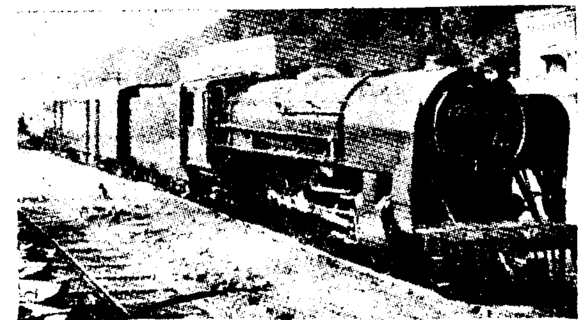

THE

RAILWAY ACCOUNTANT

A Monthly Journal

devoted to

Railway Accounts, Audit & Finance.

Vol. I **MAY 1954** **No. 2**

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The Managing Editor invites contributions to this Journal which is issued on the 15th of every month. Every such contribution for publication must bear the name and address of the Sender, not necessarily for publication, but as a guarantee of good faith. The contributions must be clearly written or typed on one side of the paper only with a margin of at least one inch. Writers who want to be anonymous must also give their addresses in addition to the pseudonym or other identification mark.

Every contribution must reach the Managing Editor by the 25th of a month for inclusion in the next month's Journal. If the writer desires return of any rejected manuscripts, he should specifically state so, enclosing an adequately-stamped and self-addressed envelope.

The Managing Editor does not hold himself responsible for the accuracy of anything published in this Journal or for any opinion expressed by the contributors therein.

All communications, contributions, subscriptions, advertisements etc. should be addressed to the Managing Editor, **THE RAILWAY ACCOUNTANT** 14, Balakrishna Road, Mylapore, Madras 4.

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IMPORTANT

Subscribers will be glad to note that the Railway Board, in their letter No. 1022TG/54 dated 4th February 1954, directed the General Manager, Southern Railway, Madras, to give me "such assistance as may be possible" in the conduct of this Journal.

On a further reference by me to the Board to supply me automatically such information as is normally made available to the Press, the Board in their letter no. 1022TG/54 dated 6-5-54 stated that I may approach the General Manager, Southern Railway, for all information that I may seek.

L. V. GOPALAN,
Managing Editor.

Note to Subscribers

Subscribers are requested to promptly remit the Subscriptions due to the Journal so as to keep the Subscribers' List current. Those in arrears are likely to miss their copies, as subscriptions are strictly **payable in advance.**

It is advantageous to pay at least for a quarter, but annual payment would be better, as it gives a reduction in rate and saves continuous labour on both sides.

L. V. GOPALAN,
Managing Editor.

Note to Contributors

Readers are requested to send up for inclusion in the Journal articles on topical or controversial subjects likely to evoke helpful criticism or constructive suggestions. A wide field is available and careful tapping will yield excellent results.

Mg. Editor.

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Railway Budget—Random thoughts

The seventh post-Independence Railway Budget for 1954-55 presented by Shri Lal Bahadur Shastri, Minister for Railways, in the House of the People, reveals a continued state of financial stability for the Railways. The gross Traffic Receipts for 1954-55 are anticipated to be Rs. 273.25 crores, while the working expenses including Appropriation to Depreciation Reserve Fund are estimated at Rs. 224.53 crores, leaving a surplus of Rs. 48.72 crores. After taking into account the Net Miscellaneous Expenditure (such as cost of Railway Board's Establishment, Surveys, works charged to Open Line Works Revenue, etc) of Rs. 8.08 crores, the net profit for the year is estimated at Rs. 40.64 crores, against Rs. 37.64 crores as per Revised Estimates for 1953-54. The dividend to General Revenues at the Convention rate of 4% on the Capital at charge, works out to Rs. 35.50 crores which will be paid out of the anticipated profit of Rs. 40.64 crores, and this leaves a net surplus of 5.14 crores to be retained by the Railways for their use, and this is proposed to be credited entirely to the Development Fund.

These figures are sufficient to prove the satisfactory financial position of the Indian Railways, especially when it is remembered that, in several other countries, the Railways are working at a loss. This, however, is not to say that no further improvement is needed in Railway operation or that the Railway Administration can sit quiet, in self-complacency, in view of its unfailing contribution at the agreed rate to the General Revenues during the present Convention period commencing from 1950-51. Indeed, that the Government of India are alive to this, is evidenced by the Railway Minister's reference in his Budget Speech to the establishment of a Railway Research and Testing Centre at Lucknow, with subcentres at Chittaranjan and Lonavla where investigations are being made in the first instance on problems which are of immediate importance to Railways and on which studies and tests are likely to yield positive results of practical value within a reasonable time, and it is hoped that this will lead to more economical designs of permanentway, both from the point of view of initial cost and of maintenance. It is also stated that an Efficiency Bureau has been constituted in the Railway Board for the purpose of studying operation, workshop, marshalling yard and other statistics, with the object of improving progressively efficiency and economy on Indian Railways. The immediate task with which the Efficiency Bureau is charged, seems to be to investigate and eliminate outmoded and costly practices and for evolving suitable techniques for efficiency measurements in diverse fields of Railway operation and management. Expenditure on the Research Centres and the Efficiency Bureau, is certainly well worth incurring, and we look forward to the expansion of these organisations. We also look forward equally to the results of the endeavours of these organisations in their respective fields, but even more than the results of such researches and prescriptions of new techniques for efficiency measurements, what would be of importance and interest, is the extent to which they are actually applied in practice and, improvement no less than economy in operation is achieved. We are constrained to press this point, because it is common knowledge that even the existing statistics on Railway working and operation which are massive and contain a mine of information, are not taken up for detailed analysis and interpretation, with a view to remedying matters on the basis of conclusions obtained from such analysis and review. For example, the cost of operation per train mile on the respective zonal Railways may be compared, after allowing for the difference in cost of coal including freight on the respective Railways. As the collieries are in the Eastern Railway zone, that Railway has the advantage of less expenditure on transportation of coal, compared to other Railways which are far away from the coal fields and which, as in the case of the Southern Railway, have to pay even heavier freight by having to employ the sea route for the purpose. For purposes of comparative study, the special features of costs resulting from adventitious circumstances should first be eliminated, and the unit costs on the respective zonal Railways placed on a comparable basis, so that Railways incurring a larger expenditure per unit on particular phases of operation can be spot-lighted and remedial action taken, which will undoubtedly be to the financial advantage of the Administration. By such means, it should be easy to pin-point those phases of operation on particular Railways or Sections or even yards or stations, where waste or uneconomic or unnecessary work occurs, and take steps to cut out such waste.

For a proper appreciation of the position disclosed by financial statements of costs, it is necessary that they should be appropriately correlated to the quantum of performance, and conclusions drawn on the basis of such correlation. To illustrate this, we can take the consumption of coal which is the chief material required for Railway operation. If there has been a reduction in the cost of coal per train mile, it does not necessarily follow that there has been improvement in operation, because the price per ton might have fallen and there might have also been an increase in the quantity of coal used per train mile and the result of these two different factors might have been a reduction in the *cost* per train mile. Conversely, if the cost of coal per train mile shows an increase, it may be due entirely (or partly) to a rise in the purchase price of coal, on which the operation Department has no control, and the quantity of coal used per train mile (or per 1000 gross miles, or per engine mile, or other appropriate unit of engine performance) might have been less than formerly, indicating a measure of improvement and efficiency in operation, although the cost of fuel per train mile shows a rise (which is due to increase in price). In this connection, the following comparative figures of coal consumption on Indian Railways are of interest :—

COAL CONSUMPTION

	Lbs. of coal consumed per 1000 gross ton miles*		Percentage
	1938—39	1952—53	of increase
Broad Gauge	Lbs.	Lbs.	Lbs.
Passenger (including proportion of mixed trains).	180·2	186·3	3·4%
Goods „	142·4	166·5	16·9%
Metre Gauge			
Passenger „	200·1	226·8	13·3%
Goods „	149·4	201·3	34·7%

* Figures taken from the "Indian Railways" 1952-53.

It will be seen from the above that, compared to pre-War standards, the efficiency of operation so far as consumption of coal is concerned has fallen, and the fall is very marked in the case of Metre Gauge Goods Services where the deterioration is as much as 35%. There may be some acceptable reasons for this state of affairs, such as deterioration in the quality of coal, requiring a larger quantity to be used per unit of operation than with a better quality as was in use in pre-war years, but it may be difficult to satisfactorily account for the percentage of deterioration ranging from the almost negligible figure of 3·4% in the case of Broad Gauge Passenger Services to as high as 34·7% under Metre Gauge Goods Services.

Under present conditions, the cost of labour and administrative expenses which account for not less than 50% of the total expenditure on working, may not be susceptible of any reduction, while so far as the cost of materials is concerned, it is an independent factor, with which the *efficiency* of operation is not wholly concerned (as the efficiency of operation is determined inter alia by the *quantity* of materials used, per unit of operation, and is not affected by the fluctuating price levels of the materials used). If, therefore, economy in operation is to be secured, it should chiefly be by evolving and designing better methods of working in the several phases of operation, and carrying out a greater quantum of work for the same expenditure that is incurred, thereby reducing the unit costs to the extent possible.

