Programmes Expenditure	12		8.9		11.7	
	Total Expenditure Incurred		26.6		66.4		80.4
E	Surplus (+) / Deficit (-)		22.9		14.2		19.0
F							
	Municipal Reserves & Surpluses	157.1		120.4		106.2	
	Special Purpose Grants & Contributions	68.2		96.0		62.8	
	Sundry Creditors / Short-term Loans	15.7		20.3		31.1	
	Total Source of Funds		241.0		236.6		200.2
G							
	Fixed Assets	130.4		119.9		101.0	
	Investments	0.2		0.2		2.2	
	Loans, Advances & Deposits to Others	13.6		13.8		12.6	
	Sundry Debtors	18.6		19.2		17.4	
	Cash & Bank Balance	78.2		83.6		67.0	
	Total Application of Funds		241.0		236.6		200.2
H							
	Operating Receipts (Revenue)	21.0		45.8		55.0	
	Operating Payments (Revenue)	14.5		32.7		33.7	
1	Operating Funds Flow Analysis	6.4	0.4	13.1	0.4	21.3	0.6
	Non Operating Receipts (Non-Revenue)	23.9		72.5		102.1	
	Non-Operating Payments (Non-Revenue)	29.8		69.1		89.4	
2	Non-Operating Funds Flow Analysis	-6.0	-0.2	3.4	0.0	12.7	0.1
	Total Self-generated Municipal Revenue	43.4		73.8		61.4	
	Total Municipal Expenditure (Non-Special)	25.4		57.5		68.7	
3	Revenue Deficit for Municipal Operations	18.0	0.7	16.3	0.3	-7.3	-0.1
	Grants & Subsidies	6.1		6.8		38.0	
	Total Income Generated	49.5		80.6		99.4	99.4
4	Grants as %age of Total Municipal Income		0.1		0.1		0.4

	Special Programmes Expenditure	1.2	8.9	11.7	
	Total Expenditure Incurred	26.6	66.4	80.4	80.4
5	Special Programme Expenditure Ratio	0.0	0.1		0.1
	Total Personnel & Administration Expenditure	14.6	40.7	44.3	
	Total Expenditure Incurred	26.6	66.4	80.4	80.4
6	Administrative Expenditure Ratio	0.5	0.6		0.6
	Surplus (+) / Deficit (-)	22.9	14.2	19.0	19.0
	Total Income Generated	49.5	80.6	99.4	99.4
7	Net Surplus Ratio	0.5	0.2		0.2
	Fixed Assets	130.4	119.9	101.0	
	Municipal Reserves & Surpluses	157.1	120.4	106.2	
8	Fixed Assets Ratio	0.8	1.0		1.0
	Sundry Creditors / Short-term Loans	15.7	20.3	31.1	
	Municipal Reserves & Surpluses	157.1	120.4	106.2	
9	Debt-Equity Ratio (External Capital to Internal Capital)	0.1	0.2		0.3
	Sundry Debtors	18.6	19.2	17.4	
	Total Self-generated Municipal Revenue	43.4	73.8	61.4	
10	Debtors Turnover Ratio	0.4	0.3		0.3
	Debtors Turnover Period (days)	156.3	94.9		103.4

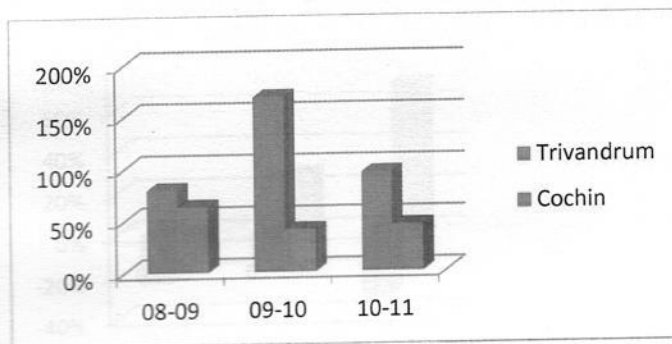
Source of Data : Annual Reports of CMC as on website

<http://www.corporationofcochin.net/> : downloaded on

20.11.2011

- The expenditure analysis undertaken included operating costs examination. The ratio tells how much of operating expenses are covered through the operating revenue receipts. The analysis shows that for TMC for FY 2010-11 almost 95% of revenue receipts have gone towards meeting the revenue payments, leading to low cushion. While for CMC there has been a healthy cushion of 45% as it has been able to bring down its revenue expenses in the past 2 years.

