

# **ANALYSIS OF ASSETS & LIABILITIES OF NATIONAL PARTIES**

## **– FY 2016-17 and 2017-18**

A Report by  
Association for Democratic Reforms

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## Analysis of Assets & Liabilities of National Parties – FY 2016-17 & 2017-18

### Introduction

There are a set of **accounting standards** set for commercial, industrial and business enterprises and these accounting standards are issued by the **Institute of Chartered Accountants of India (ICAI)**. Political parties fall under the commercial, non-industrial or non-business entity. Thus, the **standard accounting formats** of the other entities are **not applicable** to political parties.

The **Election Commission of India (ECI)** requested for recommendations from the **ICAI** to bring **uniformity** in the accounting and auditing practices of political parties. Thus, the “*Guidance note on Accounting & Auditing of political parties*” or the “*Accounting guidelines*” were formulated in **February, 2012** by the ICAI on the request of the ECI, in order to **improve accounting** and auditing standards of political parties and **improve transparency** in their finances. These guidelines lay down **principles** of recognition, measurement and disclosure items of income, expenditure, assets and liabilities in the financial statements of political parties.

Association for Democratic Reforms (ADR), in its previous [report dated 16<sup>th</sup> October, 2017](#), analysed the **assets and liabilities** declared by the **seven National Parties** (BJP, INC, NCP, BSP, CPI, CPM and AITC) between **FY 2004-05 to 2015-16**.

This report analyses the **assets and liabilities** declared by the **7 National Parties** (BJP, INC, NCP, BSP, CPI, CPM and AITC) between **FY 2016-17 and 2017-18**.

### Executive Summary

#### Frequently asked questions

- *What is a balance sheet?*

**Balance sheet** contains information on three main financial aspects of the entity, which is a political party in this case.

a) The “**Assets**” of the party are resources such as cash, their bank investments, movable and immovable properties, vehicles, etc.; b) The “**Capital**” or “**Reserve Fund**” portion of the balance sheet is the accumulated wealth of the political party which is essentially assets minus any liabilities of the party; c) The “**Liabilities**” of a political party includes borrowings from banks, unsecured loans, access to overdraft facilities, etc.

- *What is special about assets and liabilities/ income & expenditure of political parties?*

The accounting standards were created keeping in mind the nature of activities of the entities, be it commercial, industrial or business. While political parties do not perform any commercial activities, the purpose of the accounting standard i.e. maintain uniformity in presentation is kept intact by merely modifying the terminology such as “income and expenditure” in the place of “profit and loss”.

- *What are ECI’s transparency guidelines?*

**Article 324 of the Constitution** empowers the ECI with **plenary powers** which was established in the **Supreme Court judgement** (AIR 1978 SC 851) by stating that the Commission has the **powers to fill any legal vacuum** so as to promote free and fair elections. The [transparency guidelines](#), circulated in 2014, were lawful instructions issued after consultation with all recognised parties and hence are binding. These guidelines were formulated to improve financial transparency in political parties and strongly advised the parties to follow the ICAI guidelines formulated and circulated in February, 2012.

- *What information is captured in this report?*

The **assets, liabilities and capital** declared by the **7 National Parties** (BJP, INC, NCP, BSP, CPI, CPM and AITC) between **FY 2016-17 and 2017-18** has been taken up for analysis in this report. The **assets** include fixed assets, loans & advances,

deposits made, investments, etc. while the **liabilities** include bank borrowings, sundry creditors, overdrafts, other liabilities, etc. The **capital/ reserve fund** is the amount set aside by the parties after subtracting liabilities from the total assets, every year, for party expenditure.

### Declaration of assets by the National Parties – FY 2016-17 & 2017-18

- The **average total assets** declared by the 7 National Parties during **FY 2016-17** amounted to **Rs 465.83 cr** which increased to **Rs 493.81 cr** during **FY 2017-18**.
- During **FY 2016-17**, the declared assets of **BJP** totalled **Rs 1213.13 cr** and increased by **22.27%** to **Rs 1483.35 cr** during **FY 2017-18**.
- INC** and **NCP** are the only 2 National Parties to show a decrease in their annual declared assets. The **total assets** of **INC** between FY 2016-17 & 2017-18 **decreased by 15.26%** (from Rs 854.75 cr to Rs 724.35 cr) and that of **NCP** decreased from Rs 11.41 cr to Rs 9.54 cr (**by 16.39%**).
- The total assets of **AITC** increased from **Rs 26.25 cr** during FY 2016-17 to **Rs 29.10 cr**, an increase of **10.86%**.