Teams of expert Cost Accountants are continuously engaged by the American Association of Railroads and Inter-State Commerce Commission in the U.S.A., in connection with the collection, collaboration and tabulation of statistical data for innumerable phases of Railway operation, with interesting interpretative notes. The information so collected is circulated to the Railway Administrations, who on a study of such information are able to regulate or initiate policy action wherever necessary, such as adjustment of rates etc., apart from immediate executive action where such is indicated. While we recognise that conditions in India are not quite the same as in U.S.A., we have no doubt that it would be a step in the right direction if a beginning is made on the Indian Railways also, by setting up an organisation for this purpose. Apart from collection and interpretation of statistical data of the different phases of Railway operation, research in methods of accounting including internal check, financial control, presentation of financial data, mechanisation of accounts, etc. is not less necessary than in the case of technical operations. We would suggest the setting up of an Accounts Cell in the newly created Efficiency Bureau of the Railway Board or the Research Centre at Lucknow, whichever may be more administratively convenient for the purpose.

Duties of Railway Staff

It is needless to point out that every man in whatever walk of life has a duty to perform to himself, to his kith and kin and to the world at large, including his employers. But we often find this aspect neglected and it is only the obverse side that comes to the forefront. Everyone always feels aggrieved that he is not so well off as he considers he deserves or he should be and blames every other man for his state. Contentment is so evidently absent that any remedy that is effected to his really existing defect or failing, is still considered as far from sufficient. The more a man gets the more he feels he wants. Thus there is always a vicious circle of wanting and getting and there seems to be no end to this. The whole scheme requires a thorough review and reorganisation.

We are particularly interested in the effect that such a trend of mind has upon the Railway Staff. During the last few years, economic conditions in the country have so far varied that there has been a continuous cry for more and more wages or remuneration. We can understand this desire; but there must be limit to such things, since every action has a reaction and *vice-versa*. The more a man desires, the more he feels that he deserves it. But what is more apparent is that greater desire is there but deserving often is obscure. In any commercial concern, money spent must have its adequate return and unless the full value of the investment is obtained, the concern can never thrive. It is more so in the case of Railways which are not only Commercial but also Government-controlled; but which nevertheless have to be self-sufficient. There is also a very big limitation that whatever expenditure has to be incurred has to be met from the Revenue derived. Thus, on Railways the budget for Revenue and Expenditure are inter-dependent. This is the special characteristic of any thriving commercial concern. It is different in the case of a Government where efficiency in administration is more important than the need to balance expenditure to Revenues.

We have often learnt that every employee of the Railway has not given his best to the Railway, and that the Administration has felt that it is not getting an adequate return for the money spent. The efficiency of the staff has been far below what was expected, sometimes as low as 40 . It may be that there are at least a few among the old who are conscientious and pull the weight. But this is not sufficient. Everyone must feel that he has got his own part to play in the general administration and that unless he fulfils his role in entirety and with efficiency, the general result will be far from what it should be. We cannot always calculate the result by the hours of work or by the number of men at work. A more important factor is the *quality* of the work. When both quality and quantity are made to vie with each other, and we get as much of both as possible, we can only then say really that we are heading towards something good.

What is required for achieving this is the philosophic mood of doing one's duty without an eye to the result or fruit thereof. When a man discharges his duty conscientiously and efficiently, he is bound to have his full reward automatically without his asking for it.

We shall feel highly gratified if these few ideas will evoke a thoughtful research in every employee's mind and induce in him the incentive for efficient and adequate work to the best of his capabilities; and we are sure that the results that can be achieved thereafter will be very satisfactory.

We base this on the assumption that every individual is wise enough to know and realise his own responsibility to the State and be loyal to it; the more so that we are in a democratic set-up and that any leak at any spot is likely to increase our own liabilities in some other form.

We shall revert to this in greater detail at a future date.

Development Expenditure in Railway Manufacturing Workshops

In the House of People, Mr. O. V. Alagesan, Dy. Minister for Railways said on 19th April 1954 that the Railways have now introduced a system of accounting known as 'Development Suspense Account' in order to equalise the cost of the indigenously produced locomotives with the imported ones. It was also stated that the cost of locomotives produced in the Chittaranjan Locomotive Workshops was Rs. 5.35 lakhs each, excluding any share of developmental expenditure, whereas the estimated landed cost of similar type of locomotive ordered recently from foreign countries was Rs. 5.59 lakhs.

The intention evidently is that the difference between the cost of production of the locomotives made in Chittaranjan Locomotive workshops and those ordered direct from foreign countries—which works out at present to Rs. 24,000 per locomotive, should be debited to the respective railways for the supply of locomotives from the Chittaranjan Workshops, by credit to the Development Suspense Account under which has been booked the initial expenditure on account of planning and other preliminary expenses which were not charged off either to Revenue as working expenses of the Railways or to Capital account of the Chittaranjan workshops as part of the cost of the fixed Block. It was also stated that if the number of locomotives produced in Chittaranjan workshops increased, the cost was bound to go down and the suspense account would be cleared.

The decision to write off the development expenditure incurred initially in connection with planning and other preliminary arrangements which cannot strictly come under the category of tangible assets, is no doubt in keeping with sound financial prudence and accounting principles. One point, however, that requires consideration in this connection is whether it is correct to regulate the clearance from the 'Development Suspense Account' with reference to the price of locomotives ordered from abroad as decided by the Government. The expenditure on development has already been incurred and as the benefit of this expenditure would accrue to the production in the Chittaranjan workshops, it would seem that the more correct procedure would be to write-off the development expenditure by distributing it to the *total* number of locos manufactured during, say, the first 5 years in the Chittaranjan Workshops, so that the cost of each locomotive produced in the Chittaranjan Workshops would represent its true cost including its legitimate share of development expenditure. The market price does not come into the picture at all, because irrespective of the price that is paid for supplies from abroad the fact remains that developmental expenditure has already been incurred and should in all fairness be charged off to the production account, even though the cost of production in Chittaranjan Workshops may be higher than that paid for supplies from abroad. The fact that the price of supplies from abroad happens to be cheaper at the moment than the cost of manufacture in the Chittaranjan Workshops does not affect the principle at issue.

Commercial Economics in Practice on the Railways

The following are excerpts from a paper on "Commercial Economics in practice on the Railways" read recently by Mr. F. Grundy, M. Inst. T., Assistant Commercial Superintendent (now Commercial Superintendent), British Railways, at a meeting of the Railway Students' Association, London School of Economics and Political Science in London :—

EARNINGS BUDGET BASED ON EXPENDITURE BUDGET

For the past five years British Railways' revenue has formed a large part of the revenue of the British Transport Commission.

In this connection, the B.T.C. position has been governed by the Transport Act, of 1947 which stipulated that :—

"All the business carried on by the Commission, whether or not arising from undertakings or parts of undertakings vested in them by or under any provision of this Act, shall form one undertaking, and the Commission shall so conduct that undertaking and, subject to the provisions of this Act, *levy such fares, rates, tolls, dues and other charges,* as to secure that the revenue of the Commission is not less than sufficient for making provision for the meeting of charges properly chargeable to revenue, *taking one year with another.*"

From this level the Railway Executive took over so far as Railways were concerned, but before the Commercial Department was requested to deal with the revenue budget, the Executive first produced its budget of estimated expenditure for the following year so that it could be seen what revenue would be required to cover costs of operation.

In respect of the budget estimates of expenditure the Commercial Department makes its contribution. This comprises principally clerical, station working and cartage costs and, in arriving at these, careful consideration is given to the probable effect of :—

(a) the trend in salaries and wages ;

(b) possible development of mechanical handling appliances ;

(c) motorisation of cartage ;

(d) closing of stations and branch lines ;

(e) concentration schemes for handling and cartages of traffic,—and—

(f) clerical economy schemes such as concentration of accountancy and the abolition of invoicing :

and a budget of expenditure is prepared based on the actual expenditure for the previous year and taking into account the items referred to above.

When a complete budget of expenditure has been obtained from all departments, the Commercial department is advised of the global figure involved and is asked to produce a budget of revenue, which will cover expenditure and produce a surplus to enable an appropriate contribution to be made to central charges.

The Commercial officers examine the most recent annual revenue total and its analysis in relation to the various types of traffic. Close consideration is given to the many factors affecting not only railway economics, but taking into account the economic situation of the trade and industry of the country as a whole. (There would obviously be little point in budgeting on the freight side, for example, for the conveyance of a volume of goods which are never likely to be produced.)

So far as freight is concerned, a study is made of the Government Annual Economic Survey, economic and trade journals, and the reports of local Commercial officers ; and particular

ttention is paid to such items as the ollowing :—

(a) the general state of trade in the ountry ;

(b) the condition of the import and xport markets ;

(c) production in the principal industies such as iron and steel, coal, griculture and the the current trends ;

(d) new industrial developments or new overnment works ;

(e) defence programmes, both as ffecting the Services and the Supply Iinistries ;

(f) employment figures and trends ;

(g) the probable competitive effectieness of other forms of transport ; and

(h) the likely volume and trend of laims payments ; and, of course, the urrent trend of railway receipts and xpenditure.

