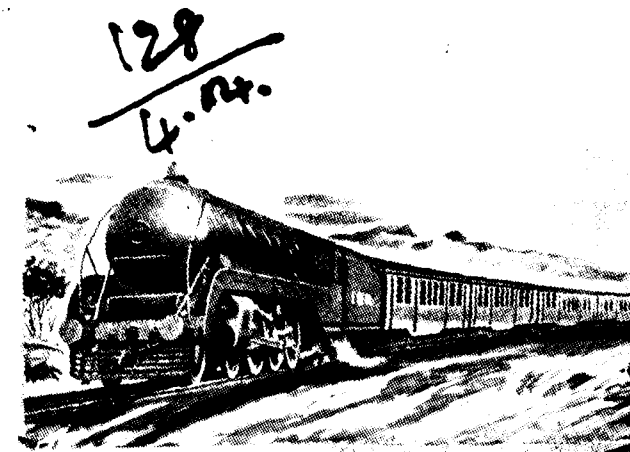


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THE  
**RAILWAY ACCOUNTANT**

*A Monthly Journal*

*devoted to*

*Railway Accounts, Audit & Finance.*

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**Vol. I**

**SEPTEMBER 1954**

**No. 6**

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## EDITORIAL NOTICE

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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## "Agents Wanted"

In order to develop the circulation of the RAILWAY ACCOUNTANT and thus to spread its benefits to a vaster area of needy students, enquiries are solicited from such members of the staff as are prepared to undertake the work of canvassing subscribers to the Journal and also for distribution of copies thereof. Such staff as undertake the service will be compensated by way of Books etc., useful to them.

## Note to Subscribers

The half-yearly subscriptions of many of the subscribers will end with this Issue. They are requested to send further subscription at a very early date to keep the lists up-to-date.

*Mg. Editor.*

# THE RAILWAY ACCOUNTANT

(A Monthly Journal devoted to Railway Accounts, Audit and Finance)

14, Balakrishna Road, Madras - 4.

3866

Vol. I

SEPTEMBER 1954

No. 6

## Allocation of Expenditure

In our last issue, while writing on the Railway Finance Convention, we referred to the new rules of allocation of expenditure on works, introduced from 1st April 1950, and expressed the view that it was not necessary to make such serious changes in the basic rules of allocation as were made to carry out the intentions of the Revised Railway Finance Convention which operated from 1st April 1950. In other words, the old rules of allocation could substantially have remained, even with the New Convention.

Not only were the new rules of allocation opposed to the basic accounting principles in regard to distinction between Capital and Revenue expenditure etc., but the rules themselves were (and are) so confusing, complicated and inconsistent, that it has been found difficult to understand the real intention of the rules and to apply them in practice. The Accountants and Accounts Officers who are entrusted with the duty of check of allocation of estimates for works have, we have no doubt, felt this uncomfortable position and had to make the best decision possible, in each case, being not sure at the same time whether what they decided could be said to be wholly in accordance with the rules. Take the case of a replacement work. It is none too clear in what circumstances its cost should be charged to Open Line Works—Revenue, when to Depreciation Fund and when to Revenue. Whether "condition" basis should be taken into account or the existence of an item in the schedule of categories of works chargeable to Open Line Works Revenue etc., should determine the allocation and so on, are the points that arise in this connection. It can be held that a certain replacement work should be charged to D. R. F. for the reason that this is a normal case of replacement on "condition basis" after expiration of full life limit of the existing asset, while it is also equally arguable that such a work (say replacement of some signalling equipment) should be charged to Open Line Works—Revenue as an item in the schedule of works "(including replacement works) falling under Operating Improvements. It is unnecessary to elaborate on this point, but suffice it to say that the rules have been crying for amendment, even from their very birth.

Railway Accountants of the older generation had it fixed in their minds the dominant principle of expenditure accounting viz., that 'capital must not be charged twice over' and each case which presented difficulty was judged ultimately with reference to this basic principle. It cannot be denied that this principle holds good even to this day with the same validity as of old. But actually there seems to have been what appears to us to be a confusion of ideas of basic accounting principles, which has led to the promulgation of the new rules of allocation in 1950, under which expenditure, both of Capital and Revenue nature, is required to be allocated to the same head. The source from which funds are found for defraying particular classes of expenditure, has been identified in the new rules with heads of

allocation of expenditure, without reference to the intrinsic character of the expenditure, viz., whether it produces a new asset (i. e., of a 'capital' nature) or is only for replacement or shifting of works etc., (i. e., of a 'revenue' nature). Thus, if a new engine shed is constructed, there is no doubt that an asset has been brought into existence by the expenditure incurred, and the fact that its cost is met out of the Revenue Funds of the Railway (Open Line Works—Revenue does not detract from its value as a tangible asset. Whether the cost is met out of Capital or Revenue Funds, if an asset is acquired, the cost of the asset should be merged with the cost of similar assets. Thus, the cost of the sidings whether constructed out of capital funds or otherwise—Open Line Works Revenue, Development Fund etc., should be shown under one head under Capital—the term 'capital' being used in the sense that the expenditure is of a capital nature and not in the sense that expenditure was met out of borrowed funds (Capital). Take the case of an undertaking which has, for example, the following assets:

|                       |     |       | Sources for this may be : |     |       |
|-----------------------|-----|-------|---------------------------|-----|-------|
|                       | Rs. |       |                           | Rs. |       |
| Land                  | 80  | lakhs | Share Capital             | 400 | lakhs |
| Buildings             | 250 | "     | Debentures                | 50  | "     |
| Plant, Machinery etc. | 180 | "     | Specific funds            | 100 | "     |
| Other assets          | 90  | "     | Revenue funds             | 50  | "     |
| Total                 |     |       | 600                       |     |       |

There seems to be no point in dividing *each asset* and indicating what part of it was met out of borrowed capital, how much out of Revenue Funds etc. The allocation heads of the assets may be under Capital, and not distributed under Capital, Open Line Works Revenue, Development Fund etc., though for purposes of final presentation of accounts, the distribution as to the source from which the funds are to be secured can always be determined and shown on the liabilities side of the Balance Sheet. To some extent, the preparation of the Block Account on Railways meets the need, but the fact remains that the allocation heads of expenditure are different for the same type of asset (e.g., one siding may be charged to capital, another to Development Fund and a third to Open Line Works—Revenue).

Apart from the above, by charging to Development Fund and to Open Line Works—Revenue, works which were previously charged to ordinary Revenue in certain cases (New Minor Works, Replacements, Shifting etc.), the operating ratio of each Railway is, to that extent, distorted, presenting a more favourable figure than would be the case under the old orthodox rules of allocation.