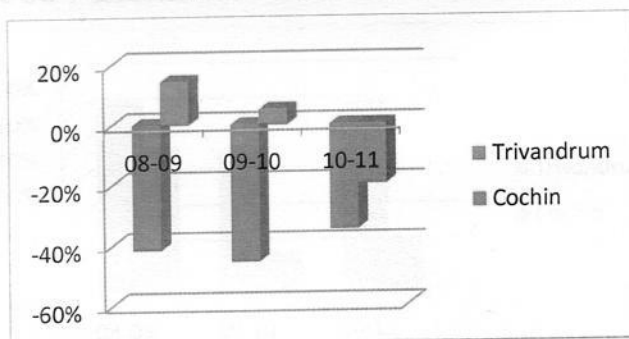
Chart 30 : Operating Costs Ratio : Municipality



Source : Table 16-17 (Variables in '%age' terms)

- The Non-Operating costs ratio explains whether non-operating expenses are appropriately met out of the non-operating income generated. Herein the TMC shows a 35% deficit, i.e., which is not a healthy financial position. Even CMC has come into deficit in 2010-11 as compared to previous years position.

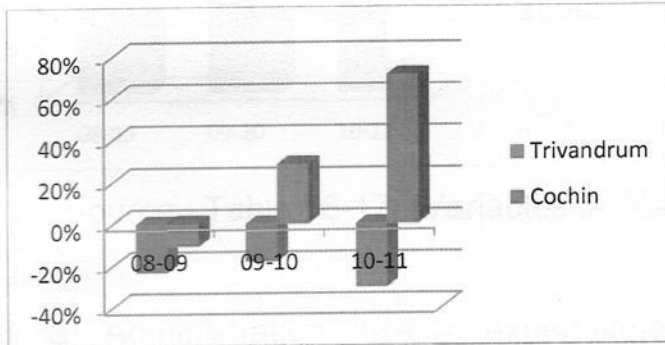
Chart 31 : Non-Operating Costs Ratio : Municipality



Source : Table 16-17 (Variables in '%age' terms)

3. The Revenue Deficit in Operations ratio explains how much of total municipal expenditure is met out of the total self-generated receipts by the municipality. Herein two contrasts are viewed. While TMC shows a huge revenue deficit of 30% or Rs. 26 Cr (exp being Rs. 88 cr to receipts being Rs. 62 cr), the CMC shows a healthy revenue surplus of 70% of Rs. 18 Cr (exp being Rs. 25 cr to receipts being 43 cr). The figure has remained positive for CMC for all 3 years.

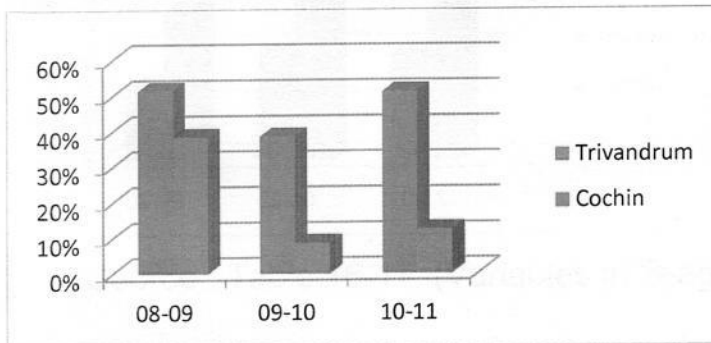
Chart 32 : Revenue Deficit Ratio : Municipality



Source : Table 16-17 (Variables in '%age' terms)

4. The Grants to Revenue ratio explains grants & subsidies from Central/ State Govts to municipalities to total self-generated revenue. Herein too, TMC is heavily dependent with grants being 50% of self generated revenue sources. For CMC it is just 12% & it has been able to reduce the figure in 3 years.