With all these factors in mind, and an nalysis of existing traffics, an estimate f freight tonnage likely to be conveyed uring the following year, together with nticipated receipts therefrom, is prepared n collaboration with the Accountants.

On the passenger side, particular ttention is paid to the employment igures; the general wages position olloquially—the amount of money bout) ; the incidence of great national vents, such as the Coronation and the estival of Britain; the competitive possiilities of such alternatives as Television, inemas, private cars and so on. Existing raffics are analysed into types of fare at arious mileage gradations and much hought is also given to the possibilities f transport competition at the varying listances.

Separate consideration requires to be iven to each section of the Commercial ctivities in addition to freight and assengers. Parcels, for which there is reen competition ; coal and coke, where lose contact must be maintained with the National Coal Board, Gas Board, Electriity Board etc., livestock, much of which s controlled by the Ministry of Food, etc.

When all calculations have been made, it may be found that at current levels of charging, the traffic estimates would not produce the necessary revenue. In this case, consideration will also need to be given to the desirability of seeking a general increase in charges, either all round or on certain sections of the traffic. In this connection, great care has to be taken in estimating the elasticity of the demand for transport of the various traffics and allowances have to be made for loss of business which might ensue if higher charges were imposed.

Where special train working is involved the revenue possibilities are first compared with the costs guide provided by the Traffic Costing Service.

An interesting experiment has been carried out this year, in an endeavour to combat road competition between London and Scotland. Reduced Period Fares were introduced by the railways on Friday, April 10, 1953, for an experimental period which terminated on September 18th, 1953.

Assessment of the overall financial result is the subject of special examination upon which will depend decision as to the future policy.

It will be appreciated that when the report is available there will be many points for consideration by the Commercial Officers, apart from the actual direct financial results of the experiment. Among these will feature the general effect on revenue and working between England and Scotland ; the effect on the road competition and the possibility and desirability of similar experiments between other points.

The quotation of exceptional rates for freight train traffic is a complex subject. As I have explained, no charges Scheme for freight traffic was presented under the Act of 1947 and present charging is based on the act of 1921 as modified under the Act of 1953. These modifications are, of course, freedom from the obligation as to equal treatment and undue preference;

ability to enter into agreements with traders as to the conveyance of the whole or part of their traffic; and relief from the necessity of publishing agreements as to charging.

I have indicated briefly what sort of considerations may be taken into account in framing a new Charges Scheme for railway freight charging under the 1953 Act. Meantime, business has to go on under present charging and probably will have to continue for some years during a period of road competition no doubt increasing in severity as the sale of R.H.E. vehicles develops.

Exceptional freight rates are granted largely on the basis of the following factors:—

(a) Need to maintain reasonable consistency with existing rates for same class of traffic moving in similar circumstances.

(Despite the legal release from undue preference as between one trader and another, commercial practice continues to demand a broad state of equilibrium).

(b) Commercial concessions in consideration of regular streams of traffic.

(c) Assistance in development of trade which otherwise would be restricted or fail to materialise.

(d) To meet competition by other forms of transport.

At the same time, as has been suggested in respect of the ultimate freight charges scheme, current quotation of exceptional rates will have to be based on sound economic principles if the same 'cut-throat' competition as operated pre-war is to be avoided. The rates quoted will have to be sufficiently attractive to secure the business bearing in mind competitive tendencies and, on the other hand, will have to cover the costs of the provision of the service by the railways. While point one may be reasonably clear—although no doubt a strong element of salesmanship will be demanded in many instances—the costs of providing the service can only come from a well-equipped costing organisation. As I have indicated, Costing Officers have now been appointed to each of the railway regions. The Regional Rates Assistants have already been provided with costs scales in respect of traffics in the various classifications. These scales are, of course, averages with the disadvantages which averaging involves when applied to individual transactions. If a transaction appears to be substantially over the average line of cost per ton for the traffic concerned no problem arises. If, however, the rate demanded falls below the average cost of this type of traffic then the Rates Department would ask the Costing Service for a special investigation into the particular flow of traffic.

COSTING SERVICE

The Costing Service can be equally valuable in promoting operational progress by demonstrating that conventional methods are too costly and that new methods will have to be introduced if profitable rates are to be quoted and the traffic secured against competition.

I have indicated some of the uses of the Traffic Costing Service in relation to the introduction of cheap fares or the quotation of exceptional rates for freight. There is no doubt that much use will eventually be made of this service for the costing studies of all and every part of the facilities offered. One which is being undertaken at the present time is that connected with the cost and receipts from ordinary passenger train services. This examination will by analysis enable the profitability or otherwise of fast trains, semi-fast stopping and suburban trains to be considered. Having ascertained precisely where the profit or loss lies in these groups of services, consideration can be given, on the one hand, to economy of operation and, on the other hand, to the possibilities of traffic development: again, particularly during the off-peak periods.

* * * *

Depreciation Reserve Fund

Depreciation is the gradual and inherent diminution in value and in service of an asset which by reason of its use or even by storage cannot last for ever. Hence in Commercial concerns, provision is made separately to meet the cost of replacement of assets when they fall due. The Reserve Fund created for this purpose is called the D. R. F.

On Railways also such a Reserve Fund is created by allotting to it a certain specific amount from out of the net Revenues of the Railway so that whenever an asset has to be replaced, whether in a year of prosperity or in a year when the Railway is working at a loss, the replacement may not be held over for want of adequate funds. Further the cost of replacement may fluctuate from year to year dependent upon the nature of the asset to be replaced and also the market value. It is, therefore, essential that the amount at credit of the fund should be so accumulated as to meet any unexpected increase in replacement costs in future years.

Prior to 1924, there was no reserve fund, but the cost of replacement of Railway assets was charged directly to the Working expenses of the year. Thus when wholesale replacements were effected in any year, the charge against the working expenses rose up abnormally and in the case of Company Worked railways, the resultant effect was a decrease in surplus profits. Further, the rules of allocation on a "Company Worked Railway differed from those on a State-managed Railway. Thus it was not possible to assess the net revenues of any Railway at their proper value in any year. Government, therefore, decided in 1924 to create a Depreciation Reserve Fund so far as State-Managed Railways were concerned so that the amount at credit in this Fund might be utilised as and when replacements were actually effected.

In the beginning, the contribution to the Depreciation Reserve Fund was fixed as follows:

All the assets were classified as wasting and non-wasting; and the wasting assets were divided into distinct units or classes and the normal life was fixed for each class. The total cost of the asset divided by the period of its assumed life was fixed as the annual contribution to the Fund. No contribution was calculated for any unit after the expiry of its assumed life even if the asset continued to function. Thus, from the list of such assets, the total contribution to be made annually to the D. R. F. was calculated.

As this method was found to be cumbersome, it was revised in the year 1936, with a view to simplifying the calculation by adopting 1/60th of the Capital at charge as shown in the Finance and Revenue Accounts of the Government of India at the end of the previous Financial year, this fraction being the nearest simple fraction calculated to give results approximately equal to the results of the complicated procedure previously followed. Thus, both in the old and revised procedure, the element of approximation was inevitable, and it could not be stated how far the assumptions made were correct or not.

While creating the D. R. F. in 1924, no provision was made to cover the arrears of replacement of assets as on that date. Further, due to decline in traffic earnings during the thirties, loans to the extent of 30 crores had to be taken from the D.R.F. to meet payments to the General Revenues according to the Separation Convention. Thus, when the time came for replacement of most of the assets, the cost could not be fully met during this period from out of D. R. F. Further, there was no regular replace ment programme provided for in this period. The second World war also contributed very greatly to lack of adequate credit in the funds owing to the inflated cost of the replacement of materials, while arrears of replacement held over continuously also mounted up. In addition, the cost of such assets also increased many times, thus adding to the already existing difficulties of inadequacy of amount in the D. R. F.

Consequently, when the war ended in 1946, the Railways were faced with the problem of wholesale replacement of most of their assets; but this was found to be an impracticable proposition owing to the non-availability of adequate funds to meet the inflationary element in the cost of replacement. It was, therfore, decided that a share of the inflationary element be debited to the working expenses of the year as a special case while undertaking replacements under absolutely urgent cases.

Hence, under the revised Convention which came into effect from 1-4-1950 the contribution to the Fund was fixed at a minimum of 15 crores a year, chargeable to the Working Expenses.

Even this contribution was found to be utterly inadequate, because the withdrawal from the fund, anticipated in the coming years, was expected to run at a level of 35 crores a year; and it was considered that, if the present rate of contribution was allowed to continue, the fund would be depleted within four years.

The heavy withdrawals were found to be due to :

(1) the contribution to the fund from the beginning having been made on the original cost of the assets.

