



Types of Funds of Government

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The Constitution of India and General Financial Rules, 2017

What is Government Account?

All moneys received by or on behalf of the Government either as dues of Government or for deposit, remittance or otherwise, **shall be brought into Government Account** without delay, in accordance with such general or special rules as may be issued under **Articles 150 and 283 (1) of the Constitution.**

-Rule 7 of General Financial Rules 2017

Government Account

- **Government Account** consists of Receipt and Payment transactions of various **types of funds** of the Government and are classified into **Three Parts** as detailed below:
- **Part-I**
 - **The Consolidated Fund** of India or of the State or Union Territory, (Article 266)
- **Part-II**
 - **The Contingency Fund** of India or of the State or Union Territory, (Article 267)
- **Part-III**
 - **The Public Account** of India or of the State or Union Territory. (Article 266)

Part I- Consolidated Fund of India/State/UT

- **Article 266- Consolidated Funds and public accounts of India and of the States.—**
- **(1) subject to provisions of Art.267**
 - Assignment of the whole or part of the net proceeds of certain taxes and duties to States,
 - All revenues received by the Government of India,
 - All loans raised by that Government by the issue of treasury bills, loans or ways and means advances and
 - All moneys received by that Government in repayment of loans**shall form one consolidated fund to be entitled “the Consolidated Fund of India”,**
and
 - All revenues received by the Government of a State,
 - All loans raised by that Government by the issue of treasury bills, loans or ways and means advances and
 - All moneys received by that Government in repayment of loans**shall form one consolidated fund to be entitled “the Consolidated Fund of the State”.**

Part II- Contingency Fund of India/State/UT

- **Article 267. Contingency Fund.—**
- (1) Parliament may by law establish a Contingency Fund in the **nature of an imprest to be entitled “the Contingency Fund of India”** into which shall be paid from time to time such sums as may be determined by such law, and the said Fund shall be **placed at the disposal of the President** to enable advances to be made by him out of such Fund for the purposes of meeting unforeseen expenditure pending authorisation of such expenditure by Parliament by law under Article 115 or Article 116.

Part II- Contingency Fund of India/State/UT

- **Article 267. Contingency Fund.—**
- (2) The Legislature of a State may by law establish a Contingency Fund in the **nature of an imprest to be entitled “the Contingency Fund of the State”** into which shall be paid from time to time such sums as may be determined by such law, and the said Fund **shall be placed at the disposal of the Governor of the State** to enable advances to be made by him out of such Fund for the purposes of meeting unforeseen expenditure pending authorisation of such expenditure by the Legislature of the State by law under Article 205 or Article 206.

Part III-Public Account of India/State/UT

- **266(2)** All other **public moneys** received by or on behalf of the Government of India or the Government of a State shall be credited to the **Public account** of India or the public account of the State, as the case may be.
- Under **Article 284 of the Constitution** all moneys received by or deposited with any officer employed in connection with the affairs of the Union/State in his capacity as such, **other than** revenues or public moneys raised or received by Government, **shall be paid into the Public Account**
- **266(3)** No moneys out of the **Consolidated Fund** of India or the Consolidated Fund of a State shall be appropriated **except** in accordance with law and for the purposes and in the manner provided in the Constitution.



Government Accounting

Structure of Government Accounts

Features of Budgeting System

- Budget is a statement of Receipts and Expenditure
- Performance cum Program budgeting (PBB)
- Budget classification based on
 - General Services (Administration, Police, etc.)
 - Social Services (Health, education, sports, art, culture, etc.)
 - Economic Services (Agriculture, industry ,etc.)
- Appropriation is done out of the Consolidated fund of India
- Appropriation conforms to Demand for Grants
- Accounting classification conforms to the PBB (Mukherjee Committee Recommendations)

Why Classification

- Uniformity and standardization
- To present the objectives and purposes of government expenditure in terms of functions, programs and activities
- Bring expenditures of functions, programs or activities at one place irrespective of department
- To help the management with timely accounts data for monitoring and analysis of the expenditure.
- To secure itemized control over the expenditure.