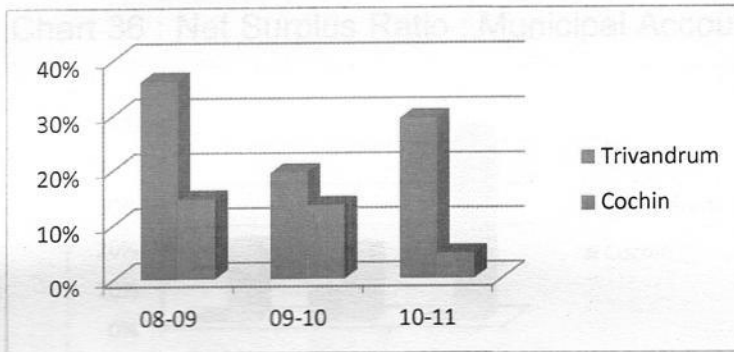
Chart 33 : Grants-Revenue Ratio : Municipality



Source : Table 16-17 (Variables in '%age' terms)

5. The Special Programme expenditure to total expenditure analysis shows that almost 30-40% of total expenditure for TMC goes to undertake the special projects while the same is very low for CMC. Municipal operations are regulated within maintenance expenditure which is a healthy sign.

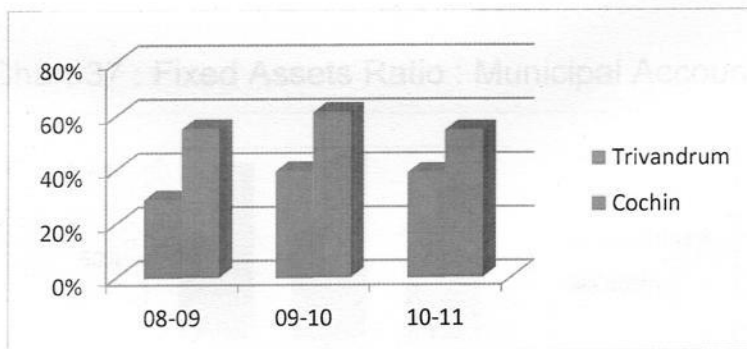
Chart 34 : Spl Prog Exp Ratio : Municipal Accounts



Source : Table 16-17 (Variables in '%age' terms)

6. Personnel & Administration (P&A) expenditure to total expenditure analysis shows that approximately 1/3rd of total expenditure for TMC comes under given category while it is above 40% for CMC. The figure needs a review and reduction since it shows higher level of overhead costs.

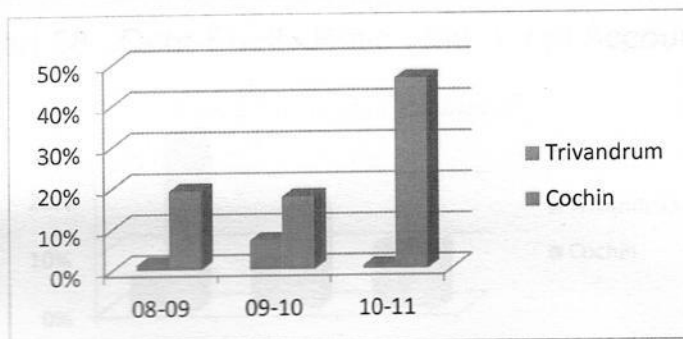
Chart 35 : P&A Exp Ratio : Municipal Accounts



Source : Table 16-17 (Variables in '%age' terms)

7. Surplus to revenue ratio for TMC shows a surplus of approx. 1% but if we take out the subsidies/ grants given to it, there is a deficit in its operations. But, CMC has a huge surplus of 46% and even without the grants, it shows a surplus, which is reflective of its good financial administration.

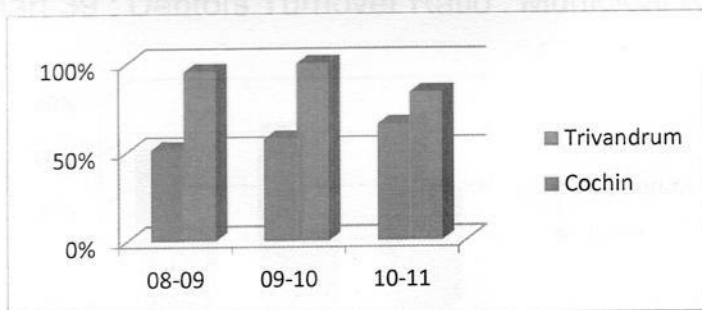
Chart 36 : Net Surplus Ratio : Municipal Accounts



Source : Table 16-17 (Variables in '%age' terms)

8. Fixed Assets to Reserves ratio explains how fixed assets are being purchased, i.e., whether capital funds are being used to generate capital assets or not. It reflects the solvency position of the municipalities. Herein both the municipalities have used long term funds to finance fixed assets.