(2) non-provision for arrears of replacement, when the fund was created in 1924.

(3) the present day cost of replacements having shot up nearly four-fold as compared to the previous years.

(4) the rules of allocation having been revised from 1-4-50 according to which the full cost of replacement including the inflationary element, as also the improvement cost (hitherto charged to Capital), being chargeable to D. R. F., thus adding to the drain on the Fund.

(5) the renovation of the assets of ex-State Railways taken over by the Centre, being expected to be considerable.

On account of the above factors, the Railway Minister pleaded, when presenting the Budget for 1951-52 that the contribution to the DRF should not be a fixed sum as at present nor should it be based on the original cost of the asset, but should be co-ordinated with the out-go from the funds every year, if the fund was to justify its existence. Accordingly, the Parliament voted a contribution to the Fund of Rs. 30 crores for 50-51 and for future years also. It has, however, been found that the actual figures of withdrawal on an average during these four years, have been over 40 crores. Unless, therefore, adequate provision is made in the Budget based on realities, the Fund is not likely to serve the purpose for which it was created.

V. MAHADEVAN, B.A.,
Senior Accountant in charge of Training (General Accounts), Southern Railway.

Outstandings at Stations on account of Diverted Traffic

Freight charges on account of diverted traffic are outstanding at many stations for want of adequate and timely action; and the procedure adopted by the various Railways has not been uniform. The authorised procedure as per Code and Conference rules is summarised below for information. By the adoption of the correct procedure by the original and the diverted destination stations, outstandings on such account would be considerably minimised and cleared without delay.

When a consignment is diverted and delivered at a station other than the booked destination station under proper traffic authorisation, the original R/R must be collected along with freight etc. charges due up to the second destination; a memo invoice giving full particulars of from and to stations, weight, freight etc. as appearing in the R/R should be prepared and accounted for in the regnlar Delivery Book. A separate abstract should be prepared for such transactions and superscribed as 'Memo Invoice', the totals thereof being added to the totals of the abstract of the ordinary traffic and included in the summary in the usual way. The freight collected should be accounted for in the regular local or foreign column of the Cash Book under freight. A joint advice should also be sent by the second destination station to the original destination station and R.T.S. along with a copy of the R/R or Invoice for delivery of such diverted consignments. The original booked destination station must account for the original invoice in the Delivery Book and the original destination station must press the forwarding station for a certified overcharge sheet to clear the outstanding at his station and for the issue of a fresh invoice to the actual destination station. The R.T.S. will follow up with the forwarding station regarding the despatch of the certified overcharge sheet and the issue of the fresh Invoice.

On receipt of this certified overcharge sheet from the forwarding station, the original booked destination must submit the same with complete particulars of the period of accountal of the original invoice, the authorised diversion order, fresh invoice and particulars of date etc. to the Accounts Office, duly countersigned along with the balance sheet of the month in support of the special credit taken for the outstanding of the original invoiced freight; or if it is a paid invoice, overcharge sheet after certification by the Receiving station must be returned to the forwarding station to enable it to take credit for the erroneous debit.

On receipt of the fresh invoice, it should be accounted for as usual, by the second destination station which should take special credit in its balance sheet quoting the period of accountal of the memo invoice in the inward abstract and the amounts collected.

L.V.G.

General Budget 1954-'55

No changes in Income Tax Rates

An abstract of the General Budget for 1954-55, as presented by the Finance Minister to the House of the People is furnished below.

BUDGET AT A GLANCE

REVENUE

(*In lakhs of Rupees*)

	Budget 1954-55
Customs	1,75,00
Union excise duties	92,60
Corporation tax	38,35
Taxes on income other than Corporation tax	70,67
Estates Duty	25
Opium	1,85
Interest	2,78
Civil Administration	10,48
Currency and Mint	20,42
Civil Works	1,63
Other Sources of Revenue	7,92
Posts and Telegraphs—Net Contribution to General Revenues	1,50
Railways—Net Contribution to General Revenues	7,37
Extraordinary Items	10,21
Total Revenue	4,41,03

Effect of Budget Proposals + 11,85

EXPENDITURE

Direct Demands on Revenue	32,19
Irrigation	16
Debt Services	40,00
Civil Administration	86,08
Currency and Mint	2,63
Civil Works and Miscellaneous Public Improvements	15,54
Pensions	8,45
Miscellaneous	
Expenditure on Refugees	10,23
Subsidy on Foodgrains	—
Other Expenditure	9,74
Grant to States, etc.	32,48
Extraordinary Items	23,97
Defence Services Net	2,05,62
Total Expenditure	4,67,09
Surplus (+)	
Deficit (—)	— 14,21

The Budget proposals include excise duties on cement, soap, footwear (factory made only) rayon or artificial silk fabrics and cloth (superfine, fine, medium and coarse).

So far as the Railway Accounts are concerned, the main point to note is that there is no change in the existing rates of income tax and Supertax. The present rates are indicated below.

CURRENT RATES OF INCOME-TAX

	Rate per Rupee	Sur-charge rate per Rupee
1. On the first Rs. 1500 of total income	Nil	Nil
2 On the next Rs. 3500 of total income	9 pies	One-twentieth of the rate specified in the preceding column.
3. On the next Rs. 5000 of total income	1¾ as.	
4. On the next Rs. 5000 of total income	3 as.	
5. On the balance of total income	4 as.	

Provided that

(i) no income tax shall be payable on a total income which before deduction of the allowance, if any for earned* income, does not exceed Rs. 4200.

(ii) the income-tax payable shall in no case exceed half the amount by which the total income (before deduction of the said allowance, if any, for earned income) exceeds the said limit.

(iii) the income-tax payable on the total income as reduced by the allowance for earned income shall not exceed either—

(a) a sum bearing to half the amount by which the total income (before deduction of the allowance for earned income) exceeds the said limit the same proportion as such reduced total income bears to the unreduced total income, or

(b) the income-tax payable on the income so reduced at the rates herein specified, whichever is less

No surcharge shall be payable on a total income which before deduction of the allowance, if any, for earned income does not exceed Rs. 7200.

The surcharge payable shall in no case exceed half the amount by which the total income (before deduction of the said allowance, if any, for earned income) exceeds Rs. 7200.

RATES OF SUPER-TAX

	Rate per Rupee	Sur-charge rate per Rupee
1. On the first Rs. 25,000 of total income	Nil	
2. On the next Rs. 15,000 of total income	3 as.	One twentieth of the rate specified in the preceding column.
3. On the next Rs. 15,000 of total income	4 as.	
4. On the next Rs. 15.000 of total income	6 as.	
5. On the next Rs. 15,000 of total income	7 as.	
6. On the next Rs. 15,000 of total income	7½ as.	
7. On the next Rs. 50,000 of total income	8 as.	
8. On the balance of total income	8½ as.	

*** Earned Income relief 1/5 of the total earned income, subject to a maximum of Rs. 4000.**

Subjects of Moment

FOREIGN TRAFFIC ACCOUNTS WORK OF ZONAL RAILWAYS: REVISED ACCOUNTING PROCEDURE

The Ry. Board decided that with effect from 1-4-1954, apportionment of earnings in respect of inter-zonal traffic should be made for determining the earnings attributable to each zone and laid down the principles to be followed in the matter of such apportionment. Consequently, the following revised instructions in regard to Goods Traffic will be effective from that date.

(i) Apportionment of earnings in respect of Inter-zonal Traffic should be made for determining the Earnings attributable to each Railway.

(ii) For the purpose of apportionment, the Foreign invoices issued by the same *vias* between each pair of points will be grouped together according to each *via* and accounted for in the Abstracts by stations as usual. In addition, the stations will indicate on the Abstracts the complete route, i.e., by marking the different Inter-Railway Junctions and the mileages covered by such route over each zonal Railway. These should be checked up with the particulars shown by the auditing clerks on the invoices and corrected where necessary to accord with the audit clerks' figures. When the mileages are not furnished by stations, they should be marked on the Abstracts as shown by the auditing clerks on the invoices. Auditing clerks should note that mileages for apportionment purposes should be taken into account.

(iii) The share of Earnings for each Zonal Railway should be determined on mileage proportion on the total traffic interchanged between each pair of stations as indicated above and not on each individual items as is done in the case of Non-government Railways. The proportion thus arrived at, should then be furnished in the Abstracts and summaries as well.

(iv) While apportioning the Freight charges (including all undercharges raised) for each zonal Railway, items such as Out-Agency charges, Ferry charges, Booking Fees and Paid - on charges, which are to be credited in full to the Railways actually entitled there to, should be segregated; but the Terminal, Transhipment and short distance charges need not be segregated. The overcharges detected and posted in the Abstracts need not also be segregated but may be apportioned along with the freight. When overcharges are subsequently refunded, no Inter-Railway Adjustments need be made. This would not in any way affect the existing procedure in regard to traffic of worked lines and the apportionment of the shares to these worked lines.

(v) The apportionment marked in the Abstracts for each pair of points should be carried over to the lists of invoices when copying the invoices and shown therein against the last entry for that pair of points, and the figures should then be reconciled, as was being done with regard to the Division sheets.