Basic Structure of Government Accounts – Chart of Accounts(LMMH)

- **Rules 23 to 27** of Government Accounting Rules (GAR), 1990 deal with the form in which Government accounts is to be maintained. This is also called the Chart of Accounts.
- As provided constitutionally under **Articles 266 and 267**, Government finances are maintained in **three parts**. They are,
 - **Part I - The Consolidated Fund of India/State/UT**
 - **Part II - The Contingency Fund of India/State/UT and**
 - **Part III- The Public Account of India/State/UT.**

Basic Structure of Government Accounts

Chart of Accounts(LMMH)

- The **Part-I Consolidated Fund of India or of a State or of UT** is further divided into two Divisions, namely,
 - **Revenue and**
 - **Capital, Public Debt, Loans and Advances.**
- The **Divisions** are further divided into **Sections**.
 - The **Revenue Division** consists of the **Revenue Receipts and Revenue Expenditure Sections**.
 - The **Capital, Public Debt, Loans and Advances Division** is divided into **three Sections**, namely,
 - **Receipt Section,**
 - **Expenditure Section and**
 - **Public Debt, Loans and Advances Section.**
 - The **Sections** are divided into **Sectors (starting from “A” to “N”)**

Basic Structure of Government Accounts

Chart of Accounts(LMMH)

- The Sectors are distinguished by a letter of the Alphabet.
- The Revenue Receipts Section consists of three Sectors –
 - A. Tax Revenue,
 - B. Non-Tax Revenue and
 - C. Grants-in-Aid and Contributions.
- The Revenue Expenditure Section consists of four Sectors –
 - A. General Services,
 - B. Social Services,
 - C. Economic Services and
 - D. Grants-in-Aid and Contributions.

Basic Structure of Government Accounts

Chart of Accounts(LMMH)

- The **Receipt Section** under the Capital, Public Debt, Loans and Advances Division has **NO Sectors**.
- The **Expenditure Section**, however, has **four Sectors** with the same names as the Revenue Expenditure Section. Viz.,
 - **A. General Services,**
 - **B. Social Services,**
 - **C. Economic Services and**
 - **D. Grants-in-Aid and Contributions**
- The **Public Debt, Loans and Advances Section** also has **four Sectors** –
 - **E. Public Debt,**
 - **F. Loans and Advances,**
 - **G. Inter-State Settlement and**
 - **H. Transfer to Contingency Fund**

Basic Structure of Government Accounts

Chart of Accounts(LMMH)