Taking all factors into consideration, we would suggest to the Railway Finance Convention Committee the desirability of revising the rules of allocation on the following lines:

1. New Minor Works upto Rs. 2,000 in each case, should be allocated to the respective Revenue Abstracts (as was the procedure several years ago).
2. The head of "OLWR" should be abolished altogether, having no utility whatsoever.
3. The cost of assets and improvements of over Rs. 2,000 (N.M.W. limit) should be charged to the respective heads of capital account.
4. The cost of improvement in replacement works should be charged to capital (if more than the N.M.W. limit) and not to D.R.F. (The increased cost due to inflation in price can however, be met by DRF.).
5. The sources from which funds are secured (Capital, Revenue Development Fund) for meeting the expenditure of a capital nature should be dealt with

separately and indicated on the liabilities side of the Balance Sheet, *pro forma* records being maintained for any detailed information necessary for further analysing the expenditure of a capital nature, for being earmarked as "to be met from Development Fund" etc.

## Capital and Revenue Accounts

Railway Accountants are aware that the compilation of the Debt Head Report, Finance Accounts and Capital and Revenue accounts of the Railways had been suspended subsequent to 1946-47 for the reason that the pre-Partition Accounts (for period ending 14-8-47) had not been completed. The pre-Partition Accounts have still not been finally closed for reasons beyond the control of the Railway Board. It is understood that the Railway Board have now decided, at the instance of the Auditor-General, that the Debt Head Report, Finance Accounts and Capital and Revenue Accounts of all the Railways should be compiled for all these years at least on a provisional basis pending finalisation of the pre-Partition Accounts. While the importance of the Debt Head Report and the Finance Accounts, from the public point of view, may not be of much interest, the Capital and Revenue accounts (compiled on commercial accounting principles) contain much useful information and these could have been compiled year after year, although the pre-Partition accounts had not been finalised. We welcome, therefore, the decision now taken to compile these accounts. There are some superfluous accounts and particulars in the present form of the Capital and Revenue accounts, and the opportunity may now be taken to remove the outmoded features from the Capital and Revenue accounts. Our suggestions in this connection are as follows:—

*Form No. A. 1203*—Statement No. I—Capital (Authorised):—Alternative form for Government-managed Railways. This statement requires the number and date of sanction, sanctioning authority, nature of estimate and amount. It does not appear that this statement is at all necessary as this would be more appropriate only in the case of constructions not yet completed.

*Form No. A. 1208*—Statement No. VI—Estimate of further expenditure on Capital Account:—This has lost its utility for the same reasons as mentioned above and may be discontinued. It will not be possible to furnish the Capital expenditure proposed to be incurred by each railway in future years. For one thing, this depends upon the requirements from time to time and the funds that may be placed by the Railway Board at the disposal of the individual Railways. Secondly, such information would be of no practical use.

*Form No. A. 1210*—Statement No. VIII—Capital Account:—In view of Partition and Regrouping, it may not be possible to correctly work out the Capital outlay in respect of each of the Zonal Railways. Even if the statement is required to be retained, it does not appear necessary to include therein the amounts in respect of charge for leave and pension allowances etc. On the other hand, a combined Block account and Capital account, which are now published along with the Appropriation accounts may be of interest in the Capital and Revenue accounts.

*Form No. A. 1215*—Statement No. XIII—Statement of outstanding earnings:—This in effect is the position of Sundry Debtors of the Railway and it is not necessary to have this information as part of the Capital and Revenue Accounts. In first rate Commercial undertakings, such information (analysis of debtors) is not embodied in their Annual Report or Accounts.

**Form No. A. 1218—Statement No. XVI—Account of Total Net Receipts:—**

This account is intended to show the net receipts of the Railway from the commencement up to the date to which the account is closed. The Indian Railways have been in existence for nearly a century and it appears grotesque to collect the information regarding the total net receipts for the hundred years, and present the information in this statement. This is perhaps of no interest to anybody, and looks like calculating the total quantity of food consumed by a person from his birth to date.

**Form No. A. 1219—Statement No. XVII—Interest Account:—**This is also a statement that requires information from the commencement of the railways and does not for the above reasons appear necessary.

**Form No. A. 1221—Statement No. XIX—Depreciation Reserve Fund Account:—**This is published as part of the Appropriation Accounts and may not require to be exhibited again in the Capital and Revenue Accounts. On the other hand, it would be a good thing if, instead of Statement No. VIII Capital Account, or in addition to it, a regular Balance Sheet is prepared supporting the Revenue Account which should be in keeping with the final accounts presented by Commercial and Industrial undertakings.

In regard to the Finance Accounts also, the Statement of Indirect Charges (Appendix A to Finance Accounts—Form No. A-1234) appears to be totally outmoded and may be discontinued. Appendix B also (Statement of works undertaken on behalf of Defence Department on which Interest and Maintenance charges are leviable) appears to be unnecessary. Such statements are not prepared in respect of works undertaken by the Railways on behalf of other Government Departments and there seems to be no reason why Defence Department should be singled out specially for this purpose.

**Selection Board for fixing Seniority of Junior Accountants or Junior Inspectors**

The Railway Board have recently ordered that with effect from 1-7-54, a selection Board constituted in terms of App. IIA-R should interview the qualified staff and fix up the relative Seniority in the grades of Junior Accountants or Junior Inspectors, which grades are from that date treated as selection posts. \*\*

Accordingly, a selection Board met on the Southern Railway in the latter part of August 1954 and interviewed the qualified candidates for the purpose of fixing their seniority. In the absence of any specific instructions in the above Appendix for such fixation of seniority beyond the factors that merit should rank primarily and seniority next, there might not have been any possibility of the principles adopted by this Board being on a par with those that may have been or are going to be adopted by similar Boards on other Railways. So long as App. III or the S.A.S. (Railways) Examinations have been taken as qualifying tests for promotion to the grades, the question of relative seniority in these grades should also have some broad-based principles applicable to all Railways. From this angle, therefore, the Board's order referred to above seems to require amplification and we hope, ere long, some more directives will be issued to the Railways concerned.

This is found necessary as, of late, qualified candidates are being transferred from one Railway to another in India owing to dearth of suitable candidates locally. A proper criterion for relative seniority seems to be therefore urgently called for.

\*\* A summary of this order was published on Page 126 of this Journal.

**The Traffic Book**

(BY SRI C. S. AYYAR)

[continued from page 117—August 1954 Issue].

The postings of these transactions are made fool-proof in the subsequent portions of Part C and D of the Traffic Book—Vide Forms 5 and 6. The net outstanding at the debit of "Traffic Account" at the end of each month, would thus be made up of (1) The Station Closing Balances representing earnings not yet realised (2) the balances of the Audit Office Balance Sheet representing monies not realised on account of bills submitted, and (3) cash in transit. Similarly, the amount at credit or debit of Foreign Railways will represent items not yet adjusted to "Transfers Railways." (Vide Forms 7 and 8).

It will be noticed that mention was made of the fact that the stations took credit for "cash" acknowledged by the cashier with reference to the day's earnings, and not with respect to dates of receipt in the cash office; such cash will not form part of the General Cash Balance at the end of the month and this total figure of cash-in-transit should be reconciled very carefully by reference to the monthly cash remittance notes of the items acknowledged by the cashier in subsequent months.

In regard to the items of Foreign Railways' shares extracted from interchanged traffic, it will be relevant to observe that an important assumption has been made in the preparation of Division Sheets that every item accounted for in the Station Balance sheets finds a place among entries of the Division Sheets for the month. There may be items which may not have been distributed to Foreign Railways for some reason or other, or the entries are provisional and would require a modification.