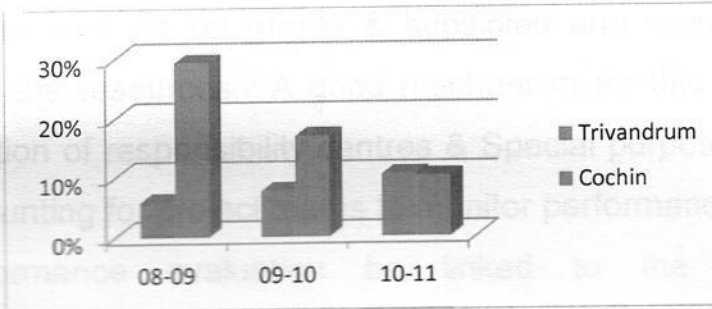
Chart 37 : Fixed Assets Ratio : Municipal Accounts



Source : Table 16-17 (Variables in '%age' terms)

9. External funds to internal reserves ratio signifies the debt-equity ratio, i.e., how much funds leverage is being used to finance operations. A figure of only 10% external funds to 90% internal reserves means that loans are very low in the BS of the municipalites and the market is not being exploited to raise funds to achieve healthier operations.

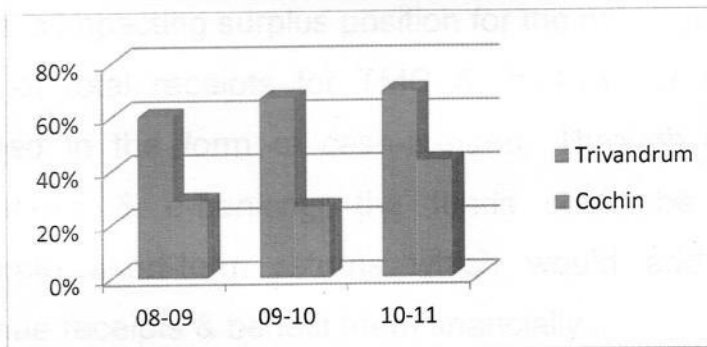
Chart 38 : Debt-Equity Ratio : Municipal Accounts



Source : Table 16-17 (Variables in '%age' terms)

10. Debtors Turnover Ratio signifies how much revenue is being kept locked up in the form of sundry debtors. Herein it is seen that almost 70% of revenue for TMC is locked up while 43% is the case for CMC. In other words almost 8 & 5 months of revenue is locked up for TMC & CMC.

Chart 39 : Debtors Turnover Ratio : Municipal Accounts



Source : Table 16-17 (Variables in '%age' terms)

The above analysis of accrual-based accounting statements of the Municipal Corporations give results which are not available under the cash-based accounting system. Some solutions for good financial management are hence summarised as follows.

- a. Need to control non-operating expenditure or generation of non-operating revenue sources for sustainability.
- b. The overhead costs of P&A needs to be brought down in order to have control over the revenue deficit for TMC.
- c. Lesser reliance on grants & subsidies and need to self-generate resources. A good mechanism for this could be creation of responsibility centres & Special purpose vehicle accounting for project teams to monitor performance.
- d. Performance evaluation be linked to the financial parameters as has been laid down under the RFD programme of the Cabinet Secretariat.
- e. Municipal reserves of more than Rs. 134 crores for TMC & Rs, 157 crores for CMC are held-up in the books. They could be utilised for infrastructure development.
- f. The low debt-equity ratio shows there is greater scope for generating loans from the market.
- g. Special drives to recover taxes would mean greater revenue generation & non-holding up of working capital which is impacting surplus position for the municipalities.
- h. 20% of total receipts for TMC & 30-40% for CMC are blocked in the form of cash-in-hand. Through cash-less operations & e-banking, the funds could be used to generate short-term returns which would add to their revenue receipts & benefit them financially.

