



राष्ट्रीय कृषि और ग्रामीण विकास बैंक
NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
सहकारिता पुनरुत्थान एवं सुधार विभाग
Department for Cooperative Revival and Reforms (DCRR)

Ref. No. NB.DCRR/152 A/CAS/2007-08

18 May 2007

Circular No.71/DCRR-04/2007

The Registrar of Cooperative Societies
Governments of **11** implementing States
(Andhra Pradesh, Madhya Pradesh, Maharashtra, Rajasthan, Orissa,
Uttarakhand, Uttar Pradesh, Gujarat, Haryana, Bihar, Arunachal Pradesh)

Dear Sir

**Implementation of Revival Package for STCCS –
Introduction of Common Accounting System for PACS**

Revival Package for the Short Term Cooperative Credit Structure (STCCS) announced by the Govt. of India is now being implemented in your State. As you are aware, in accordance with clause 8 (b)(ii) of the MoU executed by the State Government with GoI and NABARD in this regard, NABARD is required to design and provide assistance for installation of a Common Accounting System (CAS) for PACS.

2. A Common Accounting System for use by PACS has now been designed after extensive consultations with various tiers of the STCCS and other stakeholders. The major components of this CAS are :

- (i) Applicability of universally accepted basic concepts and principles in maintenance of accounts by the PACS.
- (ii) Adoption of standard financial statements, viz. Balance Sheet, P&L A/c. and Trading A/c.
- (iii) List of a common set of General Ledger Heads of Account compatible with financial statements; and
- (iv) Maintenance of minimum essential and Standard Books of Accounts.

3. Accounting systems and practices currently followed in PACS are largely determined by the requirements of the Cooperative Societies Acts of the States concerned. However, lack of uniformity in the accounting systems and standard financial statements coupled with absence of provisioning for bad assets and other accepted practices have not only hidden their actual financial position (as has evidently got reflected in the special audits conducted under the GoI Package) but also hindered their business growth in many cases. Therefore, as envisaged in Revival Package, it is necessary that the Common Accounting System, as suggested now, is made applicable to all PACS including LAMPS and FSS. For the sake of transparency, better maintenance of accounts and for presenting true and fair picture of the financial position of the societies, it is imperative that all PACS prepare the financial statements in the formats prescribed in the CAS.

4. In order to prepare the financial statements properly, it is necessary that the PACS strictly use the GL A/c heads as suggested in the system and do not arbitrarily add any new account heads.

5. As regards Books of Accounts, the societies are already having many of these books in different formats. It is, therefore, left to the discretion of the CCS to decide about the use of the Books of Accounts recommended here.

6. As decided in the second meeting of the National Implementing and Monitoring Committee (NIMC) held on 7 September 2006, the PACS are required to prepare the financial statements as indicated in the enclosed guidelines for CAS. This will ensure consistency, transparency, data build-up and comparability of the PACS across the State, while adopting basic and standard principles of accounting. In other words, while the State would have the option to introduce the recommended CAS in full or to improve its existing system based on the components of CAS, but it is compulsory that the contents, format and periodicity of the financial statements with underlying basic principles of accounting indicated under the CAS are introduced forthwith so that the annual accounts of 2008-09 are submitted as per these statements.

7. It may be noted that this CAS and Management Information System (MIS) would be the basis for the computerization in PACS. As steps are separately being taken for computerization of PACS, it is necessary that the CAS is introduced in the PACS to be used manually immediately so as to be ready for its computerization later.

8. It is emphasized that the course modules designed for PACS secretaries and board members cover CAS, along with management, governance and business-development related subjects. While the training on the subject will successfully introduce the CAS to the participants, the Cooperation and Audit Departments also will have to provide guidance and hand-holding support to the PACS in the beginning. NABARD will be willing to provide all support to the Department in this regard.

9. It is requested that suitable instructions may be issued at your end to the PACS for introduction of the CAS and compulsorily preparing the financial statements as indicated in the CAS with effect from 01 April 2008.

Yours faithfully

Sd./-

Prakash Bakshi
Chief General Manager

Encls: As above