All such items are practically ignored till they are accounted for, and in the gross, we assume that the total of "Paid"

and "To-pay" traffic, as the case may be, corresponds roughly with the particular entries accounted for in the Division Sheets\*. After the introduction of the Clearing Accounts system,\* the Clearing Accounts Office which prepares Division Sheets even for Parcels and Goods on the forwarded basis only advises the net results of Division sheets for posting of the check of the Station Balance Sheets for parties to the Clearing Accounts systems consists in that the totals of the Inwards "To pay" and Outward "Paid" traffic according to the returns submitted by stations to the Clearing Accounts Office, tally with the entries in the Station Balance Sheets of the Railways whose accounts we are considering. The principles enunciated in respect of Parcels Traffic (Coaching) applies in toto to Goods Traffic and its Traffic Book. Sample forms of the Coaching Traffic Book already referred to in use at present, are attached.

The Journal slips may be summarised as under:

(1) Traffic cash receipts.

|      |                  |
|------|------------------|
| Dr.  | Cr.              |
| Cash | Traffic account. |

(2) Station figures of earnings entered in Balance sheets.

|                  |                     |
|------------------|---------------------|
| Dr.              | Cr.                 |
| Traffic Account. | Home-Line earnings. |

(3) Net results of Division Sheets.

|                                         |                                                              |
|-----------------------------------------|--------------------------------------------------------------|
|                                         | Cr.                                                          |
| (a) If monies are due by the Home Line. | Foreign Railways (suspense) minus credit Home Line earnings. |

N.B. Reverse will be the case if monies are due to the Home Line.

\* The Clearing Accounts Office has since been abolished.

(4) Transfer certificates for adjustments of amounts due to foreign Railways.

Dr. Cr.  
(a) Foreign Railways Transfers.  
(suspense).

N. B. Reverse will be the case if amounts are due to the Home Line.

(5) Vouchers received through Station earnings.

Dr. Cr.  
Civil Department or Traffic account.  
Railway Department, or cash.

(6) Miscellaneous earnings billed for by the Accounts Office without reference to stations.

Dr. Cr.  
Traffic Account Home Line earnings.  
Civil Department Traffic Account.  
or Railway  
Department or Cash.

It is hoped that this summary would clarify anything obscure in the description of the processes.

#### ERRATA TO AUGUST 1954 ISSUE

Page 117. Line 6, left column: for "plus y" read "— y".

Pages 118, 119 & 120: wherever Abstracts I, II & III are referred to, read Abstracts X, Y & Z respectively.

### What Others Think of Us

*The Eastern Railway Magazine, July 54.*

Madras offers "The Railway Accountant" edited and published by L. V. Gopalan, a retired Railway servant. A monthly, the June Issue, contains a number of instructive articles particularly for accounts men. One section deals with railway news of topical interest and another offers a forum for readers' views. The editorial discusses arrears of work in Government Offices and suggestions to end this state of affairs.

*The Wednesday Review, Trichinopoly, 18-8-'54.\**

This useful publication contains matters of interest like "The Traffic Book" by that veteran Examiner of Accounts Mr. C. S. Ayyar (Sir C. V. Ramans' brother) which is in four parts. 'Virements' (a sort of reappropriation of funds) by B. G. Balakrishnan, resorted to in Britain by the Departments of Government when need arises for spending money allocated for a specific purpose on some other purpose under certain conditions, 'Cost Accounting'

on Railways by S. Natarajan of the Southern Railway and 'Sales Tax on Inter-State transactions'. The palm is however given to the subject of 'Railway Finance Convention' which is discussed in the Editorial in part. Among others, the tips to the examinees of the S.A.S. (Rlys) Examination are bound to be profitable.

*"The Hindu" dated 5th Sept. 1954.*

We have received a copy of the "Railway Accountant" for August 1954—a monthly journal published by Sri L. V. Gopalan, Retired Accounts Officer of ex. M. S. M. Railway.

The Institute of Railway Accountants and Auditors in India having suspended publication of their technical journal, the Railway Accounts and Finance, for some years past, the need for a journal of the type under review devoted to Railway Accounts, Audit and Finance has been very keenly felt and its appearance at this juncture is bound to supply this need.

\* Reviews the issue for August 1954.

Form 5  
Part C. Showing adjustments of the "Traffic Account," "Foreign Railways" and "Deposits, Private Companies" Accounts. Coaching Traffic Book for the month of..... 195

| Particulars                                            | Debits to Traffic Account |              |                |               |                        |                       |                                |                                |                 |          | Credits to Traffic Account |     | Transfers Foreign Railways |     | Balance |     |     |     |     |     |          |
|--------------------------------------------------------|---------------------------|--------------|----------------|---------------|------------------------|-----------------------|--------------------------------|--------------------------------|-----------------|----------|----------------------------|-----|----------------------------|-----|---------|-----|-----|-----|-----|-----|----------|
|                                                        | Balance                   | Home Section |                |               |                        |                       | Total debits including balance | Total debits Excluding balance | Traffic Account |          | Total                      | Dr. | Cr.                        | Rs. |         | Rs. |     |     |     |     |          |
|                                                        |                           | Dr.          | Passr. traffic | Other traffic | Miscellaneous earnings |                       |                                |                                | Cash            | Vouchers |                            |     |                            |     |         |     | Dr. | Cr. | Rs. | Rs. |          |
|                                                        |                           |              |                |               | Telegraph              | Other misc-ellaneours |                                |                                |                 |          |                            |     |                            |     |         |     |     |     |     |     | Earnings |
|                                                        | Rs.                       | Rs.          | Rs.            | Rs.           | Rs.                    | Rs.                   | Rs.                            | Rs.                            | Rs.             | Rs.      | Rs.                        | Rs. | Rs.                        | Rs. | Rs.     |     |     |     |     |     |          |
| I Stations and Accounts Office                         |                           |              |                |               |                        |                       |                                |                                |                 |          |                            |     |                            |     |         |     |     |     |     |     |          |
| 1. Total Coaching Stations brought forward from PART A |                           |              |                |               |                        |                       |                                |                                |                 |          |                            |     |                            |     |         |     |     |     |     |     |          |
| 2. Accounts Office                                     |                           |              |                |               |                        |                       |                                |                                |                 |          |                            |     |                            |     |         |     |     |     |     |     |          |
| Total Stations and Accounts office                     |                           |              |                |               |                        |                       |                                |                                |                 |          |                            |     |                            |     |         |     |     |     |     |     |          |
| II Transfers from Part B                               |                           |              |                |               |                        |                       |                                |                                |                 |          |                            |     |                            |     |         |     |     |     |     |     |          |
| 1. Home Railway Adjustments                            |                           |              |                |               |                        |                       |                                |                                |                 |          |                            |     |                            |     |         |     |     |     |     |     |          |
| 2. Foreign Railways                                    |                           |              |                |               |                        |                       |                                |                                |                 |          |                            |     |                            |     |         |     |     |     |     |     |          |
| (a)                                                    |                           |              |                |               |                        |                       |                                |                                |                 |          |                            |     |                            |     |         |     |     |     |     |     |          |
| (b)                                                    |                           |              |                |               |                        |                       |                                |                                |                 |          |                            |     |                            |     |         |     |     |     |     |     |          |
| (c)                                                    |                           |              |                |               |                        |                       |                                |                                |                 |          |                            |     |                            |     |         |     |     |     |     |     |          |
| 3. Deposits-Private Companies                          |                           |              |                |               |                        |                       |                                |                                |                 |          |                            |     |                            |     |         |     |     |     |     |     |          |
| (d)                                                    |                           |              |                |               |                        |                       |                                |                                |                 |          |                            |     |                            |     |         |     |     |     |     |     |          |
| (e)                                                    |                           |              |                |               |                        |                       |                                |                                |                 |          |                            |     |                            |     |         |     |     |     |     |     |          |
| (f)                                                    |                           |              |                |               |                        |                       |                                |                                |                 |          |                            |     |                            |     |         |     |     |     |     |     |          |
| Total transfers from Part B                            |                           |              |                |               |                        |                       |                                |                                |                 |          |                            |     |                            |     |         |     |     |     |     |     |          |
| Total Parts A and B                                    |                           |              |                |               |                        |                       |                                |                                |                 |          |                            |     |                            |     |         |     |     |     |     |     |          |