B. Financial Analysis of Accounts of MGNREGA

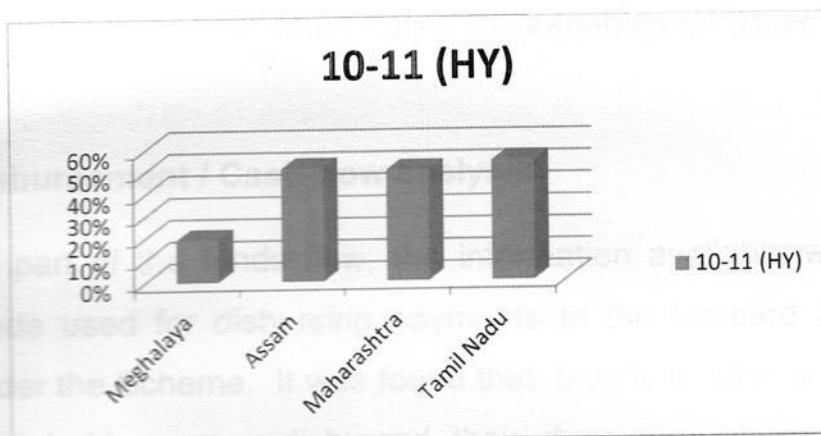
Table # 18 : MGNREGA Scheme Accounts (FY 2011-12 HY)

I. Budget vs Utilisation Analysis (Rs. Cr.)				
S.No.	States	Budget	Utilisation	%age
1	Meghalaya	189	35	18.68%
2	Assam	565	289	51.14%
3	Maharashtra	696	351	50.42%
4	Tamil Nadu	2002	1085	54.18%
II. Overheads Costs Analysis (Rs.)				
S.No.	States	Total Cost	Labour Cost/Rate	%age
1	Meghalaya	175	118	67.43%
2	Assam	230	133	57.76%
3	Maharashtra	201	173	86.04%
4	Tamil Nadu	90	85	94.99%
III. Disbursement Analysis (Rs. Cr.)				
S.No.	States	Labour Exp	Bank Disb	%age
1	Meghalaya	25	0.14	0.56%
2	Assam	175	3	1.46%
3	Maharashtra	311	259	83.40%
4	Tamil Nadu	1069	167	15.63%

1. Budgetary Allocation vs Utilisation

The cash based accounts provide information w.r.t. budgetary allocation & utilisation of funds during a financial year. Based upon the same the administrative authorities can only understand how much funds have been utilised.

Chart # 40 : Budget vs Utilisation : Schemes - MGNREGA

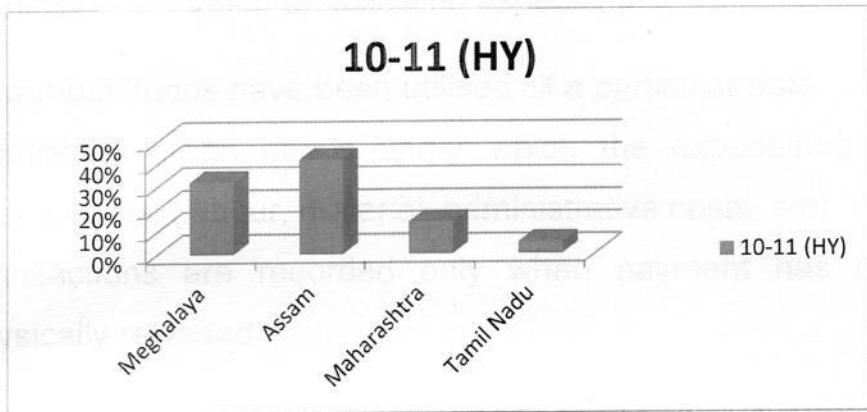


Source : Table 18 (Variables in '%age' terms)

2. Non-labour cost Analysis (Overheads cost)

The expenditure components are generally bifurcated into labour, material & administrative costs (three heads). Upon aggregation, it is found that 5-42% of total expenditure is apportioned towards non-labour costs (overheads).