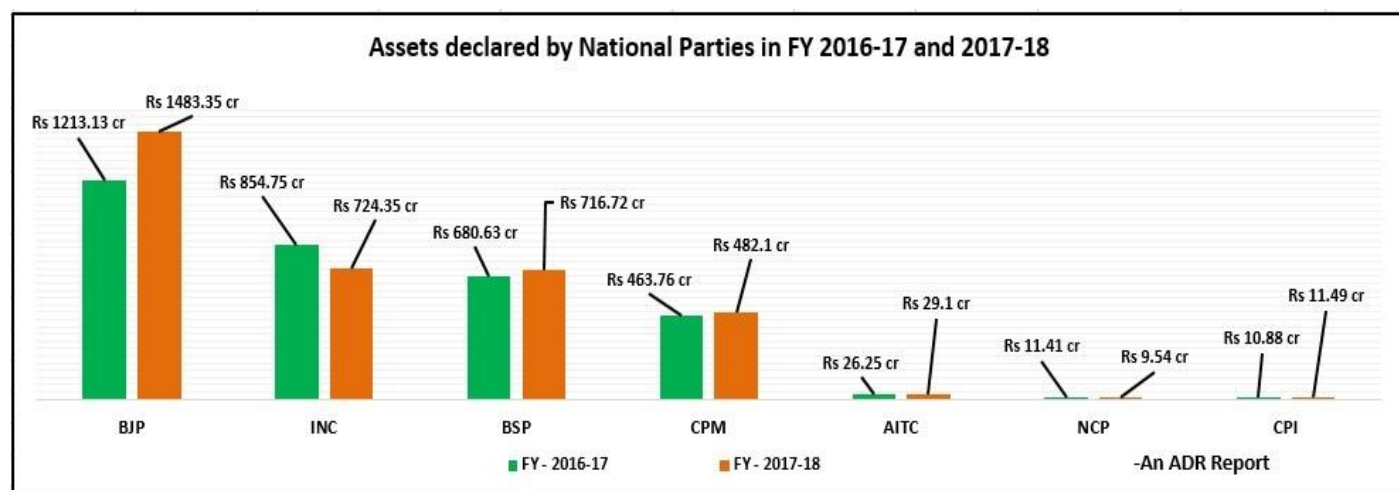


Chart: Total Assets declared by National Parties, FY 2016-17 and 2017-18

### Declaration of liabilities by National Parties – FY 2016-17 & 2017-18

- The total liabilities for **FY 2016-17** declared by the National Parties totalled **Rs 514.99 cr**, an average of **Rs 73.57 cr** per party. **INC** declared the highest liabilities of **Rs 461.73 cr** followed by **BJP** with **Rs 20.03 cr**.
- For **FY 2017-18**, highest liabilities of **Rs 324.2 cr** are declared by **INC** followed by **Rs 21.38 cr** in case of **BJP** and **Rs 10.65 cr** in case of **AITC**.
- Between FY 2016-17 and 2017-18, four parties declared a decrease in liabilities, **INC** (decrease of Rs 137.53 cr), **CPM** (decrease of Rs 3.02 cr), **NCP** (decrease of Rs 1.34 cr) and Rs 55 lakhs liabilities decrease of **AITC**.
- BJP**, **CPI** and **BSP** have declared an increase in liabilities during **FY 2017-18**.

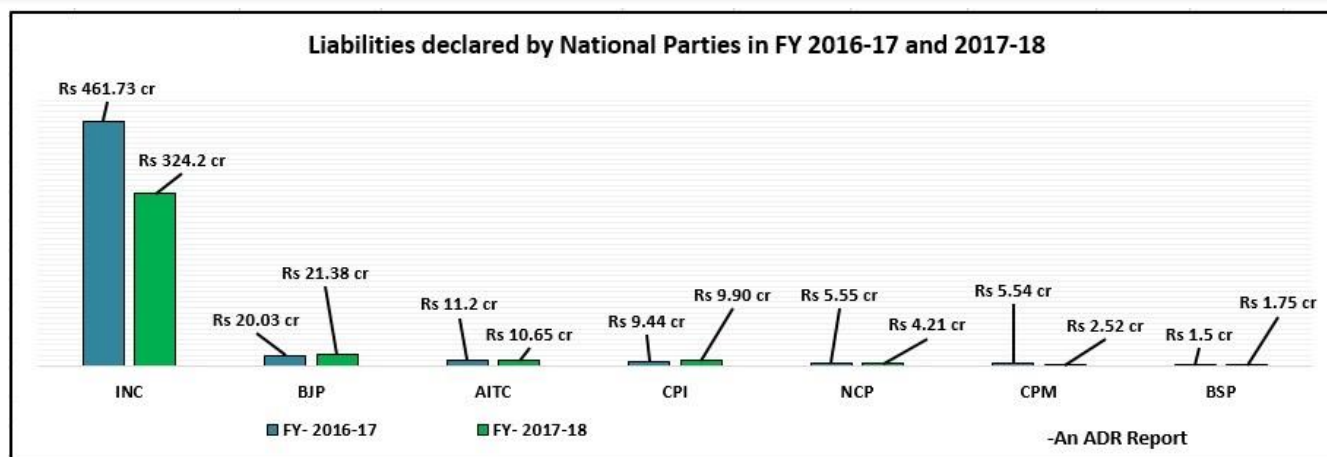


Chart: Total Liabilities declared by National Parties, FY 2016-17 & 2017-18

### Capital declared by National Parties – FY 2016-17 & 2017-18

- The total **Capital/ Reserve fund** set aside by the National Parties during **FY 2016-17** was **Rs 2745.81 cr**, and **Rs 3082.04 cr** for **FY 2017-18**, after adjusting for liabilities for the respective years, from the total assets of the parties.
- For **FY 2017-18**, **BJP** has the highest capital **at present** after declaring **Rs 1461.97 cr** followed by **Rs 714.97 cr** of **BSP** and **Rs 479.58 cr** of **CPM**.
- During FY 2016-17, **CPI** has the least declared capital fund of **Rs 1.43 cr** followed by **NCP** with **Rs 5.86 cr**.