## Budgeting—X'Rayed

(as viewed by an Indian Audit Department Apprentice).

[The following are some extracts from the Article "BUDGETING X'rayed" by Sri P. Anand, M.A., LL.B., S. A. S. (Apprentice) as published in the CHARTERED ACCOUNTANT for June and July 1954. In some places, however, passages have been summarised.]

Provision of Finance should be the first concern of every Government and Budgeting is the basis of orderly finance. It exhibits the way in which the State distributes its resources over different services on the one hand and gets command over necessary funds on the other. In a Welfare State, however, it is something more than this, it becomes an instrument of Public Policy.

There are some uniform elements which are found in every political system of financing Governments *e.g.*

1. In every case, Budget is more or less a comprehensive plan of the monetary requirements of a Government.

2. The procedure by which this plan is formulated, authorised, executed and controlled is almost the same everywhere.

3. There is some Governmental authority in each case which assumes responsibility for the plan.

"Budgets are not merely affairs of arithmetic but in a thousand ways go to the root of the prosperity of individuals, the relation of classes and the strength of Kingdom." This statement epitomises most eloquently the economic and social significance of the budget.

The Ministry enjoys broad authority in the formulation of the budget. This is a very responsible job. If the Cabinet is to maintain its political standing and continue in office, it must prepare a budget that will not only meet with the approval of the majority of the members of Parliament but will prove to be realizable after authorisation. Cabinet is completely responsible for budgetary

initiative and no estimate or proposal can be considered by Parliament without the endorsement of the President of India, which is in fact and effect the endorsement of the Cabinet.

Historically, budget is the outcome of experimentation rather than the product of legal provisions. There are two common aspects in the budgeting procedure of each country. Firstly the estimates for the formulation of the budget covering expenditure requirements of the Government and a forecast of its income. Secondly, it is prepared in the light of past experience and checked against recorded financial data.

There are three essential features of a budget. First is equilibrium. It means that the two sides of the budget viz., Revenue and Expenditure should be equal. The surplus adds to the opening balance of the Government Account, but deficit is met by borrowing, taxation or created money *i.e.*, printing more currency. The second is comprehensiveness. It means that the budget should be a comprehensive account of Government's income and expenditure. The third is its annuality. It represents that budget is presented annually.

The budget consists of the following documents:

1. Detailed Expenditure estimates.
2. Financial Statement.
3. Budget speech or Budget Memorandum.
4. Budget Bill (comprising of Financial bills and Appropriation Bills).

The purport of these items of the budget may be summed up as follows:

Firstly, they make a presentation of the revenue and expenditure accounts of the year just ending. Secondly, they make a forecast of the extent to which estimates of expenditure for the year just beginning will be covered at the existing rates of taxation, *i.e.*, by the revenue estimates. Thirdly, they contain a recommendation for adjustment of taxes calculated to bring the desired balance at the end of the year. The information required for the preparation of the budget is just as varied and extensive as the functions and operations of the Government.

Several matters press upon the Budget-maker which give him little or no choice *e.g.*, Governmental jurisdiction, scope of functions, departmental organisation and methods, obligatory expenditure *e.g.*, interest, debt etc., established forms of taxation and formal methods of meeting capital and emergency requirements. But even so he must secure some flexibility in financial planning in order to meet the economic, industrial and social conditions which are for ever changing.

One of the necessary preliminaries of budgetary estimating is the announcement by the Executive or the Finance Minister of a general policy which is to serve as a guide to officers of the spending departments and agencies in preparing their estimates. In recent years the Indian Budgets are being so framed as to subserve the ends of our Five Year Plan. Besides this, an estimates directive is also issued. It contains among other things a stereotyped admonition that the state of public revenues demands utmost economy. But this is not all; the Finance Ministry is also engaged throughout the year threshing out questions of expenditure and economy with other departments. The net effect of such efforts, however, seems to be negligible as the various reports of our Estimates Committees and Public Ac-

counts Committees have shown. The Uttar Pradesh Government directive issued in this regard is very explicit on this point. It states that the cumulative effect of all the acts of waste which might occur throughout the length and breadth of the State in the course of the year could be so large that the elimination of waste could release crores of rupees for development work.

The departmental estimates of revenue and expenditure are prepared in two parts; Part I—relating to revenue and ordinary expenditure (standing and fluctuating charges) and Part II, relating to new expenditure including not only new services not previously provided for in the appropriation but also items in the nature of an addition to or extension of an existing service.

The material on which the budget estimating is based is obtained by the Finance Ministry in the form of detailed estimates submitted by the Heads of Departments designated as "Controlling Officer", who in their turn depend for the material on heads of offices and other officers, who collect the revenue and incur expenditure. It should be borne in mind that the furnishing of the data by the Controlling Officers is a highly cumbersome job. The fact of the matter is that individual budgets of expenditure have got to be prepared for each public servant and for each material to be used in the provision of a particular public service.

It is a well known dictum of the budget department that the making of revised estimates for the current year should always precede an estimate of a future year. A revised estimate has got to be prepared in the light of •

(i) actuals so far recorded in the current year.

(ii) the actuals of the same period of the last and previous years.

(iii) the twelve months' actuals of the past and previous years.

(iv) any other relevant facts,

In framing the budget estimates, the estimating authorities should exercise the utmost foresight. "But an exhortation to show foresight is not an invitation to provide for additional items of expenditure without justification. Provision for all unforeseen items of expenditure should be restricted to the absolute minimum necessary."