(vi) In the case of shares due to Intermediate Railways, separate lists of cross traffic need not be sent to these Railways but only the share due to these Intermediate Railways as arrived at as per lists sent to the other Foreign Railways should be carried forward to the summary of the lists prepared for the traffic interchanged with the Railway. When no share is due to a particular Railway as per the lists sent to a Foreign Railway, a remark to that effect should be made in the summary as shown below:

"Cross traffic Earnings as per list sent to......Railway. } Nil."

(vii) To arrive at the total share attributable to each Railway a top sheet summary should then be prepared. The debit and credit for the three periods should be struck in the top sheets of the lists of invoices for the three periods and the net balances posted in the Account Current Register.

(viii) The shares attributable to the Home railway in respect of Foreign Outward Traffic, as shown in the "lists of invoices" sent by the Foreign Railways, should also be posted in the Account Current Register.

(ix) The Account Current Register should then be closed by arriving at the net amount debitable or creditable to the Foreign Railways and the Register made over to 'M' Section for posting the Traffic Book.

The Ry. Board also decided, as a measure of economy *and as an experimental measure,* that the check of rates and calculations on invoices relating to foreign traffic and involving freight *value below Rs. 30/-* may be reduced to 10%. This reduction in the extent of check is subject to the following conditions:

(i) Cent per cent check in respect of traffic involving non-government Railways, Pakistan Railways, worked Lines and outagencies etc. should *continue* to be exercised as before.

(ii) Credit notes, Refund Lists, Out Agency and Carting etc. bills should be checked *completely* even in respect of the items for which the connected invoices do not fall under the percentage check.

(iii) Military warrants and credit notes will continue to be checked cent per cent as here-to-fore.

(iv) It is only in the internal *check* of invoices, that the reduced extent is to be applied. Other items of work e.g. comparison of these vouchers with the relevant returns and the pairing of inward transactions are not affected.

* * *

INSTRUCTIONS FOR THE BOOKING AND ACCOUNTAL OF RAILWAY MATERIALS & STORES CARRIED BY GOODS TRAINS.

1. The following instructions have been issued for the booking and accountal of freight etc., in respect of Railway materials and Stores carried by GOODS trains, for traffic booked on and after 1st April 1954. In respect of traffic booked earlier, credit notes will be tendered as hitherto.

These instructions do not apply in the following cases:

(a) *Grainshop consignments:* These continue to be charged as usual at Public Tariff rates and public invoices only can be issued therefor.

(b) *Coal for railway purposes booked under the weight only invoice system:* Returns in respect of this traffic should be prepared and submitted as hitherto.

(c) *Railway materials sent under Free Service Way Bills:* This procedure will continue—vide rule 159 of I. R. C. A. Coaching Tariff.

(d) *Railway materials by Coaching Trains:* To be booked and accounted as public traffic, freight charges being paid by Credit Notes.

2. For Departments booking the materials. Railway materials and stores for construction, revenue or stock purposes tendered for despatch by rail should be accompanied by a Railway Material Consignment note (Form T. 1605). This will be machine-numbered and in three foils of which the first will be the "office" foil to be retained by the issuing office; the second will be the "Station" foil to serve as an authority under which the consignment is despatched and will be retained at the forwarding station and the third will be the "Accounts Office" foil meant for the Accounts Office of the forwarding Railway. It should give the number, actual weight and description etc. of *each* of the different kinds of materials to be booked. *The head of account chargeable should also be distinctly indicated.* All the foils should be written up by carbon process in one operation and signed by the officer authorised to issue them. The foils marked "Station" and "Accounts Office" will *both* be tendered by the Department concerned at the booking station along with the materials to be consigned.

A list of officials authorised to issue the Railway Material Consignment Notes should be supplied by each Railway Administration to its station staff and to its Accounts Offices (Local and Foreign).

3. For Stations:

(a) *Forwarding Stations:*

(i) On receipt of the Railway material consignment note, the Station staff should see that the consignment notes presented to them have been issued by the officials mentioned in the list of officials authorised to issue the same to guard against non-railway materials being booked as Railway materials.

(ii) After the above preliminary examination has been carried out, Invoices/P.W. Bills will be prepared on the basis of information contained in the R.M.C. Notes. These Invoices/P.W. Bills will be of a colour and form different from that used for public traffic and will be in 3 or 4 foils according as the traffic involved is local or foreign. *These forms should be machine-numbered* and should be used exclusively for stores etc., belonging to the Railway and booked by a Railway Consignor to a Railway consignee. The form at present used for the booking of coal traffic under "weight only" system may be adopted with necessary changes to suit requirements of this traffic. Full particulars of the materials booked giving the number, actual weight and description etc., of each of the different kinds of materials booked should be shown in the Invoice/P.W. Bill. *The allocation of charges shown in the R.M.C. notes should be invariably copied out in the Invoices/P.W. Bills to facilitate correct adjustment of charges in the Accounts Office.*

(iii) The total mileage (as well as the mileage traversed over *each* Railway in the case of foreign traffic) and the total rate chargeable should be shown on the Invoices/P.W. Bills but not the freight charges which will be worked out and inserted by the Accounts Office.

(iv) The abstracts and summaries of Railway materials forwarded will be prepared separately for goods and coaching traffic on the basis of the Invoices/P.W. Bills issued without showing the freight charges. Separate returns will be prepared for Local and Foreign Traffic and submitted to the Traffic Accounts Office concerned of the forwarding Railway supported by the "Accounts Office" foils of the relevant Railway Materials Consignment notes.

(v) *Index Register:* Separate serial manuscript numbers similar to those given for public invoices should be given for the invoices issued for Railway materials. For this purpose, separate Outward Index Registers should be maintained to facilitate giving these numbers. Outward Registers should also be maintained at stations where they are now being maintained for public traffic.

(vi) The outward abstracts and summaries should be forwarded at the end of each ten-day period unlike at the end of each month, as now required in regard to public traffic.

(b) *Destination Stations:*

(i) Separate Delivery Books will be maintained for Railway materials and stores traffic. Delivery will be effected free on obtaining acknowledgment of the party concerned in the Delivery book and on collection of the "Receipt" foil of the Invoice/P.W. Bill. No credit notes will be tendered by the Departments for payment of freight charges due in respect of this traffic,

(ii) Abstracts and summaries of Railway materials received will be prepared separately for coaching and goods traffic on the basis of Invoices / P. W. Bills received at the destination station without showing the freight charges. Separate returns will be prepared for Local and Foreign traffic and submitted to the Traffic Accounts Office concerned of the receiving Railway accompanied by the relevant Invoices/P.W. Bills, periodically or monthly as may be required. The freight charges in respect of this traffic will not appear in the Station Balance Sheet.

(iii) Wharfage / Demurrage charges will, however, be recovered as per rules prescribed in the case of public traffic. The charges accrued will be paid by the Departments concerned by credit notes. These amounts will be accounted for by the stations through the wharfage/ demurrage returns and balance sheets, but shown separately from that accrued on public traffic.

(iv) Separate Inwards Index Registers should be maintained for watching the receipt and accountal of the invoices.

(To be continued)

ALLOCATION OF FREIGHT ON RAILWAY MATERIALS.

The following new Sub-head and Sub-detailed heads have been opened under Revenue Abstract 'G' to record the *credit* on account of *freight* on Railway materials including coal, debited to the different departments of the Railways from 1st April 1954.

Sub-head.		*Sub-detailed heads.*
3400 Freight recovered from the spending Departments.	3401	Freight on coal
	3402	Freight on Rly. Stores.

For purposes of budgeting, the figures of freight charges (both on Revenue account as well as those chargeable to *Works*) estimated by the spending departments should be shown separately under the various demands against detailed heads, so that the necessary provision of credit to Operating expenses may be made under Demand No. 7 for freight on coal and the balance under Demand No- 8. Freight charges incurred on and from 1—4—1954 only will be reflected in the Accounts for the year.

[*Read* also Foot Note on page 22 (Vol. I-No. 1)]

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SCHEDULE OF POWERS.

Some new provisions have been made in the delegation of powers to the General Managers of Indian Railways as indicated below.

The previous sanction of higher authority is necessary—

(i) to the investigation of arrear claims of Officers otherwise than admissible under the rules,

(ii) to the investigation of an arrear claim which is more than three years old and for an amount exceeding Rs. 1,000 thereof.

(iii) to the grant of an award under Railway Service (Extra ordinary Pension) Rules laid down in APP. XLIII of the Indian Railway Establishment Code.

(iv) to permit a Railway Servant below the rank of the head of a department to travel on duty by air.

(v) to the grant of leave otherwise than admissible under the rules.

In regard to expenditure on works not wholly chargeable to ordinary working expenses, the orginal items 29 to 31 in the schedule have been completely over-hauled. The revised rules apply to the main lines and also to branch lines worked by them. The revised powers are reproduced below :

Previous sanction of the higher autho-rity is necessary—

(A) To expenditure on new lines or rolling-stock or surveys not provided in the sanctioned budget for the year or carried forward from the sanctioned budget of the previous year.

