

**EXPLANATORY
MEMORANDUM ON THE FINANCIAL STATEMENT
FOR THE YEAR 2008-2009**

INTRODUCTION:

Under Article 202(1) of the Constitution of India, statement of estimated receipts and expenditures of the State has to be laid before the Legislature in respect of every financial year. This Statement is the main budget document. This statement covers all the transactions of the State Government during the previous year, current year and next year. The Annual Financial Statement is prepared Major Head of Account-wise as prescribed by the Government of India

2. Account of the State Government are maintained in two parts-part I forms the Consolidated Fund of the State and part II covers the transactions in the Public Account. The receipts and expenditures of the Government fall under one or other of the Major Head either in the Consolidated Fund or in the Public Account, in accordance with the prescribed rules of classification.

3. The Government of Mizoram also maintain a Contingency Fund set up under Article 267 (2) of the Constitution for making advances for urgent and unforeseen expenditure which are recouped to the fund by debit to the Consolidated Fund, after obtaining Supplementary grants for such expenditure.

CONSOLIDATED FUND OF THE STATE:

4. The Consolidated Fund consists of two main Accounts, namely (1) Revenue Account, and (2) Capital Account. Both these Accounts are in turn, in two parts, viz. (a) Receipts and (b) Expenditure/Disbursements. Receipts on Revenue Account consists of income derived from taxes/duties (including share of Union Taxes/duties, fees for services rendered and from non-tax revenues like forest, irrigation, power, road transport, royalties and grants-in-aid from Central Government). On the other hand, such expenditure as do not, in general, result in asset formation like those payment of salaries, subsidies, interest, Office and allied expenses, maintenance of Capital assets and minor works costing below the prescribed limits, are booked on revenue account.

5. As regards the Capital Accounts, the receipt booked thereunder consist of loans received from the Government of India or raised from various other sources (like market, financial institutions etc.) ways and means advances from the Reserve Bank of India, cash credit accommodation from the State Bank of India, or any other Bank, and all moneys received by the State Government by way of recovery of loans and advances made to various parties. The disbursements on the capital account, on the other hand, include outlays which go in for creation of assets, loans and advances made to various parties and repayment of loans obtained.

6. Article 202(2) of the Constitution of India lays down that the estimates of expenditure embodied in the Annual Financial Statement shall show separately: -

- (a) The sums required to meet expenditure described by this Constitution as charged upon the Consolidated Fund of the State, and
- (b) The sums required to meet other expenditure proposed to be met from the Consolidated Fund of the State.

And, Article 202(3) of the Indian Constitution also lays down that the following expenditure shall be expenditure charged on the Consolidated Fund of the State :

- (a) the emoluments and allowances of Governor and other expenditure relating to his office;
- (b) the salaries and allowances of the Speaker and the Deputy Speaker of the Legislative Assembly;
- (c) debt charges for which the State is liable including interest sinking-fund charges and redemption charges and other expenditure relating to the raising of loans and the services and redemption of debt;
- (d) expenditure in respect of the salaries and allowances of judge of the High Court;
- (e) any sums required to satisfy any judgement, degree or award any court or arbitral tribunal and
- (f) any other expenditure of the State by the Constitution, or by the Legislature of the State by law, to be so charged.

7. Under Article 203 of the Constitution, the expenditure other than 'charged' on the Consolidated Fund is required to be submitted in the form of Demands for Grants to the Legislature which has power to assent or to reject to assent to any demand or to assent to any demand subject to a reduction of the specified amount. The 'Charged' expenditure is also submitted to the vote of the Legislature. This can also be discussed by them but this does not require the assent.

8. After the grants have been made by the Legislature an appropriation bill is introduced to provide for the appropriation out of the Consolidated Fund of the State of all moneys required to meet the Charged as well as other expenditures. No moneys can be withdrawn from the Consolidated Fund except under appropriation made by law. However, Article 205 provides for supplementaries, additional or excess grants over those budgeted.

PUBLIC ACCOUNT:

9. All public moneys received by or on behalf of the State Government which cannot be booked in the Consolidated Fund are credited to the Public Account of the State. For payments out of the Public Account, no demand is required to be presented to the Legislature and the requirements are made from time to time as they arise. These demands are of the nature of banking transactions, State Provident Fund, Reserve Funds created by the Government by appropriation from Revenue, miscellaneous deposits, remittances and suspense are included in the Public Accounts. The money lying in the Public Account do not really belong to the Government, they have to be paid back some time or the other to the public as in the case of the State Provident Fund, deposits of local bodies, or to be utilized by the Government in an agreed manner as in the case of Reserve Funds set up for special purposes. Approval of the Legislature is necessary for any appropriation from the Revenue to create a fund and similar approval is required for incurring subsequent expenditure from such funds. When amounts are transferred to any such fund, it is shown as expenditure out of the Consolidated Fund in the estimates of the year in which it is incurred. On the other hand, necessary amounts are transferred from these funds to the Consolidated Fund for meeting expenditure for the purpose for which the Fund was created.