The following are the chief rules for the preparation of detailed estimates:

Estimates should be prepared on the basis of what is expected to be actually received or paid (under proper sanction) during the ensuing year including arrears of previous years and not only for the demand or the liability falling due within the year. In no case should merely the net receipts or net charges be entered but the gross transactions in full, even where receipts are to be shown as deduction from expenditure. No item of expenditure should be provided for, which is not covered by sanction—general or specific. If any provision is considered necessary for an unsanctioned item it should be included in Part II. The actuals of past three years are the main plank on which the structure of estimating rests but the estimates of receipts or varying charges should not merely be arithmetical average of the three years' figures. The average is a guide but it should not be taken absolutely.

Part I of the estimates are so prepared in time that they may reach the Accountant General and the Administrative Department not later than the 15th October. The latter will examine all estimates in Part I received by it and forward them with its remarks to the Finance Department so as to reach the latter as far as possible before the 15th November without waiting for the remarks of the Accountant General. In case any change is suggested by the Accountant General, the Administrative Department will also be consulted before it is accepted. Certain estimates are prepared by Accounts Officers themselves for the simple reason that they are in

the best position to know the actuals and probables. These comprise mainly the estimates of superannuation allowances and pensions and interest or miscellaneous obligations. No orders are passed by the Finance Ministry on these estimates but are finally incorporated by the Accounts Officers in the consolidated estimates submitted in January. The estimate is based on the revised estimate plus an addition equal to about the average annual increase of the latest five years.

No scheme of new expenditure will be included in the Budget unless it is complete and finally approved both by the Administrative and Finance Departments. Proposals which are accepted in principle by the Finance Department will be classified into three broad categories.

(i) Items which in the opinion of the Finance Ministry are inevitable and obligatory.

(ii) Items which in the opinion of the Finance Ministry are remunerative or which do not involve additional expenditure.

Ordinarily budget provision will be made for both these items.

There are, however, other items which do not fall within either of the above two categories and which, however desirable, could be postponed. These are normally referred to a Conference of various Ministers for consideration in the light of the total provision which may be possibly made in the budget.

The whole efficiency of budgetary principles lies in the fact that estimating should be close.

The general tendency among estimating Officers is to under-estimate revenue and to the extent that it is done purposefully it may be somewhat justified. Usually three methods are employed to prepare this estimate:

1. *Automatic method.* Consists simply in entering as estimates for the budget year the actual revenue receipts of the most recently completed fiscal year which is last but one preceding the budget year. This method is defective because it is inflexible and leaves little room for discretion to the estimator. This produces underestimates in times of prosperity and overestimates in times of adversity.

2. *Method of average increases.* This method uses the figures of penultimate year as the basis of estimating but adds to those figures the average increases for the preceding three years. This method proved accurate in times of rising revenue but not so in those of declining revenue.

In India, however, revised estimates of the current year are also material factors taken into account in preparing estimates for the succeeding year; and consequently making the revised estimates always precedes the estimates of the future year. Even this system is not free from defects.

3. *The method of direct valuation.* This method is of English origin and still holding its sway over the British Treasury. As the English Budget is presented in the new Financial Year, revenues are estimated on the basis of the receipts of the year just closing and with full knowledge of the conditions current at the beginning of the budget year. Even in this case accuracy depends to a large extent upon *personal judgment*. But this judgment, under conditions which govern the British practice, is always seasoned with experience and fortified by statistics. It is a well-recognised fact that the English financial officers and statisticians may be justly proud of the revenue estimates which they have so far produced. This method with suitable modifications may well be tried by the Indian Finance Ministry.

In regard to *estimating expenditure* it has been alleged that the general tendency is to overestimate. Though this may be found useful from the practi-

cal point of view of Administration, facts go to prove that many supplementary budgets are brought in.

To underestimate the expenditure in order to avoid the display of the magnitude of expenditure at one time and to make the Legislature swallow bitter pills one after the other after giving a proper gap of time, cannot be said to be a prudent policy. Supplementary demands for grants should be the exception rather than the rule in a nation's budgetary system unless unforeseen circumstances and other factors creep in.

The existence of excess over grants in some Departments and lapse of grants in some others present yet another anomaly in this context.

*Classification of expenditure.* In the large estimates the votes and sub heads do not record the total cost of any specific object of expenditure but show the cost of a single item, covering many services; thus, the Grant for Co-operation does not directly give the cost of services for co-operative marketing. The grant for employment exchanges does not show separately the cost of the Central staff taken up in connection with these services though the question cannot be negligible.

It will be worthwhile to accept public expenditure servicewise in important cases so that more interest and enthusiasm may be created among Legislators to probe into more technical estimates. The adoption of this procedure will add to the furtherance of the cause of democracy.

Another shortcoming of the traditional budgeting is that it fails to distinguish the different types of expenditure according to their *economic significance*, e.g., whether the expenditure generates new incomes directly or not.

Failure of the budget to distinguish income and capital items should also be stressed.

\* \* \*

In short, the present system of public accounting and hence budgeting also is adopted to reveal dishonesty and not incompetence in the public services. It should be pretty clear by now that some sort of adoption of the balance sheet principle will have to be evolved for the public departments if efficient planning is to become a reality.

The reform in the method of presenting public accounts can achieve little, unless it were accompanied with parallel reform in the method of keeping the accounts. With the extension of Governments' responsibilities, there are in effect three different accounting problems to consider; (1) The accounts of Ordinary Civil departments, (2) Those of direct trading activities of Government departments (activities which started during the war but for which no satisfactory accounting method could be evolved in the rough and tumble of war finance, (3) the nationalised industries which will be required to adopt business methods.

In the first case there should a definite gradual process of modernising accounting methods, so that it is possible for the Head of the department to ascertain total departmental costs as already suggested and to split them in a significant manner. Only thus can multiplication of the expenses of management—the great danger of public service—be guarded against. In the second case the functions of the department are purely economic and consequently call for business accounting methods. Hence a full profit and loss account must be made available and completely segregated from the non-trading activities of the Government concerned.

\* \* \*

Budgeting the financial requirements of a public enterprise is made in three

ways: (a) Financial requirements of a public enterprise in the general budget is in gross amounts *e.g.*, requirements of the Indian Postal Department. This indicates that earnings and expenditure of the enterprise may be mingled with the general Consolidated Fund which, therefore, takes in the surplus and meets the deficit, if any, from the general revenues. (b) the Second method is to place the final requirements of the enterprise in an annexed or subsidiary budget carrying to the general budget only the net surplus or deficit resulting from the operations of the enterprise *e.g.*, Damodar Valley Corporation etc. This method permits special consideration to be given to the needs of the enterprise while retaining within it the general control of the Executive and the Legislature. At the same time the enterprise may become more or less a financial entity with an accounting system on the commercial basis with reserve and working capital funds and with its own fiscal procedure.

(c) The third method is the use of independent budget which secures for the enterprise a certain amount of financial autonomy depending upon legal requirements, Governmental practices and economic circumstances *e.g.*, the budget of Indian Railways. But this also cannot be entirely divorced from the general budget.

The accounting of nationalised industries presents a more normal professional problem since the accounts of each industry will be self-contained and will be closely parallel to any other industrial firm.

\* \* \*

Which of the methods is more suitable depends on the nature of the industry. The real problem, however, centres round the pivot of finding out a device in which both accountability and the independence and flexibility of industrial management can be combined together.