(B) To expenditure on other works not provided in the sanctioned budget for the year or carried forward from the sanc-tioned budget of any previous year, except (i) on works costing not more than Rs. 1 lakh each provided that the total lump sum provided in budget for such works is not exceeded ; and (ii) on works costing above Rs. 1 lakh, but not more than Rs. 3 lakhs each provided that the total commitments as well as the provision made in the budget for works costing over Rs. 1 lakh each, are not exceeded.

Note: (1) The works thrown forward from previous years may be taken up only if the funds required for them can be found by reappropriation within the sanctioned allotment.

(2) When a work originally included under the category of works costing not more than a lakh each is subsequently to cost more than a lakh each, the G.M. can sanction the expenditure on that work provided its cost is not estimated to exceed Rs. 3 lakhs and the funds required for it can be found by reappropriation within the sanctioned allotment to works costing above Rs. 1 lakh. The saving caused thereby in the lump sum provision made in the sanctioned budget for the former category of works should not be utilized without the prior approval of the Railway Board.

(3) When a work is sanctioned by a higher authority under rule A or B, an excess over the sanctioned estimate may be sanctioned by the General Manager subject to the limits prescribed in Rule C below. For the purpose of this note reference to "provision in the budget" in rule C should be construed as reference to the amount of the sanctioned estimate.

(C) To expenditure on works provided in the sanctioned budget for the year, or carried forward from the sanctioned budget of any previous year, as follows:

(i) *Track renewals*—

(1) to an excess of more than 10% over the estimate in any case if the sanctioned provision in the budget does not exceed Rs. 10 lakhs;

(2) to an excess of more than 1 lakh or 5 percent whichever is more, over the estimate in any case if the provision in the budget exceeds Rs. 10 lakhs.

(ii) *Rolling Stock*—to an excess over the estimated cost as entered in the budget or sanctioned separately as follows—

(a) of more than 20 percent over the original estimated cost ;

(b) of more than 10 percent over the first revised estimated cost ;

(c) of more that 5 percent over the second and further revised estimated cost.

(iii) (a) *Other works costing not more than Rs. 1 lakh each*—to an excess over the total lump sum provided for such works in the budget.

(b) *other works costing above Rs. 1 lakh but not more than 3 lakhs each*—to an excess over the estimated cost as entered in the budget if the cost together with the excess exceeds Rs. 3 lakhs.

(iv) *Other works costing over Rs. 3 lakhs but not more than 10 lakhs*—to an excess over the estimated cost as entered in the budget or sanctioned separately as follows—

(a) of more than 20 percent over the original estimated cost ;

(b) of more than 10 percent over the first revised estimated cost ;

(c) of more than 5 percent over the second and further revised estimated cost.

(v) *Other works costing over Rs. 10 lakhs*—

(1) To a work without an estimate sanctioned by higher authority ;

(2) to an excess over an estimate sanctioned by higher authority as follows—

(a) of more than 10 percent over an original estimate ;

(b) of more than 5 percent over a first revised estimate;

(c) of more than Rs. 30,000 over a further revised or completion estimate.

(vi) *Surveys*—to an excess over 10 per cent on an original estimate sanctioned by higher authority.

Note 1. The works thrown forward from previous years may be taken up only if the funds required for them can be found by reappropriation within the sanctioned allotment.

Note 2. The amount first given in the budget or sanctioned separately by higher authority shall be the original estimated cost and the revised amount given in the subsequent budgets or sanctioned separa-tely by higher authority, the second third & revised estimated cost.

(D) The expenditure on buildings not essential to railway working such as existing Railway schools, institutes, hospitals, dispensaries etc., which is in excess of the amount provided in the sanctioned budget for each financial year.

Note. No New Railway School should be opened without the prior sanction of the Railway Board and also expenditure on the existing Railway Schools exceed-ing Rs. [illegible],000 in each case should be referred to them for sanction.

News & Notes

CONFERENCE OF INDIAN CHARTERED ACCOUNTANTS

We offer our hearty felicitations to the Institute of Chartered Accountants on the opening of their new building in New Delhi last month, and on the holding of the first All-India Conference of Chartered Accountants. Addressing a meeting of the Chartered Accountants, Mr. C. D. Deshmukh, Finance Minister, stressed the need for a high standard of rectitude in the Auditor's profession. We need hardly say that this equally applies to Railway Accountants and Auditors.

Mr. Deshmukh also referred to the system of examination followed by the Institute of Chartered Accountants under which the roll numbers of the examinees were never disclosed to the examiners, but only code numbers; which meant that the votaries of the profession were taking care to see that the priestine purity of the profession was not sullied. The Finance Minister recommended the adoption of this system to other examining bodies. In this connection, it may be pointed out that this system is already being followed in regard to the S.A.S (Railways) Examination.

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Mr. G. V. Kamath, Financial Manager, Hindusthan Aircraft Limited, Bangalore, read an interesting paper on "Accounting Procedure in a Nationalised Industry" at a symposium held by the Institute of Management at Bangalore in the last week of April, 1954.

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SECOND FIVE-YEAR PLAN AND THE RAILWAYS

The Second Five-Year Plan for the country, effective from April 1956, is now in the making, and may be expected to be finalised by the Planning Commission, early next year, after taking into account the progress achieved in the first Five-Year Plan and the changes that are considered necessary in the light of the experience gained. The trends of the Second Five-year Plan may, however, be expected to be disclosed earlier, to keep the public acquainted with the policies formulated for execution of schemes in the second Plan period. This would also enable informed and intelligent criticisms of such proposals being brought to the notice of the Planning Commission and the Government so that the policies may be altered, where necessary, so as to ensure that public opinion is fully reflected in the Plan.

So far as the Railways are concerned, the Union Minister for Railways, Shri Lal Bahadur Shastri, indicated in April last on the occasion of the opening of the 32-mile long Bhagalpur—Mandarhill Railway which was dismantled during the Second World War, that the Government have decided to lay 1500 to 2000 miles of new Railway lines during the Second Plan Period. The cost may amount to Rs. 60 crores.

It may be recalled in this connection that a far smaller amount had been provided in the First Five Year Plan, the provision being only Rs. 34 crores which included Rs. 6 crores for restoration of dismantled lines and Rs. 28 crores to cover not only new lines but also conversion of lines from N.G. to M.G., or B G., Major Bridge Construction projects Electrification of Track, etc.

* * * *

CALENDAR REFORM

The Indian Government sponsored a World Calendar at the United Nations Economic and Social Council. The main object of this Calendar was to provide as far as possible uniformity of days and dates from year to year as against the varying days and dates in the existing Gregorian Calendar. Latterly, the British Section of the World Calendar Association has announced its support to this Move for the World Calendar Reform.

The Secretary-General of the Religious Liberty Association has, however, very strongly opposed this move. He feels that the Gregorian Calendar, which was introduced by Pope Gregory in 1542, is accurate and would continue to be so for centuries to come. Since a Solar year requires 52 weeks, one day and just under six hours, the proposal to have a blank day at the end of December every year and an additional Blank day in every four years are the main features. America is also not in favour of this proposed reform. There are also very widespred religious repercussions on account of this proposed reform.

The whole question is coming up for discussion at the forthcoming session of the UNESCO.

It is well known that there are many Eras prevalent even in India, like Salivahana, Vikramaditya etc., and as there are so many different factors involved in the astronomical calculations of the time taken by each Planet for its revolutions, it is evident that no two calendars can ever agree in entirety.

The Calendar is a means of coordinating dates for many millions of people, if it should command the respect of a great consensus of users, even though it may not be astronomically correct or abstractly convenient.

In any reform, it is necessary to give detailed consideration to the purpose which such a reform is intended to serve. Further, every aspect which such a reform is likely to affect should also be fully considered. What implications such a reform would have upon the finances of any State would also have to be reviewed: for instance, the grace day periods under the Negotiable Instruments Act. It is obvious that almost every reform of this kind would be arbitrary and would be only an alternative; each school of thought having its own ideas in support. Thus the reform, to be fully effective and to be widely recognised, requires very great attention. We are interested in knowing the extent to which such a reform would affect our Budgetary Programmes, our statistical results, our finances, etc. It is from this angle of view that we shall await, with interest, the world opinion upon this moot subject.

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S.A.S. (RAILWAYS) EXAMINATION

Certain changes have been made in the syllabus of the S. A. S. (Railways) Examination, effective from the examination to be held in November, 1956. The main changes are indicated below :-

(1) "Provident Fund Accounts" which is at present included in "General Expenditure Accounts" will be taken away from "General Expenditure Accounts" and included under "Establishment".

(2) There will be no separate subject as "Construction Accounts"; this will be included from 1956 under "General Expenditure Accounts".

Thus, the papers on the optional subject "Expenditure" will cover General Expenditure Accounts *including* Construction Accounts but *excluding* provident Fund, Stores and Workshop Accounts.