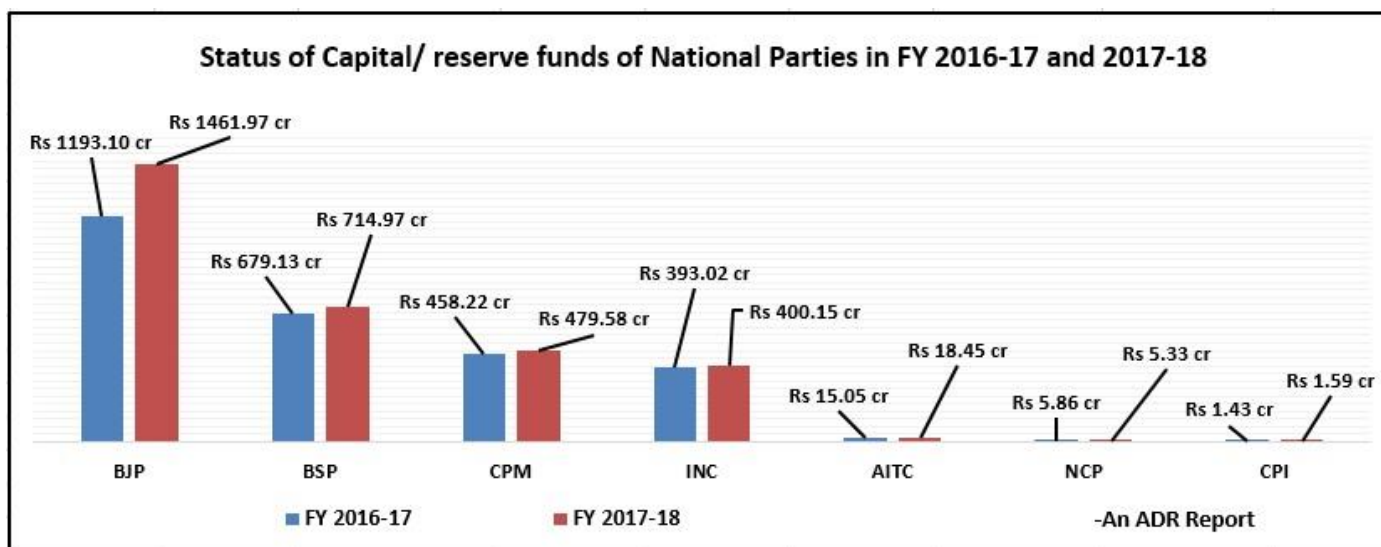


Chart: Status of capital/reserve funds of National Parties, FY 2016-17 & 2017-18

### Observations of ADR

- National Parties failed to adhere to the ICAI guidelines that direct parties to **declare details** of the financial institutions, banks or **agencies from whom loans were taken**. The guidelines specify that the parties should state the *“terms of repayment of term loans”* on the basis of due date such as a year, 1-5 years or payable after 5 years.
- Details of fixed assets** received as **donation** by the parties should be declared such as original cost of the asset, any additions or deductions, depreciation written off, cost of construction, etc. The same should also be declared of fixed assets purchased by the political parties - **not all National Parties declared this information**.

3. Details of loans given by the parties in cash/ kind should be specified and if it constitutes more than 10% of the total loans, nature and amount of such loans should be declared specifically by the parties - **not declared by all National Parties.**
4. **ICAI guidelines**, on auditing of political parties which were also **endorsed by the ECI** in order to improve transparency in the finances of political parties, **remain guidelines only** and have not been actively taken up by the political parties as a mandatory procedure to disclose details of their income. These guidelines were meant to **standardize the format** of financial statements of parties apart from **improving disclosure** of income, expenditure, assets and liabilities of the unique association, political parties. Details of disclosure included:
  - a. Classification and disclosure of details of donors (individuals, companies, institutions and others);
  - b. Revenue from **issuance of coupons** of different **denominations** to be disclosed separately;
  - c. Computation of income/ expenditure by **Accrual method** of accounting and not cash-flow method of accounting, where the former method provides more scope for transparency;
  - d. **Valuation of fixed assets**, annually, to have a clear idea of appreciation/ depreciation.

### Recommendations of ADR

1. **Changing of auditors** every three years:
  - a. The amended **Companies Act, 2013**, which came into force on 29<sup>th</sup> Aug, 2013, stated that **no Company** shall have an auditor for **more than 5 years** but this rule was **not applied** for political parties. Once a firm/person is responsible for auditing of accounts of parties for long duration, there is a possibility that finances of parties could be made **as opaque as possible**.
  - b. Indian laws do not permit **foreign auditing firms** to operate directly in India but might have a **tie-up with domestic auditing firms**. This becomes a worrisome factor if the domestic firm is auditing Indian parties' accounts. By having no provision to change auditors frequently, **foreign companies** might have a **bird's eye view** of the parties' internal accounting.
  - c. The accounts of political parties should be "audited by a qualified and practicing Chartered Accountant **from a panel** of such accountants maintained for the purpose by the **Comptroller and Auditor General**." This differs from the current practice where political parties **choose their auditors** entirely on their own.
2. As the income-expenditure statements of political parties are **assessed rarely** (even those of National Parties), authenticity of the accounts submitted **remains doubtful**. When the authenticity is not verified, the auditors who might be **under-reporting** the accounts, remain **out of purview of punishment**. With online submission of IT Returns, political parties do not submit details of income, expenditure and assets and liabilities as attachments. Thus, the IT department too does not have enough information on the finances of political parties. **Annual scrutiny of documents submitted by political parties is recommended.**
3. The **170<sup>th</sup> Law Commission report** recommended introduction of **Section 78A** in the Representation of the People Act, 1951 and proposed penalties for political parties defaulting in the maintenance of accounts. This needs to be introduced and implemented.
4. **Section 276CC of the IT Act** penalizes individuals who fail to submit their IT returns. Similar **legal provisions** should be applicable to political parties too. Supreme Court judgement in Common Cause vs. Union of India & ors. had stated that when parties default in filing their returns, prima facie they violate provision of IT Act. For both [FY 2016-17](#) and [2017-18](#), BJP, INC, CPI & NCP delayed the submission of their audit reports. For FY 2016-17, **BJP** delayed its submission by **99 days** and **INC** was the last to submit its audited account after a delay of **138 days**. For FY 2017-18, **INC** was the last to submit its audited report after **76 days**.