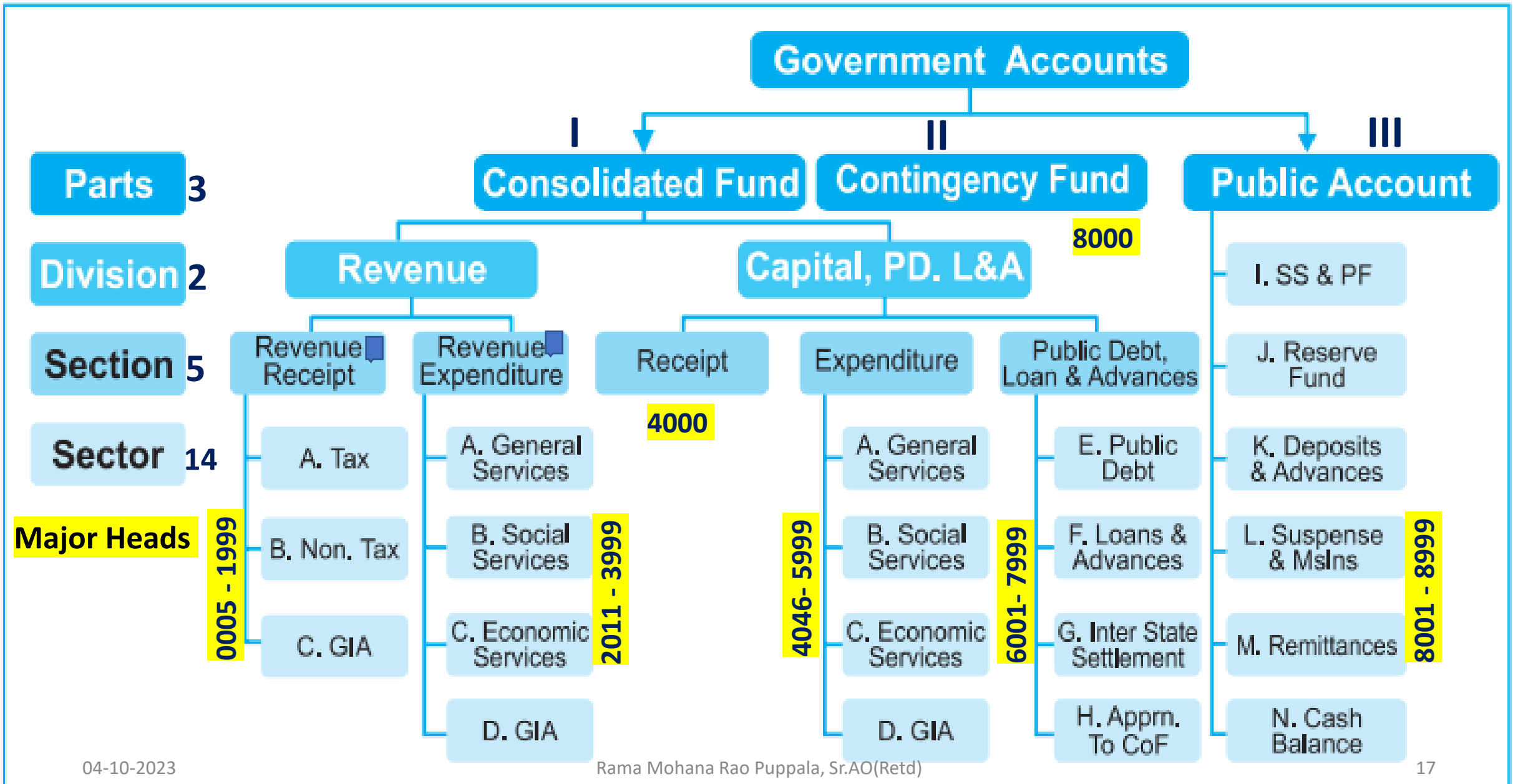
- **Part-II Contingency Fund** has no further Divisions, Sections or Sectors.
- **Part-III Public Account** is directly divided into Six Sectors –
 - I. Small Savings, Provident Funds etc,
 - J. Reserve Funds,
 - K. Deposits and Advances,
 - L. Suspense and Miscellaneous,
 - M. Remittances and
 - N. Cash Balance.

Basic Structure of Government Accounts

Chart of Accounts(LMMH)

- **Some Sectors** may further be divided into **Sub-Sectors**. For example, the **Sector Tax Revenue** is divided into **three Sub-Sectors** –
 - Taxes on Income and Expenditure,
 - Taxes on Property and Capital Transactions and
 - Taxes on Commodities and Services.
- The **details of the Chart of Government Accounts** is available in the List of Major and Minor Heads of Account of Union and States

Chart of Accounts (LMMH)



Numeric Classification (LMMH)

- Below the Sectors/Sub-Sectors, there are numeric classifications to record various transactions.
- The numeric classification consists of 15 digits in 6 tiers.
- The numeric classification starts with a 4 digit Major Head which indicates the functions of the government like Police and Housing.
- Some Major Heads may have a 2 digit Sub-Major Head which denote sub-function. For example, under the function Housing, Government Residential Buildings is a sub-function. Rural Housing is another sub-function.
- The next tier of classification involving 3 digits is the Minor Head indicating programmes. Under the sub-function Rural Housing, Provision of house site to the landless, Assistance to Housing Boards and Housing Co-operatives are programmes.
- Subordinate Head, Detailed Head & Object heads are the other 3 tiers of classification, each with 2 digits. They denote the Scheme, Sub-scheme & Object of expenditure respectively

Head of Account	What it Depicts	Number of digits
Major Head	Function	4
Sub-Major Head	Sub-Function	2
Minor Head	Programme	3
Subordinate Head	Scheme	2
Detailed Head	Sub-Scheme	4
Object Head	Object of expenditure	2

Codification Scheme of Numeric Classification (LMMH)

- The codification of Major Heads is so designed to give quick information about the nature of transactions.
- Major Heads beginning with 0 or 1 indicate revenue receipts. Those beginning 2 or 3 are revenue expenditure heads.
- There is a single Major Head 4000 for capital receipts.
- Heads beginning 4 or 5 are capital expenditure Major Heads.
- 6 or 7 indicate Public Debt, Loans & Advances.
- 8000 stands for Contingency Fund.
- Other Major Heads beginning with 8 pertain to Public Account.
- As the Major Heads denote the function of Government activity, by adding 2 to the first digit of the revenue receipt of a function, you get the revenue expenditure of that function.