(3) The following combinations of optional subjects will be available from the Examination for 1956.

(a) "Expenditure" and "Stores".

(b) "Expenditure" and "Workshop Accounts.

(c) "Expenditure" and "Establishment including Provident Fund Accounts".

As from November, 1953, examinations, the percentage of marks to secure a pass has been revised from 60% to 55% in regard to the aggregate minimum for the two papers of each optional subject. The minimum percentage for securing exemption in any subject has also been revised from 75% to 66%. The revised rules are as under :—

The percentage of marks required to secure a pass is as follows :—

Each compulsory subject 50 per cent. Each paper in optional subjects 50 per cent, with an aggregate of 55 per cent in the two papers of each optional subject.

A candidate who fails in the examination but shows marked excellence in any subject by obtaining not less than 66 percent of the maximum marks of that subject, will be exempted from further examination in that subject in subsequent examinations.

* * * *

The Railway Board have decided that Typists, Stenographers, Comptometer Operators and Accounting Machine Operators of the Accounts Department of Railways may be permitted to take Appendix II-A and S. A. S. (Railways) Examinations under certain conditions. This decision is bound to provide an incentive for study and thus improve the efficiency of the staff.

* * * *

REPRINT OF CODES BY THE RAILWAY BOARD

The Railway Board have been rigorously active at the task of reprinting the Indian Railway Codes, copies of which are out of stock. Naturally, one would expect that such a reprint would incorporate correction slips already issued and those under issue. If this latter is not done and a mere "reprint" is made, the Code would not serve its purpose adequately.

We find that the Indian Railway General Code, Volume I, which was released in 1953, has not incorporated any changes subsequent to May 1952, though many of them are radical. This point is brought to the notice of the Authorities concerned so that such action as may be feasible may be taken in the interests of the users of the Codes. There is also the financial aspect involved in that frequent reprints become necessary on account of such deficiences.

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SCHEDULE OF POWERS OF GENERAL MANAGERS

Very recently, the Railway Board completely revised the powers delegated to the General Managers of Indian Railways and, as a consequence, Appendix X of the General Code, Volume II, was thoroughly overhauled. A few of the important modifications are indicated in another place in this Volume.

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STUDY CIRCLE

At a party got up on 29th March 1954, to meet the candidates who were successful in the recent S. A. S. (Railways) (Appendix III-A) Examination—Madras Centre—Sri B. G. Balakrishnan, Vice-President of the Railway Accounts and Finance Study Circle, pointed out that a great responsibility lay on the qualified men, to ensure that the interests of the tax-payer were fully safeguarded. Mr. Balakrishnan added that the technique of Railway Accountancy and Finance, as in other fields, was not static, and had to be constantly improved upon, to suit the changing conditions, and this indicated the imperative need for research in methods of presentation of accounts, interpretation of statistical data, yard-sticks for financial control, new phases of internal check, etc.

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SOUTHRAIL NEWS

We acknowledge the receipt, with thanks, of a copy of the "SOUTH RAILNEWS" which was inaugurated by the Southern Railway in April 1954. The Journal contains articles from the Heads of Departments of the Railway and messages from the Officers of the Railway Department from the Minister downwards. The magazine is profusely illustrated. We congratulate the Editor in having been able to secure a large number of advertisements even at the outset.

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ENLISTMENT OF SUBSCRIBERS

Every reader of the Journal is requested to enlist as many subscribers as possible at a very early date; & communicate their full names and addresses to the Managing Editor, and also have the subscriptions — quarterly or annual— remitted without delay.

Personnel

We are glad to understand that two of the App. III passed candidates of the Southern Railway, Madras, are posted to the Railway Board's Office at Delhi in responsible positions. Such transfers occasionally, of selected men are bound to be of very great help not only to the Railway Administration, but also to the individuals themselves in their future career. We tender our congratulations to them.

We are glad to learn that Mr. Jal J. Batliwala, R.A.O., Southern Railway and Sri M. V. Seshadri, Dy. F.A., Southern Railway, have been confirmed as Deputy Chief Accounts Officers with effect respectively from 14th April 1952 and 21-7-1953.

Our hearty congratulations to them.

* * * *

Mr. A. P. Sarkar, previously Deputy Financial Adviser and Chief Accounts Officer, Eastern Railway, India, has been appointed Financial Adviser and Chief Accounts Officer of the Ganga Bridge Project.

* * * *

[The Editor will be glad to receive advices of similar nature from all Railways.]

Readers' Forum

Readers are invited to communicate doubts, difficulties, intricate points, etc., bearing on Railway accounting, audit and finance, for publication in this Section. Views on points raised, may also be communicated for publication in this part. —EDITOR.

CONFERENCE REGULATIONS

"Conference Rules Part II" now in force was issued in 1945 by the I.R.C.A. and is being kept current by issue of correction slips from time to time.

In view of the regrouping of Indian Railways, it is a point whether the continuance of the I. R. C. A. as an independent unit is at all necessary. The Association can enforce only some of its resolutions while others require the Railway Board's prior approval.

In view of the fact that practically all the Indian Railways are now State—owned and State—managed, it seems essential that the entire set-up should be reviewed, with a view to the work of the Association being taken over and centralised by the Railway Board. In fact, the importance of these Conference Rules has very much diminished on account of the absence of divergent interests except possibly for some feeder Railways of a few hundred miles.

Criticisms and suggestions are invited on this moot subject. G. K. V.

* * * *

SUBMISSION OF DAILY RETURN OF CUT-PIECE TICKETS TO THE ACCOUNTS OFFICE

Para 341 of the Commercial Code prescribes the preparation of a return in duplicate—one of the copies being kept at the station for record. It is learnt that many Railways do not follow this procedure and that only one copy is prepared and sent to the Accounts Office, while for purposes of verification at the station, the entries in the Trains Cash Book are utilised. The latter seems to be sufficient for all purposes. Will readers kindly verify the procedure on their Railways and furnish their views in order to enable a consolidated note to be sent to the Railway Board, with a view to the revision of this para, since the Commercial Code is now said to be under revision? *Venkateswarlu.*

* * * *

CLASSIFICATION OF REVENUE EXPENDITURE

The salaries of Loco running staff, Shed and Yard cleaning Staff and Train Examining Staff (allocated to Rev. B.

3101 and 3103 and C. 3101) are classified under Grant No. 6—Operating Staff. In regard to the cost of clothing supplied to such staff, however, the expenditure relating to Loco Running Staff and Shed and Yard cleaning staff (allocated to Rev. B. 3104) is classified under Grant No. 8—Operation other than staff and fuel, while the cost of clothing supplied to Train Examining staff (Examiners, Cleaners, Oilers etc.,) is classified under Grant No. 6, along with the salaries of such staff. This is presumably due to the fact tnat, while a separate head of account (B. 3104—Contingent charges including clothing) exists for booking the cost of clothing supplied to Loco Running Staff etc., there is no such separate head of account for Train Examining staff and the head C. 3101 covers both the salaries of such staff as well as the cost of clothing supplied to them. It would seem to be more appropriate and consistent if a separate detailed head of account was introduced for collecting the expenditure on clothing of Train Examining staff in the same way as for Loco Running staff, and classified under Grant No. 8 instead of under Grant No. 6 as at present. Though the amount involved may not be appreciable, it is but fitting that there must be uniformity in regard to classification of the same kind of expenditure.

FORWARD.

SPECIAL CREDITS IN STATION BALANCE SHEET

With reference to L. V. G's note on the above subject in the Readers' Forum of April 1954, it appears to me that it does not matter very much whether the refunds are shown on the credit side of the Balance Sheet or as a deduct entry on the debit side, so long as in the general accounts compiled by the accounts office, such items are dealt with correctly as deductions under the debit side. The Station Balance Sheet is only a basic document to be prepared by the Stations and in the interests of simplicity, there should be no objection to showing refunds on the credit side, so far as the Station is concerned.

B.

STATION BALANCE SHEET

The term "Station Balance Sheet" would appear to be a misnomer because it does not perform the function of a Balance Sheet which is to show the assets and liabilities on a given date. The Station Balance Sheet really is only an Account Current submitted by the Station to the Accounts Office showing the total amount that the Station is to account for and the amount actually remitted by the Station either by way of Cash or Vouchers, etc. The balance represents mainly the amount that is still due from the Station to the Railway. While the term "Station Balance Sheet" has been in use and understood in a particular manner, almost ever since the commencement of the railways, there does not appear to be any reason why the nomenclature should not be changed more appropriately as "Station Account Current" or simply, "Monthly Station Account". Changes in designations and nomenclatures are made in a variety of fields particularly after Independence, and we should not fight shy of making a change if it is really warranted and justified.

—ACCOUNTING.

A CORRECTION

On page 24, April '54 Issue in the second column, in sub para 2 (ii), delete the dagger mark at the end and insert the following :

"iii. Gain in working of collieries".

Student's Corner

S. A. S. (RAILWAY)—EXAMINATIONS

November 1953

ADVANCED BOOK-KEEPING

QUESTIONS

(Question I is compulsory. Answer any Two questions from Group A and any two from Group B. In all 5 questions should be answered).