\* \* \*

## British Railways Reorganisation

It will be remembered that at the time of nationalisation of British Railways in 1947, under the British Transport Act 1947, which embraced not only the railways but road motor transport as well, the British Transport Commission was established for the administration of the entire organisation. Under the British Transport Commission, the "Railway Executive" was a sub-organisation to deal with Railway matters, the Railways themselves being divided into six regions (five in England and Wales and one in Scotland), each under the control of a Chief Regional Manager. The Railways formed, as it were, a unitary organisation with the Transport Commission at its apex, the "Railway Executive" consisting of experts in the different branches of Railway working, to lay down and initiate railway policies within the framework of the Commission's general transport policy, operating more or less on the same lines as the Railway Board in India. When the Conservative Government came to power, the road transport was de-nationalised, as was to be expected. On the Railway side, the existence of the "Railway Executive" at Headquarters, between the Regional Railways and the British Transport Commission, was felt to be cumbersome. The "Railway Executive" was, therefore, abolished in 1953 and an interim organisation set up till a permanent organisation was devised and brought into being, under Parliamentary authority. Proposals for re-organisation have recently been submitted by the British Transport Commission to the Minister of Transport and are likely to be submitted to the Parliament shortly.

The question of re-constitution of the Indian Railway Board, though the changes in the pattern of the present organisation may not be substantial, is now reported to be under consideration of the Indian Government, and, as the pattern of British Railway Practice in

many respects such as the organisation of Regional Railway Users' Consultative Committees *etc.*, is being followed on the Indian Railways, it seems appropriate that a review of the British proposals for Railways Re-organisation is made at this juncture.

The pivotal recommendation contained in the British Transport Commission's proposals is the creation of an Area Board for each of the six Regions, and delegation of powers and functions to the Area Boards, to be exercised on behalf of the Commission. The chief features of the proposals, in regard to the functions of the Area Boards, and other allied matters are set out below:—

(1) There shall be delegated to each Area Authority the function of ensuring that the policies of the Commission in regard to the operation of Railways are carried into effect, and, subject to such policies, also the following functions:—

(a) the management of the railways;  
(b) promoting initiative in improving the services and facilities afforded to the public on the railways, and in effecting economies;

(c) ensuring that contact is maintained with transport users so that the requirements of such users in relation to the railways may be met to the fullest possible extent consistent with the general duty of the Commission; and

(d) ensuring that proper measures are taken affecting the safety, health and welfare of persons employed by the Commission on or in connection with the railways.

(2) A different authority may be created by the Commission in regard to functions which appear to the Commission to be unsuitable for delegation to an Area Authority.

(3) (i) Each Area Authority shall consist of a chairman and not less than two nor more than six other members, all

of whom shall be appointed by the Commission.

(ii) At least one member of the Authority shall be a Member of the Commission. Each member of the Authority who is not a Member of the Commission shall be a person who has in the opinion of the Commission had wide experience and is likely to be conversant with the circumstances and special requirements, in relation to transport, of the area of the Authority. The Commission may appoint any member of the Authority to be Chairman.

(iii) Every member of the Authority shall hold and vacate office in accordance with the terms of his appointment and shall hold office on such terms and conditions (including terms and conditions relating to remuneration) as may be determined from time to time by the Commission: provided that any member of the Authority (not being a Member of, or a person employed by, the Commission) may at any time by notice in writing to the Commission resign his office.

(iv) Any remuneration payable under the last preceding paragraph shall be paid by the Commission.

(v) A member of the Authority shall, on ceasing to be a member, be eligible for re-appointment.

(vi) A person shall be disqualified for being appointed or being a member of the Authority so long as he is a member of the Commons House of Parliament.

(vii) (1) Any member of the Authority who is in any way, whether directly or indirectly, interested in any contract made or proposed to be made by the Authority on behalf of the Commission shall disclose the nature of his interest at a meeting of the Authority and such disclosure shall be forthwith recorded in the minutes of the Authority and any such member shall not take part in any deliberation or decision of the Authority with respect to that contract.

(2) A general notice given to the Authority by a member of the Authority to the effect that he is a member of a specified company or firm and is to be regarded as interested in any contract which may, after the date of the notice, be made with that company or firm shall, for the purposes of the last preceding sub-paragraph, be deemed to be a sufficient disclosure of the nature of his interest in relation to any contract so made.

(viii) The Authority shall have power to act notwithstanding a vacancy among their members.

(ix) The quorum of the Authority shall be such as may from time to time be determined by the Commission, and the Chairman of the Authority shall have a second or casting vote. Subject as aforesaid, the Authority may regulate their own procedure.

(4) The Commission shall compile and publish as respects each area such statements of operating costs and such statistics as the Commission, with the approval of the Minister, may specify. The following statistics should, for the present be published:—

1. Number of passenger journeys originating.
2. Tonnage of freight train traffic originating.
3. Train miles.
4. Train miles per engine-hour.
5. Engine miles.
6. Engine-hours in traffic.
7. Number of loaded wagons forwarded.
8. Wagon miles.
9. Loaded wagon miles: percentage of total.
10. Wagon miles per engine-hour.
11. Average wagon load at starting point.
12. Average number of wagons per train.
13. Average freight train load: in tons (net ton miles per train-mile).

14. Consumption of locomotive coal per engine mile (in lb.)

15. Consumption of electricity by electric motor vehicles: in units per car-mile.

16. Net ton-miles.

17. Net ton miles per engine hour.

(5) Such of the functions of the Commission as are not for the time being delegated to or exercisable by any authority by or under this scheme shall be reserved to the Commission.

Any functions of the Commission the delegation of which would, in the opinion of the Commission, prevent their being reserved to the Commission general financial control of its undertaking and general control of the charges to be made for the services and facilities provided for the purposes thereof, shall not be delegated to or exercisable by any authority under this scheme.

The re-organisation scheme as set forth above, as it will be noted, meagre in detail in many respects. For instance, in regard to the Constitution of the Area Board, the proposals do not clearly state whether the members of the Board will be full-timed employees of the Commission or part-time Directors, though the mention of remuneration may give the impression that these are whole-time appointments. It is also not made clear as to whether the members of the Board will be selected from leading businessmen, industrialists and bankers of the Area or from Railway-cum-trade experts. Presumably, full discretion is intended to be retained with the Commission and they do not want to be tied down to any particular principle or policy in this respect, particularly in the initial stage. In the absence of any indication as to the extent of powers to be delegated to the Area Boards, it is difficult to say to what extent, if any, they would be useful. Needless to say, with the abolition of the "Railway Executive", some

other organisation has necessarily to be devised to perform at least some of the functions of high-level management of the Railways as the Transport Commission by themselves may not be able to exercise much of detailed control over policy matters, as would be obviously essential for efficiency and development. These Area Boards would, more or less, resemble the Local Boards of the Reserve Bank of India here, but perhaps with far greater powers and responsibilities.