Major Head	Nature of Transaction
Beginning with 0 or 1	Revenue Receipt
Beginning with 2 or 3	Revenue Expenditure
4000	Capital Receipt
Beginning with 4 or 5	Capital Expenditure
Beginning with 6 or 7	Public Debt or Loan/Advance
8000	Contingency Fund
Beginning with 8 (other than 8000)	Public Account

Codification Scheme of Numeric Classification (LMMH)

- Further **additions of 2s to the first digit** give the capital expenditure, & loans relating to that function. An example with the Crop Husbandry function is depicted in the chart below.

However, in some cases certain heads would not be available for a function. For example, Major Head 2016 is the revenue expenditure head of the function - Audit. But there is no Major Head 0016 relating to revenue receipt of Audit function because audit is an expenditure oriented function and audit receipts would be meagre. A separate Major Head for the purpose is not needed. Such meagre receipts are accounted under the Major Head '0075 – Miscellaneous General Services'

Nature of Transaction	Example with Crop Husbandry function
Revenue Receipt	0401-Revenue Receipt of Crop Husbandry
Plus 2 to first digit of Major Head	
Revenue Expenditure	2401-Revenue Expenditure of Crop Husbandry
Plus 2 to first digit of Major Head	
Capital Expenditure	4401-Capital Expenditure of Crop Husbandry
Plus 2 to first digit of Major Head	
Loan Head	6401-Loan for Crop Husbandry

Major Heads and Range of code numbers

- A four-digit code has been allotted to the Major Head, the first digit indicating whether the Major Head is a Receipt Head or Revenue Expenditure Head, or Capital Expenditure Head or Loans and Advances Head or it pertains to Public Account. The allocation of first digit on numeric code for different sections is as under:

'0' or '1'	Revenue Receipts
'2' or '3'	Revenue Expenditure
4000 (exception)	Capital Receipt
'4' or '5'	Capital Expenditure
'6' or '7'	Loans and Advances Head
'8'	Public Account
8000 (exception)	Contingency Fund

Pattern for classification of Heads of Account

- Adding 2 to the first digit of the Revenue Receipt will give the Code Number allotted to corresponding Revenue Expenditure Head;
- Adding another 2—the Capital Expenditure Head and
- Another 2—the Loans and Advances Head of Accounts; For example,
 - ☐ 0401 represents the **Receipt Head** for Crop Husbandry
 - ☐ 2401 represents the **Revenue Expenditure** Head for Crop Husbandry
 - ☐ 4401 represents the **Capital Outlay** on Crop Husbandry
 - ☐ 6401 represents the **Loans** for Crop Husbandry.
- Such a pattern is however, not relevant for those departments which are not operating Capital/Loan Head of accounts e.g. Department of Supply.
- In a few cases, however, where receipt/expenditure is not heavy, certain Major Heads have been combined under a single number, the Major Heads themselves forming sub-major heads under that number

Major Heads and Range of code numbers

Chart of Government Accounts (LMMH)

Part I- Consolidated Fund	
Section I Receipt Heads (Revenue Account)	0005-1999
Expenditure Heads (Revenue Account)	2011-3999
Section II- Receipt Head (Capital Account)	4000
Expenditure Heads (Capital Account)	4046-5999
Section III Public Debt, loans and Advances	6001-7999
Part II-Contingency Fund	8000
Part III-Public Account	8001-8999

Codification Scheme of Numeric Classification

- Classification up to Minor Head level is codified & fixed in the List of Major and Minor Heads of Account (LMMH) for the purpose of uniformity across States and the Union.
- The general directions provided in the LMMH include few Minor Heads which can be opened under certain Major Heads without any additional approvals.
 - For example, the minor head “Suspense” (code ‘799’) can be opened under those Major Heads where expenditure on ‘works’ is involved.
- These Major Heads relate to expenditure on public works, like construction of a building or laying of a road.
- This Minor Head is utilised to account for the stock maintained, advances made relating to the works and other related expenditure.