I. Prepare a Trading, Profit and Loss Account for the year, and a Balance Sheet as at 31st December 1948 from the following Trial Balance of a manufacturing concern :— 30

Trial Balance

	£.	£.
Capital		8,820
Drawings	250	
Lease hold premises	1,000	
Machinery	2,600	
Repairs to machinery	400	
Investments (consols)	1,000	
Dividends on investments	...	28
Sundry Debtors	3,500	
Sundry Creditors	...	960
Bills payable	...	167
Bills receivable	976	
Wages (productive)	1,783	
Salaries	465	
Trade Expenses	105	
Rent	75	
Discounts (balance)	...	130
Carriage and cartage	113	
Fire Insurance	10	
Stock (on 1-1-1948)	2,100	
Purchases	4,653	
Returns outward	...	15
Sales	...	9,730
Returns inward	34	
Bad Debts made	57	
Bad and doubtful debts Reserve on 1-1-1948		150
Cash in hand	50	
Cash in Bank	829	
	20,000	20,000

Before the preparation of the final accounts, the following adjustments are to be made :—

(i) write off depreciation on machinery at 10% per annum and £. 100 off the leasehold premises.

(ii) Half of the repairs on machinery, £. 400 to be carried forward to the next year.

(iii) Carry forward £. 5 for insurance paid in advance.

(iv) Allow for wages due and unpaid £. 30 and one quarter's rent £. 25, due at Christmas which has not been paid.

(v) Make a reserve of 5% on the Sundry debtors for bad and doubtful debts ; also reserve 4% on Sundry debtors for discounts and 2½% on Sundry creditors for discounts

(vi) Credit capital account one year's interest at 5%.

(vii) Stock in hand, December 1948, valued at £. 1,160.

GROUP A

II. A, B and C are partners sharing profits and losses in proportion to capital and agree to sell their business as a going concern to a company. Their position as on 1st January 19—was :—

Sundry creditors	£. 500	Buildings	£. 2000
Capital A	3,000	Furniture	750
Capital B	1,800	Horses & carts	500
Capital C	1,200	Debtors	2550
		Cash at Bank	700
	6,500		6500

The Assets are taken over as follows :—Buildings £. 1,500, furniture £. 600, Horses and carts £. 350, and debtors £. 2,000. The new Co. paid cheque £. 4,000 and undertook to pay off the existing creditors of A B and C, the creditors having agreed to allow a discount of 10% off their claims.

Prepare accounts showing the winding up.

ANSWERS

I. Trading and Profit and Loss Account for the year ended 31st December, 1948.

Dr.	£	£		£	Cr. £
To Opening Stock		2,100	By Sales	9,730	
To purchases	4,653		*Less* returns	34	
Less returns	15				9,696
		4,638	By closing stock		1,160
To wages (Productive)	1,783				
Add due	30				
		1,813			
To carriage and cartage		113			
To Gross Profit C/D		2,192			
		10,856			10,856

Dr.		£		Cr. £
To Depreciation :			By Gross Profit B/d	2,192
Leasehold premises	100		By Dividends on Investments	28
Plant & Machinery	260		By Discounts (Balance)	130
		360	By Reserve for discounts on Creditors	24
To Repairs to machinery	400			
Less carried forward	200			
		200		
To interest on capital		441		
To Salaries		465		
To Trade Expenses		105		
To Rent	75			
Add due	25			
		100		
To Fire Insurance	10			
Less prepaid	5			
		5		
To Bad Debts 57				
Reserve for bad debts 175	232			
Less reserve on 1-1-1948	150			
		82		
To Reserve for discounts on Debtors		133		
To net Profit		483		
		2,374		2,374

Balance sheet as on 31—12—1948.

Liabilities		£	*Assets*		£
Bills Payable		167	Cash in hand		50
Sundry Creditors	960		Cash in Bank		829
Less Reserve for discounts	24		Sundry Debtors	3,500	
		936	*Less* reserve for bad debts	175	
Outstanding liabilities :				3,325	
For wages	30		*Less* reserve for discounts	133	
For Rent	25				3,192
		55	Leasehold premises	1,000	
Capital	8,820		*Less* depreciation	100	
Less drawings	250				900
	8,570		Machinery	2,600	
Add interest	441		*Less* depreciation	260	
Add net profit	483				2,340
		9,494	Investments		1,000
			Bills Receivable		976
			Stock		1,160
			Insurance prepaid		5
			Repairs to machinery carried forward		200
		10,652			10,652

II. GROUP A.

Realisation A/c.

Dr.					Cr.
To assets			By Sundry creditors		500
Buildings	2000		By New Co.'s A/c		4,000
Furniture	750		Loss on Realisation		
Horses & carts	500		carried over to		
Debtors	2,550		Capital a/c A	650	
		5,800	B	390	
			C	260	
					1,300
		5,800			5,800

New Co.'s A/c.

To Realisation A/c	4,000	By Cash	4,000
	4,000		4,000

Capital A/cs.

A

Dr.			Cr.
	£		£
To Realisation a/c	650	By Opening Balance	3,000
To Cash	2,350		
	3,000		3,000

B

To Realisation a/c	390	By Opening Balance	1,800
To Cash	1,410		
	1,800		1,800

C

To Realisation a/c	260	By Opening Balance	1,200
To Cash	940		
	1,200		1,200

Cash A/c.

To Opening Balance	700	By Capital a/cs.	A	2,350
To New Co.'s a/c.	4,000	"	B	1,410
		"	C	940
	4,700			4,700

(Continued from 2nd Wrapper)

Compulsory subjects :	1951 & 1952.	Qns. & Ans,—No. 280-Q.	... Rs. 4/-
	1949	Qns. & Ans.—No. 91-Q.	... Rs. 2/-
Receipts Accounts :	1947 to 1952.	Qns. & Ans.—No. 281.	... Rs, 14/-
do.	do.	Answers only— No. 261.	... Rs. 12/-
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Construction :	1947 & 1948.	Qns. & Ans.—No. 92.	... Rs. 2/-

Separate Books containing questions and answers on Receipts Accounts, Books and Budget, and General Expenditure for the years, 1950, 1951 and 1952 are also available to a small extent, at Rs. 3/, 1/, and Re. 1/ respectively for each year.

Answers for 1953 papers are not yet compiled. A few of them may, however, be got ready in a month or two.

NOTE : 1. In all cases *packing and postage* are charged *extra*..

2. If books costing Rs. 30/- or more are ordered for along with complete remittance, a rebate of 15% and free transit will be allowed.

3. The Hand Book of Railway Accounts (No. 73-R) with two supplements, and No. 98.- Principles of Accounting and Auditing, are valuable general books for study by every candidate.

There are besides Books Nos. 69-R, 71 and 72 for general study by traffic candidates.

Books Nos. 96 and 97 are general books for all candidates. Fuller details may be obtained by those interested, from the Author.

Books useful for App. II Examinations

The question papers of App. II Examinations held on various Railways upto 1953 from time to time have been collected and published in separate batches. The papers on Precis and Drafting have also been answered. In regard to General Rules and Procedure, useful guides have been prepared to help the candidates to prepare answers for the questions. Such a guide for the questions included in No. 203-B is under preparation. When completed, the material offered in this group of papers will be almost exhaustive.

With regard to the optional subjects, only questions have been published so far. No separate guide has been released. It is, however, expected that the General Text Books like 73-R, 98, 69-R, 72 etc., might be helpful in this connection

Full list of the publications available has been published in the April issue of the Journal on the outer wrapper. Further details, if any, can be obtained from the Author.

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A *monthly* Journal devoted to Railway Accounts, Audit and Finance and dealing with matters pertaining to not only Accounts and Audit of Indian Railways, but also general topics of Railway Finance concerning the Operating and Maintenance Departments of Railways.

In addition to the matter indicated above, subjects of general importance to a Financier like Costing, Factory Organisation, Labour Control etc., may also be occasionally dealt with.

In addition to the *Editorials* on important topics of the day, authoritative *articles* contributed by well-known and experienced officers are also included from time to time.

Procedural orders, changes in allocation, etc. are summarised under the head *Subjects of Moment*.

Other items which also deserve noting by the subscribers are brought together under the heading *"News and Notes"* with short comments wherever possible and necessary for better understanding. A portion of the journal is set apart for *"Readers' Forum"* where matters of controversy or those requiring clarification are included and replies received are discussed.

A few pages are also set apart for educative purposes under the heading *"Students' Corner"* where answers to questions set in the Railway Departmental Examinations are furnished.

All other matters of an important nature will be included at the discretion of the Editorial Board as and when found necessary.

The Journal thus affords ample scope for exchange of thought and views among Railway Accountants; especially as an ideal forum for discussion and elucidation of ticklish points.

The Managing Editor is assisted by experienced Accounts Officers of Indian Railways, in the selection of material and its presentation. It is, however, to be clearly noted that nothing in the Journal is to be treated as having any official authority.

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