## Detailed Report

### Declaration of assets by the National Parties – FY 2004-05 to 2017-18

- The **average assets** declared by the 7 National Parties during FY 2004-05 equalled to **Rs 61.62 cr** which increased to **Rs 493.81 cr** during FY 2017-18.
- The **total assets** declared by the 7 National Parties during **FY 2016-17** amounted to **Rs 3260.81 cr** which increased by **6%** to **Rs 3456.65 cr** during FY 2017-18.

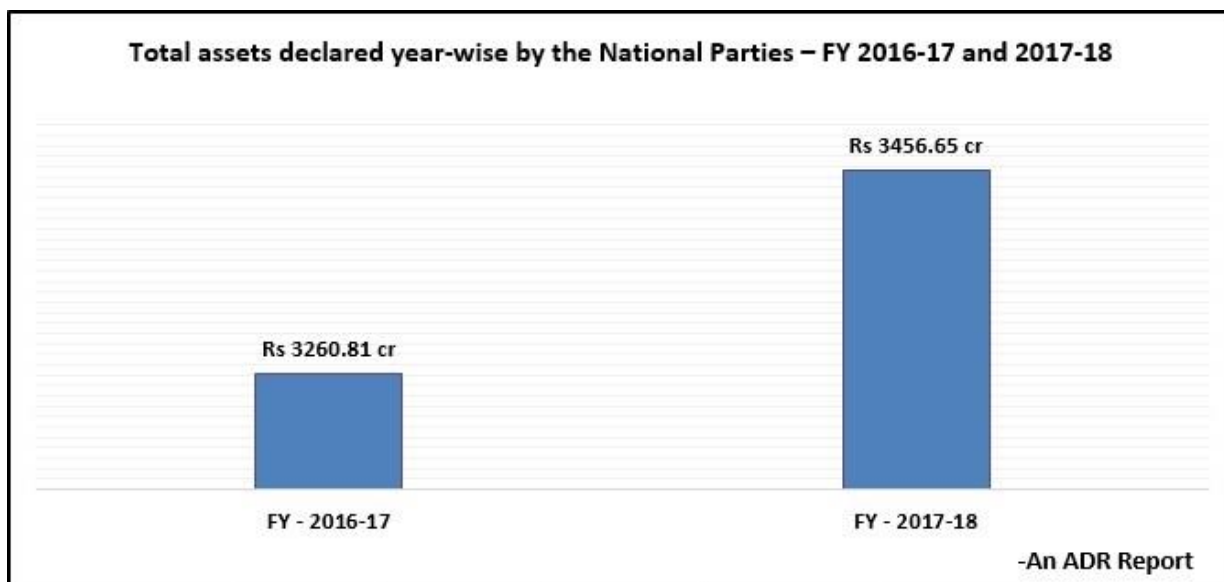


Chart: Total assets declared by National Parties, FY 2016-17 and 2017-18

- Between FY 2004-05 and 2017-18, the total assets increased by **701.39%** from **Rs 431.33 cr** to **Rs 3456.65 cr**.
- A decrease of **Rs 59 lakhs** was declared by the parties together between FY 2013-14 and 2014-15 while an increase of **Rs 541.64 cr** was declared between FY 2015-16 and 2016-17 and an increase of **Rs 195.84 cr** or **6%** was declared between FY 2016-17 and 2017-18.

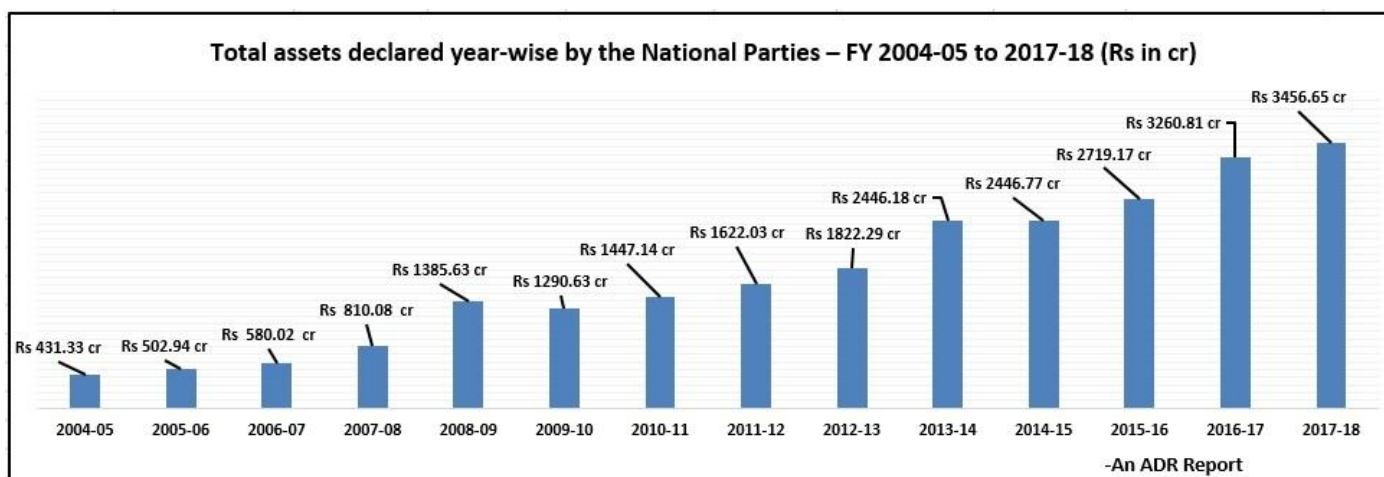


Chart: Year-wise declaration of total assets by the National Parties, FY 2004-05 to 2017-18