Codification Scheme of Numeric Classification

- **Rule 8 of the Delegation of Financial Powers Rules, 1978**, has standardized certain Primary units of Appropriation (Object Heads).
- The Finance Ministry may add to the Primary units. Accordingly, the Ministry issued instructions for standardization of around **45 Object Heads** under seven classes.
- These classes are,
 - Class 1 – Personnel Services and Benefits
 - Class 2 – Administrative Expenses
 - Class 3 – Contractual Services and Supplies
 - Class 4 – Grants etc.
 - Class 5 – Other Expenditure
 - Class 6 – Acquisition of Capital Assets and other Capital Expenditure
 - Class 7 – Accounting Adjustments
- The standardization of Object Heads enables consolidation and reporting on these primary units of appropriation across various functions of the Government. Thus, it is possible to report on the total expenditure on salaries incurred by the Government across all Departments by consolidating expenditure information by the Object Head '01 – Salaries, Sumptuary Allowance'

Service Heads and DDR Heads

- The Accounting Heads under the Sections Revenue Receipts, Revenue Expenditure, Capital Receipts and Capital Expenditure (Major Heads from 0005 to 5475) are called **Service Heads**.
- These Heads are Government's own transactions. The balances under these **heads lapse at the end of the year** as these heads pertain to expenditure which is governed by the budget for the year and any unspent amounts lapse; the revenues for the year are taken into account to work out the surplus/deficit and cash balance at the end of the year.
- These Heads are said to **close to Government Account** i.e. their balances are not carried forward.
- However, for the Capital Expenditure Heads, a cumulative balance is shown in the Finance Accounts which, given the limitations of cash accounting, represents the asset position of the Government.
- The cumulative balance is actually the total capital expenditure, till date, on the assets by the Government.

Service Heads and DDR Heads

- There are three Major Heads under the DDR Heads that are closed to Government Account at the end of the year. These Heads are as follows:
 - a. '7810 – Inter State Settlement': This Head is operated to make adjustments (receipts/ payments) between new States that are created through bifurcation of existing States.
 - b. '7999 – Appropriation to the Contingency Fund': This Head is operated when the corpus of the Contingency Fund is altered (increased/decreased) by the Parliament/Legislature
 - c. '8680 – Miscellaneous Government Account': This Head is operated to account for any balances lying in Sinking Funds after repayment of debt. This Head is also operated to write-off amounts outstanding in DDR Heads due to bookkeeping errors after approval of the CAG/CGA as per provisions contained in Rule 38 of GAR, 1990.

Sectors having Budgetary Provision

- Sectors having budgetary Provision:

The DDR Heads under the Sectors,

- E. Public Debt,
- F. Loans and Advances,
- G. Inter-State Settlement and
- F. Appropriation to Contingency Fund

are part of the Consolidated Fund. Therefore, these heads have budgetary provisions.

Sectors having No Budgetary Provision

- Sector having No Budgetary Provision:

- The DDR Heads under the other Sectors,
- I. Small Savings and Provident Funds
- J. Reserve Funds
- K. Deposits
- L. Suspense and Miscellaneous
- M. Remittances and
- N. Cash Balance

are part of the Public Account. Therefore, these heads do not have budgetary provision

Thank You

Receipts Heads (Revenue Account)

- **A. Tax Revenue**
 - Taxes on Income & Expenditure
 - Taxes on Property & Capital Transaction
 - Taxes on Commodities & Services
- **B. Non-Tax Revenue**
 - Fiscal Services
 - Interest Receipt
 - Other non Tax Revenue
 - General Services
 - Social Services
 - Economic Services
- **C. Grant –in – aid and Contribution**



PAYMENT HEADS (Revenue Account)

A. General Services

- Ingredients of State
- Fiscal Services
- Interest Payment & Servicing of Debt
- Administrative Services
- Pension & Miscellaneous General Services
- Defence Services

B. Social Services

- Education, Sports Arts and Culture
- Health & Family Welfare
- Water Supply, Sanitation, Housing & Urban Development
- Information & Broadcasting
- Welfare of Schedule Caste/Schedule Tribes & Other Backward class
- Labour, Labour welfare
- Social Welfare & Nutrition
- Others

C. Economic Services

- Agriculture and Allied activities
- Rural Development
- Special Areas programme
- Irrigation & Flood programme
- Energy
- Industry & Minerals
- Transport
- Communication
- Science & Technology & Environment
- General Economic Services