It is not considered that, under Indian conditions, any Area Board attached to each Zonal Railway would serve much useful purpose, and it may well be a fifth wheel to the coach, interfering with the powers, duties and responsibilities of the General Manager of the Zonal Railway. The only advantage of such Area Boards would be that the Regional (Zonal) General Managers will be associated more intimately with the leaders of business and industry who are not only representatives of the customers of the Railway but also experts in organisation in different fields, resulting in greater efficiency of management, and, if adequate powers are delegated to the Area Boards, Schemes and proposals could be sanctioned without delay which would otherwise be occasioned, if a central authority far away had to be referred to. It is, however, felt that these advantages of Area Boards do not have much validity in Indian conditions. Expert advice from able Consultants can always be obtained when necessary and if the schemes and proposals are carefully prepared and the system of visiting members/Directors from the Central authority to Zonal Railways at closer intervals, is adopted to have first hand knowledge of requirements, no further intermediate organisation would be necessary or justified. Uniformity of policy, which is a desideratum in Railway transport more than in any other, will be at a discount by the creation of Area Boards.

(Contributed)

## Subjects of Moment

### WORKS PROGRAMMES

The Railway Board have decided that it should be possible to work out financial justification for schemes relating to increase in carrying capacity and operating improvements and every effort must be made to work this out in all such cases. If, in any case, this is not possible and the work is still considered incapable for meeting urgent traffic requirements, it should further be examined whether the immediate purpose cannot be served by the adoption of a less expensive alternative work; otherwise full explanatory notes along with the comments of the Financial Adviser and Chief Accounts Officer should be given by the Executive indicating why the scheme must be proceeded with in spite of being not financially remunerative.

It is gratifying that the Railway Board have emphasised the necessity and importance of keeping prominently in view the financial aspects of schemes, in order that the tax-payers' interests may

be adequately protected and infructuous expenditure is not allowed to be incurred by the Executive.

### INTER-RAILWAY AND INTER-DEPARTMENTAL ADJUSTMENTS

The Railway Board have decided that with effect from 1-10-54 in cases where non-standard stores are issued by the owning Railway to provide for replacements of deficiencies in its rolling stock to the working Railway, the owning (i.e., the issuing) Railway should adjust the cost thereof against its final heads on the basis of accepted issue notes.

No adjustment should be made with the working Railway.

### Elimination of recoveries or credits from the Demands for Grants presented to Parliament.

Railway Board have decided that the credits for relinquishment of land should be excluded from the scope of Demand for Grants.

## News and Notes

### BUDGET OF THE INDIAN UNION

Elsewhere is published an article on 'Budgeting-X'rayed' extracted from the Chartered Accountant for July 1954. This gives a fairly complete idea of the methods adopted in the General Budget of the Union of India (also of Indian States) and it is hoped that this will be found useful by readers who desire to know the methods of preparation of the Budget. Broad principles applied to the Railway Budget as well as the relationship of the Railway Budget to the General Budget have been indicated in the article.

### CHARTERED ACCOUNTANTS' EXAMINATION MAY 1954—RESULTS

In the Examinations held in May 1954 by the Institute of Chartered Accountants, Delhi, out of 974 candidates that sat for the final Examination, 144 are declared to have completely passed the Examination, while in the Final Examination, 81 candidates passed out of 225 that appeared. In the Final Examination, Shri Bithal Lal Kabre (Roll No. 14) secured the first rank, winning the G. P. Kapadia Gold Medal, and the the N. M. Shah Prize for the best paper on Taxation and Cost Accounting. The

A. F. Ferguson Prize for the last paper on Auditing was secured by Shri Jitendra Kanaiyalal Javeri (Roll No. 1). In the first Examination. The G. P. Kapadia Silver Medal was secured by Sri C. Narayana Prasad (Roll No. 15).

Far-reaching changes in the syllabus and scheme of examinations including

period of articles have been approved by the Central Govt., and the revised regulations will come into force from 1st July 1955. Under the revised rules, the Examinations will be in three stages—Preliminary, Inter and Final, following the pattern of the Chartered Accountants (London) Examination.

*Statement showing the extent to which Railway Finances and General Finances have been used in connection with the Five Year Plan (Railways).*

(Based on the brochure THE PROGRESS OF THE FIVE YEAR PLAN ON INDIAN RAILWAYS)

(Figures in Crores of rupees).

|                                                                                                                                                              | 1951-52<br>(Actuals) | 1952-53<br>(Actuals) | 1953-54<br>(Rev.<br>Budget) | 1954-55<br>(Budget) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|-----------------------------|---------------------|
| <b>Expenditure under Head of Demand.</b>                                                                                                                     |                      |                      |                             |                     |
| 1. Capital                                                                                                                                                   | 23.30                | 7.13                 | 18.01                       | 34.49               |
| 2. Depreciation Reserve Fund                                                                                                                                 | 35.87                | 40.90                | 42.33                       | 43.30               |
| 3. Development Fund                                                                                                                                          | 7.71                 | 8.10                 | 12.41                       | 10.59               |
| 4. Open Line Works Revenue                                                                                                                                   | 3.98                 | 4.05                 | 5.13                        | 6.62                |
| 5. Railway Reserve Fund                                                                                                                                      | ...                  | ...                  | 0.07                        | ...                 |
| <b>Total</b>                                                                                                                                                 | <b>70.86</b>         | <b>60.18</b>         | <b>77.95</b>                | <b>95.00</b>        |
| <b>(a) Resources found by Railways.</b><br>(Credits to Depreciation Reserve and Development and Railway Reserve Funds, interest thereon and Open Line Works) |                      |                      |                             |                     |
|                                                                                                                                                              | 67.72                | 53.54                | 43.98                       | 47.04               |
| <b>(b) Resources made available by General Finance*.</b>                                                                                                     |                      |                      |                             |                     |
|                                                                                                                                                              | 3.14                 | 6.64                 | 33.97                       | 47.96               |

\* The releases were partly on loan account and partly from the Railways' Reserve Funds, of which the Central Government is the Banker.

### SPECIAL OFFICERS TO LOOK AFTER PASSENGER AMENITIES ON RAILWAYS

The Railway Board have ordered the appointment of Special Officers for Passenger Amenities on the six Indian Railways to co-ordinate the work relating to passenger amenities with a view to ensure a minimum standard of amenities to the Travelling Public, e.g., adequate booking facilities, provision of waiting halls, waiting rooms, cover sheds, facilities on trains such as cleanliness of coaches, provision and proper maintenance of water pipes, safety fittings, fans and lights, cleanliness of stations, punctuality of train services and provision of drinking water for passengers. These Officers would provide the necessary co-ordination between the various Departments of each Railway dealing with passenger amenities so that speedy action can be taken on all matters affecting such amenities. They will inspect frequently the different sections of the Railways and will take suitable remedial action wherever any deficiencies are found.

The necessity for such appointments should be fully justified by the results achieved. It is hoped that these appointments which are to be in the cadre of Deputy General Managers will not result in financial drain of the funds allotted for passenger amenities.

### RAILWAY ACCIDENTS ENQUIRY COMMITTEE

A five-man Committee has been appointed to review the various observations and recommendations made by the Railway Accidents Enquiry Committee. This Committee will also review the remarks furnished by the General Managers on the Enquiry Committee Report.