Chart # 41 : Overheads Costs Ratio : Schemes - MGNREGA

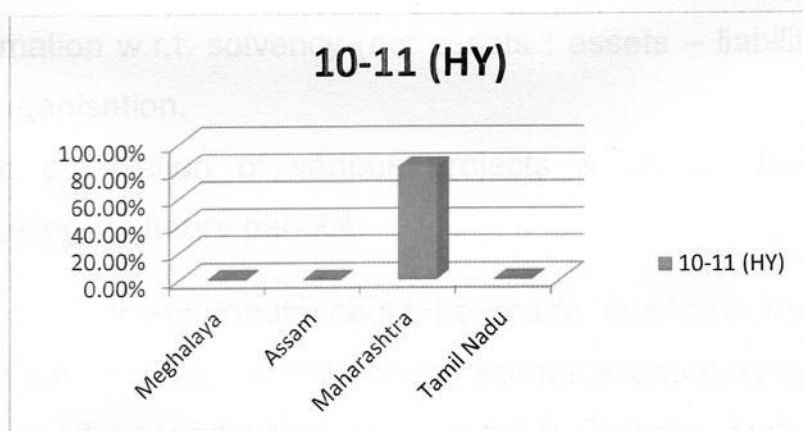


Source : Table 18 (Variables in '%age' terms)

3. Disbursement / Cash-flow analysis

As part of the funds flow, the information available was the mode used for disbursing payments to the job-card holders under the Scheme. It was found that 0.01% to 83% of the job card holders were disbursed their dues through organised medium of banks/ posts offices in the four states selected for the study. Ining were paid in the form of cash.

Chart # 42 : Disbursement Analysis : Schemes - MGNREGA



Source : Table 18 (Variables in '%age' terms)

4. Results achieved from above analysis were very limited and they could detail information on following aspects only :-
 - a) How much funds have been utilised till a particular date.
 - b) Identifiable broad heads under which the expenditure has been booked (labour, material, administrative costs, etc)
 - c) Transactions are recorded only when payment has been physically released.

5. Due to the limited data available under cash-based system, the administrative authorities do not have following inputs in the form of a scientific information system, as available under accrual accounting system :-
 - a) Assets position of the scheme/ organisation w.r.t. fixed & non-fixed assets. There is no bifurcation of assets w.r.t. time-position also.
 - b) Information w.r.t. liabilities for payments due or carry forward liabilities and their qualitative analysis based upon time-period as to when they would become due for payment.
 - c) Information w.r.t. payments that have to be recovered from debtors.
 - d) Information w.r.t. solvency (net assets : assets – liabilities) of the organisation.
 - e) %age completion of various projects & correct basis for budgeting for future periods.

6. However, all these inputs could be made available for good financial administration firstly through accrual accounting systems in place and secondly through a regular financial analysis of performance, irrespective of size and nature of the organisation.

Research Question # 03

Does the analysis provide information tools to various stake-holders to quantitatively evaluate performance of management of respective organisations ?

The information as standardised and evaluated helps various stake-holders to quantitatively (based upon performance) judge the results of management of the respective organisations, as is being substantiated here under.

A) Government

1. Accrual accounting helps government to plan operations & budgetary allocations in various infrastructure related sectors and prioritise the projects based upon availability of funds, for instance, energy security issues & procurement of assets in strategic locations.
2. It helps the government to determine the results from the schemes it has adopted. For instance, it could determine the cost-benefit of additional capital inflow into a sick undertaking (example of Air India).
3. It helps the government to know the position of its assets and liabilities of the undertakings it owns, prospective revenues that would be generated in future (for instance, taxation which has become due from corporates but not yet collected), dividend receipts, proposed disinvestment receipts based upon valuation of said units.

4. The government generates healthy competition between various entities (e.g. petroleum sector undertakings) to bring discipline & better performance in execution of projects with greater financial autonomy being the prize (Maharatna, Navratna, Mini-Ratna status).
5. With regard to government authorities like Municipalities, the fiscal discipline and control over assets position much better achieved through standardised accrual accounting systems, because of which the same is being implemented under the Accounting Reforms programme.

B) Municipal Authorities

1. Accrual accounting helps in better credit rating for the municipal authorities. Brihan Mumbai Municipal Corporation (BMC) is one of the best example, which has been able to implement accrual accounting. The said implementation has further been followed up with execution of Enterprise Resource Planning (ERP)-Systems Analysis & Products (SAP), based upon which the decision-making authorities could see functioning and results accrued from them. It also helps in on-line reporting of performance & positions.
2. Accrual accounting systems helps the municipal authorities to generate external funds from agencies like IMF-WB based upon transparent accounts which are prepared on the basis of accepted and approved international standards.