### Details of various assets declared by National Parties – FY 2016-17 to 2017-18

- The assets declared by National Parties fall under **6 major heads**: fixed assets, loans & advances, FDR/ deposits, TDS, Investments and other assets.
- During **FY 2016-17** and **2017-18**, the National Parties declared maximum assets under **FDR/ deposits** which amounted to **Rs 1442.19 cr** (44.23% of total assets) and **Rs 1549.53 cr** (44.83% of total assets) respectively, declared by the parties.

- The second highest was assets declared under **other assets** and amounted to **Rs 789.65 cr** in FY 2016-17 and **Rs 808.43 cr** during FY 2017-18.
- It is to be noted that the **only asset category** to show a **reduction** in value was **“Loans and Advances”**. During FY 2016-17, parties declared loans and advances of **Rs 519.27 cr** while for FY 2017-18, it stands at **Rs 336.80 cr**.

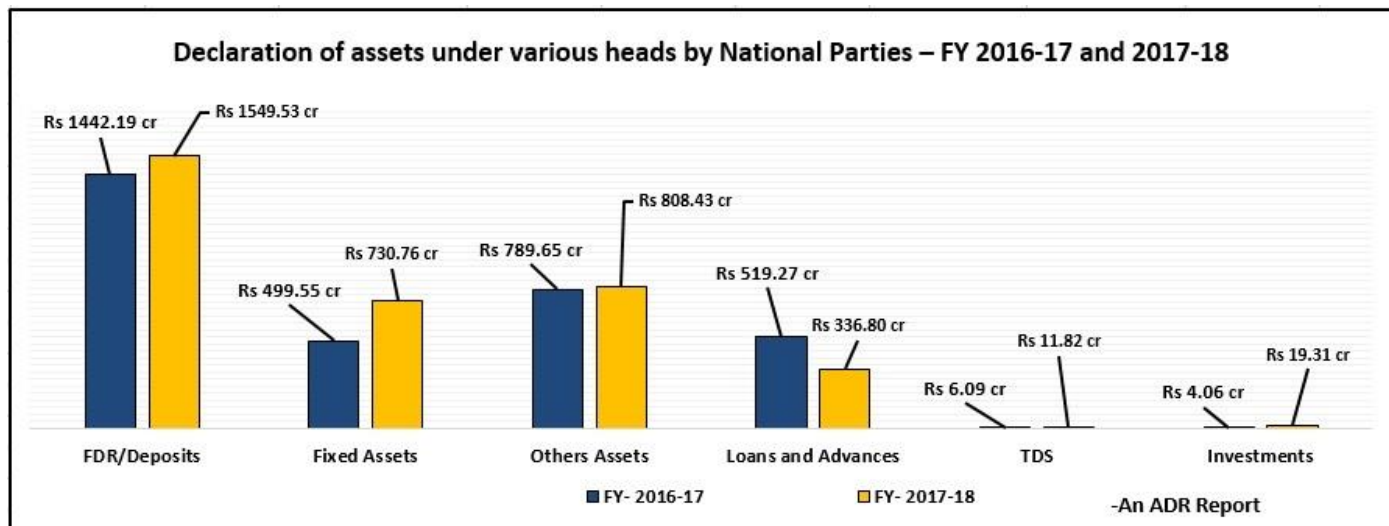


Chart: Total assets declared by National Parties under various heads, FY 2016-17 and 2017-18

| Declaration of assets under various heads by National Parties – FY 2016-17 and 2017-18 (Rs in cr) |       |              |                    |               |             |             |              | Total         |
|---|-------|--------------|--------------------|---------------|-------------|-------------|--------------|---------------|
| Financial Year  | Party | Fixed Assets | Loans and Advances | FDR/Deposits  | TDS         | Investments | Other Assets |               |
| 2016-17   | BJP   | 244.66       | 396.65             | 370.86        | 4.17        | 0           | 196.79       | Rs 1213.13 cr |
|   | INC   | 113.81       | 45.37              | 611.65        | 0.24        | 2.399       | 81.28        | Rs 854.75 cr  |
|   | BSP   | 45.07        | 15.64              | 450           | 1.5         | 0           | 168.42       | Rs 680.63 cr  |
|   | NCP   | 5.88         | 0.47               | 1.98          | 0.16        | 0           | 2.92         | Rs 11.41 cr   |
|   | CPI   | 0.559        | 1.97               | 7.706         | 0.008       | 0.31        | 0.33         | Rs 10.88 cr   |
|   | CPM   | 89.14        | 59.17              | -             | -           | 0.2         | 315.25       | Rs 463.76 cr  |
|   | AITC  | 0.428        | 0                  | 0             | 0.01        | 1.152       | 24.66        | Rs 26.25 cr   |
| TOTAL   |       | Rs 499.55 cr | Rs 519.27 cr       | Rs 1442.19 cr | Rs 6.09 cr  | Rs 4.06 cr  | Rs 789.65 cr | Rs 3260.81 cr |
| 2017-18   | BJP   | 436.2        | 215.88             | 496.61        | 8.95        | 0           | 325.71       | Rs 1483.35 cr |
|   | INC   | 144.76       | 42.64              | 442.06        | 0.83        | 17.818      | 76.24        | Rs 724.35 cr  |
|   | BSP   | 45.68        | 12.63              | 600           | 1.75        | 0           | 56.66        | Rs 716.72 cr  |
|   | NCP   | 4.92         | 0.9                | 2.56          | 0.18        | 0           | 0.98         | Rs 9.54 cr    |
|   | CPI   | 0.539        | 1.83               | 8.3           | 0.09        | 0.31        | 0.42         | Rs 11.49 cr   |
|   | CPM   | 98.26        | 62.92              | *             | -           | 0           | 320.92       | Rs 482.10 cr  |
|   | AITC  | 0.397        | 0                  | 0             | 0.018       | 1.186       | 27.5         | Rs 29.10 cr   |
| TOTAL   |       | Rs 730.76 cr | Rs 336.80 cr       | Rs 1549.53 cr | Rs 11.82 cr | Rs 19.31 cr | Rs 808.43 cr | Rs 3456.65 cr |

Table: Assets declared under various heads by National Parties – FY 2016-17 & 2017-18

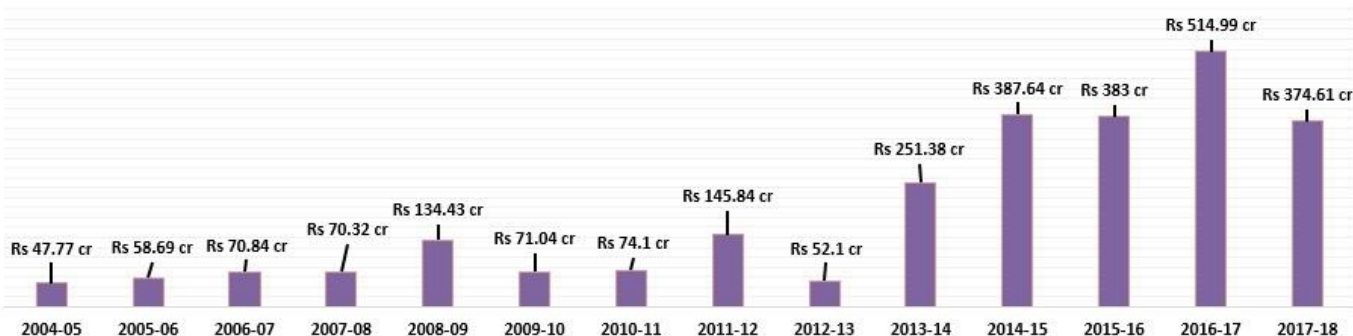
\*Annexure containing ‘Schedules’ of audit report of CPM is unavailable in public domain.

### Declaration of liabilities declared by National Parties – FY 2004-05 to 2017-18

- The 7 National Parties declared a total of **Rs 47.77 cr** as **liabilities** during FY 2004-05, an average of **Rs 6.82 cr** per party. **CPM** declared highest liabilities of **Rs 20.285 cr** followed by **BJP** with **Rs 14.298 cr**.
- Between FY 2004-05 and 2017-18, the total liabilities declared by National parties increased by **684.19%** from **Rs 47.77 cr** to **Rs 374.61 cr**.



**Total liabilities declared year-wise by the National Parties – FY 2004-05 to 2017-18**



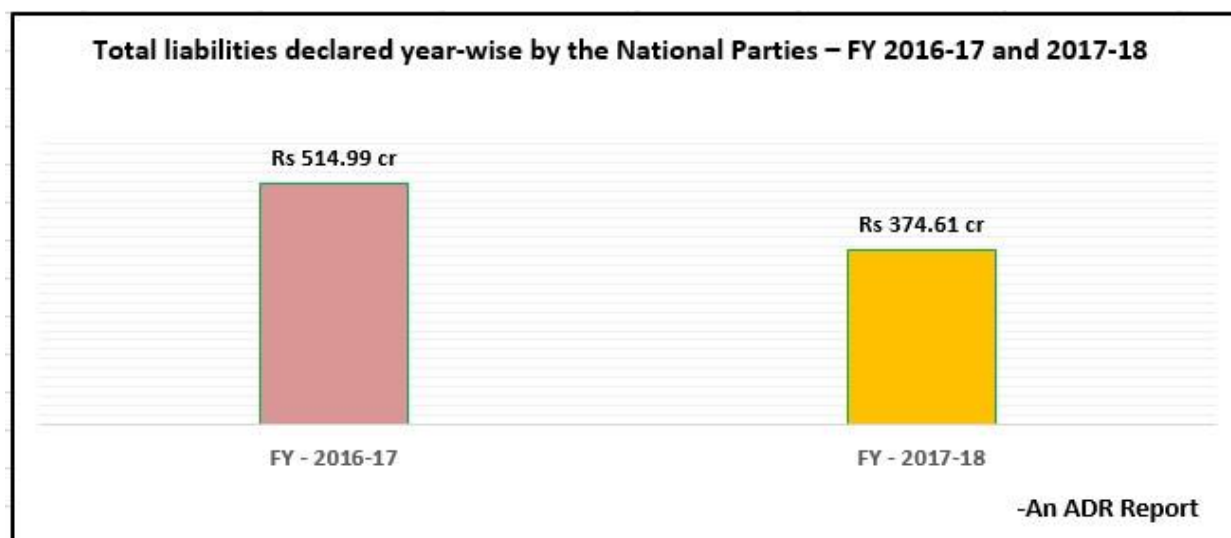
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**Chart: Year-wise declaration of total liabilities by National Parties – FY 2004-05 to 2017-18**