3. It also helps the municipal authorities to determine and plan the taxes/ levies that it wishes to impose upon its citizens for generation of internal resources.
4. Accrual accounting helps the municipal authorities to determine the cost of in-house operations or out-sourcing of activities and thus make the best cost-benefit analysis of utilization of the scarce funds available.

C) Financial Institutions / Banking authorities

1. Accrual accounting helps the financial institutions to determine the operational efficiency of any government or organisation for committing resources for projects.
2. The comparative statements of given years along with the solvency-liquidity-profitability analysis helps in determining the regression-correlation analysis and the ability of that government-organisation to meet its commitments is also determined in this manner.
3. The financial institutions are hence able to also advise the governments for corrective measures to be adopted for better results achievement in the future.
4. This also helps in generating a database for all future loans and credit rating norms establishment, which is used for purpose of fiscal management of an organisation.

D) Internal Administration / Management

1. Accrual Accounting helps in generation of periodic accounts which are comparable based upon the responsibility centres created by the given organisation.
2. This helps in evaluating the performance of individuals and institutions. Their funds project for future and budgets approval are correlated with the previous performances. It helps in avoidance of wasteful expenditure & implementation of good budgeting.
3. It also serves as a benchmark for positioning of the manpower based upon the performance. Since it is transparent and objective, it serves as a motivation factor for the human resource capital of the country/organisation to achieve best results. Example of this has been the contractual system of higher administrative functioning in certain countries (like New Zealand) which has provided powers coupled with defined responsibilities to the highest administrative authority of a Ministry (who is termed as the Chief Executive Officer).
4. This system also helps in controlling wage bills as the salaries are bifurcated into fixed and variable components. The variable component is determined based upon actual performance, as reflected in the accrual MIS, which is a transparent-standardized mode of work evaluation. It is proposed to be adopted gradually in the RFD mode of evaluation in Government of India also.

E) Employees of the Organisations

1. Accrual system of accounting helps the employees to analyse the statements easily and find out the comparative performance vis-à-vis other departments.
2. This serves as motivating force for self-discipline as every person is made a stakeholder and responsibility centre in his/her own dimension.
3. It helps in determining future wage rise(s) based upon operational-financial health of country-institutions.
4. This helps in generation of better ideas/ initiatives since the wages are directly correlated with the operational results. Hence, the cost of operations are reduced with better results being achieved from same resources.

F) Industry & Commerce

1. When the nation and government departments prepare accounts on accrual-basis, the same could also help in growth of the industry in the private sector. A stable public sector is imperative input for expanding economy.
2. Industry & Commerce could know the financial position of the nation/ related public sector, the assets, future programmes and policies, funds being committed to the same and correlate the economic growth that would accrue from the same. For instance, good management of pension liability by any Government is a sign of fiscal prudence, which will help the industry correlate the cash-

flow operations and liquidity position of the government in future.

3. This helps in integration of the corporate and public sectors and also towards sharing of ideas and resources. For instance, in many western economies, certain functionalities of the government like human resource management, payroll and establishment works etc have been outsourced to private sector companies. This helps in generating huge opportunities to private sector companies to expand and at the same time vastly reduces the government expenditure on manpower.

G) General Public / Citizens of the Country

1. Accrual accounting helps in generation of easily interpretable statements which are available in access to the citizens of the country. It thus serves to help disseminate Right to Information (RTI) to the people.
2. The citizens could hold their elected representatives/ executive of the country/ administrators responsible for failures to achieve desired results/ performance and hence decide upon their electoral preferences.
3. The citizens are able to know what is the net-worth of their city/ state/ nation, what are the assets that are being created from the funds that the government is generating from the taxation revenues.

4. The citizens could know the liabilities that are being left for future generations in the form of debt being uplifted by the government to finance projects. They could thus, either agree or dis-agree to the same and give their opinion to prioritise certain projects.
5. The citizens, when being provided with periodic transparent statements of accounts could themselves analyse and become better law-abiding self-disciplined tax-compliant individuals for the nation.