\*The balance sheet of BSP for the FY 2006-07 is unavailable in the public domain

- Between FY 2014-15 and 2016-17, a marked increase in total liabilities of parties is observed during **FY 2014-15** (Rs 387.64 cr) and **FY 2016-17** (Rs 514.99 cr). While the total liabilities decreased by **27.26%**, from Rs 514.99 cr to Rs 374.61 cr, during FY 2016-17 and 2017-18.
- The **average liabilities** declared by the 7 National Parties during FY 2016-17 was **Rs 73.57 cr** which decreased to **Rs 53.52 cr** during FY 2017-18.

**Total liabilities declared year-wise by the National Parties – FY 2016-17 and 2017-18**



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**Chart: Total liabilities declared year-wise by the National Parties, FY 2016-17 & 2017-18**

#### **Details of various liabilities declared by National Parties – FY 2016-17 to 2017-18**

- The liabilities declared by National Parties fall under **2 major heads**: borrowings (from banks, overdraft facilities and sundry creditors) and other liabilities.
- During **FY 2016-17**, the National Parties declared **Rs 449.42 cr** as “**borrowings**” while declaring **Rs 65.57 cr** as “**other liabilities**” from various sources.
- During **FY 2017-18**, the highest liabilities were “**borrowings**” where the parties declared a total of **Rs 321.01 cr** while **Rs 53.59 cr** was declared under “**other liabilities**”.
- INC** declared **highest liabilities** during **FY 2016-17**, amounting to **Rs 437.22 cr** under “**borrowings**”.
- During **FY 2017-18**, **BJP** declared **highest liabilities** under “**borrowings**” amounting to **Rs 15.52 cr**.
- BSP, CPM and AITC** have declared **nil liabilities** under “**borrowings**” for the two years.

### Declaration of liabilities under various heads by National Parties – FY 2016-17 & 2017-18

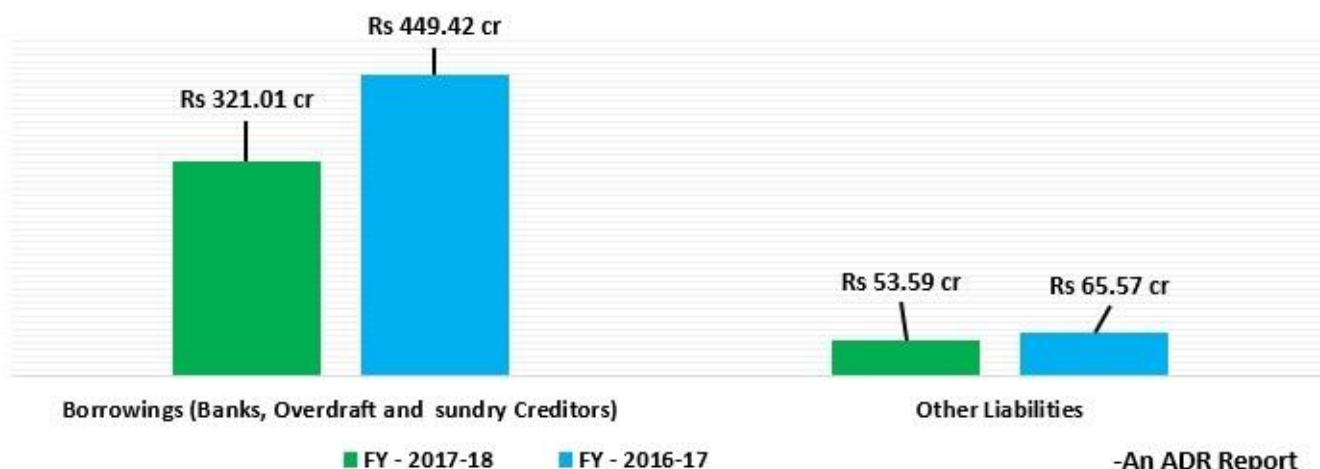


Chart: Total liabilities declared under various heads by National Parties, FY 2016-17 & 2017-18

| Financial Year | Party | Borrowings<br>(Banks, Overdraft<br>and sundry<br>Creditors) | Other Liabilities | Total        |
|----------------|-------|---|-------------------|--------------|
| 2016-17        | BJP   | 9.06  | 10.97             | Rs 20.03 cr  |
|                | INC   | 437.22  | 24.51             | Rs 461.73 cr |
|                | BSP   | 0   | 1.5               | Rs 1.50 cr   |
|                | NCP   | 3.078   | 2.47              | Rs 5.55 cr   |
|                | CPI   | 0.065   | 9.38              | Rs 9.44 cr   |
|                | CPM   | 0   | 5.54              | Rs 5.54 cr   |
|                | AITC  | 0   | 11.2              | Rs 11.20 cr  |
| TOTAL          |       | Rs 449.423 cr   | Rs 65.57 cr       | Rs 514.99 cr |
| 2017-18        | BJP   | 15.52   | 5.86              | Rs 21.38 cr  |
|                | INC   | 303.45  | 20.75             | Rs 314.20 cr |
|                | BSP   | 0   | 1.75              | Rs 1.75 cr   |
|                | NCP   | 1.976   | 2.234             | Rs 4.21 cr   |
|                | CPI   | 0.067   | 9.83              | Rs 9.90 cr   |
|                | CPM   | 0   | 2.52              | Rs 2.52 cr   |
|                | AITC  | 0   | 10.65             | Rs 10.65 cr  |
| TOTAL          |       | Rs 321.013 cr   | Rs 53.594 cr      | Rs 374.61 cr |

Table: Declaration of liabilities under various heads by National Parties, FY 2016-17 & 2017-18

### Capital/ reserve funds declared by National Parties – FY 2016-17 to 2017-18

- The total **Capital/ Reserve fund** set aside by the 7 National Parties during **FY 2016-17** was **Rs 2745.81 cr**, and **Rs 3082.04 cr** for **FY 2017-18**, after adjusting for liabilities for the respective years, from the total assets of the parties.
- BJP** has the highest capital **at present** after declaring **Rs 1461.97 cr** followed by **Rs 714.97 cr** of **BSP** and **Rs 479.58 cr** of **CPM**.
- During FY 2016-17, **CPI** declared the lowest capital fund of **Rs 1.43 cr** followed by **NCP** with **Rs 5.86 cr**.

- The reserve funds of AITC, between FY 2016-17 and 2017-18 increased by 22.59% while that of BJP increased by 22.54%. Highest amounts increase was seen in BJP with Rs 268.87 cr followed by BSP with Rs 35.84 cr.

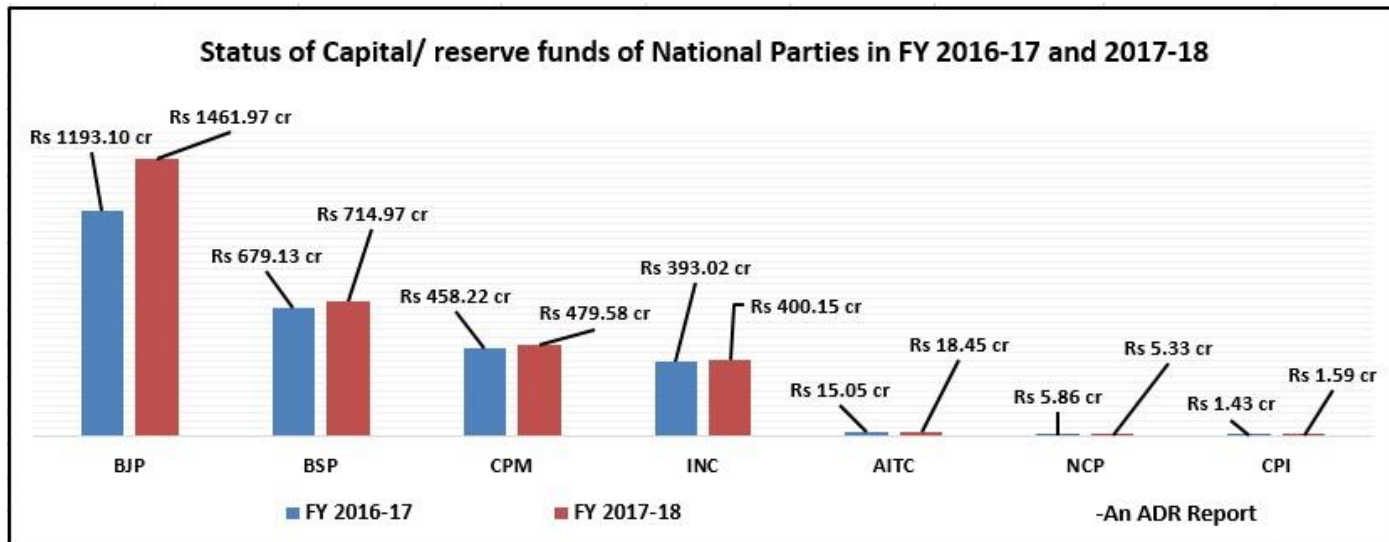


Chart: Status of Capital/reserve funds of National Parties, FY 2016-17 and 2017-18

| Status of Capital/ reserve funds of National Parties in FY 2016-17 and 2017-18 (Rs in cr) |                      |                      |                           |
|---|----------------------|----------------------|---------------------------|
| Political party   | FY 2016-17           | FY 2017-18           | % change in reserve funds |
| AITC  | 15.05                | 18.45                | 22.59%                    |
| BJP   | 1193.1               | 1461.97              | 22.54%                    |
| CPI   | 1.43                 | 1.59                 | 11.19%                    |
| BSP   | 679.13               | 714.97               | 5.28%                     |
| CPM   | 458.22               | 479.58               | 4.66%                     |
| INC   | 393.02               | 400.15               | 1.81%                     |
| NCP   | 5.86                 | 5.33                 | -9.04%                    |
| <b>Total</b>  | <b>Rs 2745.81 cr</b> | <b>Rs 3082.04 cr</b> | <b>12.25%</b>             |

Table: Status of capital/reserve funds of National Parties in FY 2016-17 and 2017-18

## Disclaimer

Source for the data used in the report are the Audited accounts submitted by the National Political Parties to the Income Tax Department and the Election Commission of India. These can be accessed from [myneta.info/party](https://myneta.info/party) and <https://eci.gov.in/candidate-political-parties/annual-audit-reports/annual-audit-reports/>

While all effort has been made to ensure that the information is in keeping with what is mentioned in the statements submitted by the political parties, in case of discrepancy between information in this report and that given in their statements, the information reported by the political parties should be treated as correct. Association for Democratic Reforms, National Election Watch and their volunteers are not responsible or liable for any damage arising directly or indirectly from the publication of this report.

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