*The Committee consists of*

Mr. Shah Nawaz Khan,  
Parliamentary Secretary  
to the Minister for Railways.

Chairman.

Mr. F. C. Badhwar, Chairman of the Ry. Board,  
Mr. T. S. Pattabiraman, Member of the Council of States,  
Mr. L. P. Misra, Member of the National Railway Users' Consultative Council.

Members.

and Mr. Kanjit Singh, Director of Traffic, (Transportation), Rly. Board. Secretary.

### ADVERSE REPORTS ON OFFICERS:

The Dy. Home Minister, Mr. Datar, stated in Parliament last month that information was being collected on the action taken by Government against Gazetted Officers as a result of facts revealed in the Reports of the Public Accounts Committee or the Estimates Committee.

**MONTHLY RY. STATISTICS:** We have received from the Press Information Bureau of the Government of India their monthly Publication — Monthly Railway Statistics—for February 1951. We hope to publish salient features of Statistical information relating to operation, etc., from month to month.

**PRECIS WRITING & DRAFTING:** At the instance of the Regional Accounts Officer, Southern Railway, Madras, Sri L. V. Gopalan, Editor, THE RAILWAY ACCOUNTANT, delivered two lectures on Precis Writing and Drafting to the candidates appearing for Appendix II A Examination.

**STUDY CIRCLE:** Under the auspices of the Railway Accounts and Finance Study Circle, Southern Railway, Madras, Sri B. G. Balakrishnan delivered a lecture on "Introduction to Expenditure Accounts" for the benefit of candidates appearing for S.A.S. (Rys.) Examination.

**AN AT HOME:** The members of the Railway Accounts and Finance Study

Circle, Southern Railway, Madras, held a meeting on 7th September, 1951 to bid Farewell to its President Sri S. Ramayya (F. A. & C. A. O. Southern Railway); on the eve of his leaving the Railway on transfer back to the Indian Audit Department.

The Comptroller and Auditor General of the Government of India, Mr. A. K. Chanda, has begun his duties with vigorous action in several directions. He has decided to take steps to ensure that reports of important financial irregularities should be submitted currently so that they can be brought to the attention of Parliament and the public well within time for their consideration and not many years after the events had occurred. Accordingly, even though the Accounts for 1952-53 and 1951-52 in part may be delayed, he expects to get ready the Accounts for 1953-1954 for submission to the Parliament by December 1954.

He has also taken up seriously the question of separation of Audit from Accounts and departmentalisation of accounts. This aspect was pressed upon the Government many times by the previous Comptroller and Auditor General and the Government had also accepted the principles thereof. It has now been pointed out that such a step would not only help effective parliamentary control over expenditure, but also enable administrative authorities themselves to keep a check on the progress of projects with reference to expenditure. Certain simplifications in the Accounting structure are also being introduced to facilitate more departmental control.

The Comptroller and Auditor General has also taken up with the Government the question of early enactment of a law defining his functions, powers and authority as provided for in the Constitution. These are at present regulated by an Order-in-Council of 1919, which however, is inconsistent with the revised Constitution of the Indian Republic.

Mr. A. K. Chanda, Comptroller and Auditor General of India, has left for London to attend a conference of Commonwealth Comptrollers and Auditors General. Mr. Chanda, it is understood, also proposes to review the accounting and audit arrangements for the Embassies in Europe and study the constitution, functions and procedure adopted by the Parliamentary Committees, especially the Public Accounts Committee, in England and other countries. Mr. Chanda is expected to return by the first week of October 1954.

We congratulate Mr. M. Ganapathi Iyer, Development Commissioner, Kandla Port, on the conferment on him of the title of Padma Vibhushana (Dusra Varg) for distinguished Public Service. Mr. Ganapathi Iyer is an eminent Engineer Administrator, and was responsible for the completion, in record time, of the Construction of the Chittaranjan Locomotive Workshops. Prior to his appointment as Development Commissioner of the Kandla Port, he was Engineer-in-Chief of the Integral Coach Factory, Perambur. Mr. Ganapathi Iyer belongs to the Indian Railway Service of Engineers.

### FINANCIAL CONTROL

Readers are aware that, some time ago, Mr. A. K. Chanda, Secretary to Government of India in the Production Ministry (now Comptroller and Auditor-General) made an investigation at the instance of the Prime Minister into the causes of delay in putting through schemes, particularly in regard to the complaint that delays were caused in the scrutiny of proposals by the Finance Ministry. Mr. Chanda's Report was stated to contain recommendations of a far-reaching character, on which there was divergence of views amongst persons in authority. The implementation of the recommendations of Mr. Chanda's Report was the subject of interpellations in the Rajya Sabha last month.

The Prime Minister said that final decisions on the recommendations of Mr. Chanda on the question of financial control and changes in administrative rules would be reached in the near future, and that the matters arising from Mr. Chanda's reports had been examined in consultation with the Ministries concerned. The report of the Secretaries' Committee had been received and changes in procedure had already been made in respect of a number of petty things.

Mr. Nehru added that one of the causes for delay in respect of the major schemes was that they had been started without fully going into all the details and before they were completely ready with full plans, etc., with the result that the schemes had to be changed from time to time. This was unfortunate and estimates had to be varied and "we had to go back a little".

"Now we do not take up any scheme till we have thoroughly scrutinised it and made out the full plan", pointed out the Prime Minister.

There were also various other causes for delay in the implementation of schemes. There was the question of responsibility. There was not enough devolution of responsibility, references being made for permission even for small things, which caused much delay. Many of these had been removed and many others were being removed.

The process of reorganisation of the administrative machinery was a continuous one. A number of little, petty things had been changed already and a Methods and Organisation Division had also been set up to go into the question of reorganisation from day to day.

The Chanda Report had made a number of suggestions which could be given effect to immediately as each Ministry agreed to them. There were, however, many other basic recommendations which had to be looked into in the larger context and these were to be

examined not merely by separate Ministries but by inter-Ministerial Committees. The proposals would be finally examined by the Cabinet.

The Prime Minister agreed to consider a suggestion that a statement showing the interim decisions which had already been taken should be laid before Parliament.

The Prime Minister said that the Senior Secretaries' Committee had completed its study of the Report, and "the matter is now ripe for further consideration at a higher level"

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### TELCO WORKS

The Tata Locomotive and Engineering Company Ltd., popularly known as TELCO, have undertaken the manufacture and supply of 50 Locomotives and 50 spare Boilers per year for use on the Indian Railways, on a contract with the Railway Board, and the following excerpts from the speech of Mr. J.R.D. Tata, Chairman of the Company, at its Annual General Body Meeting on 3rd September 1954, will be of interest to Railway Accountants.

"In the two years since the completion of the Company's Works, the manufacture of locomotives and boilers has been fully established at the rate specified in the Agreement with the Government of India. The boilers are wholly manufactured in India while the proportion of Indian-made parts and components of each locomotive has been progressively increased until it exceeds to-day the ratio of 75% stipulated by the Railway Board. A larger proportion of the work is done in the Company's factory than is generally done within a single locomotive factory abroad.

The rapid development of production during the last two years was greatly assisted by the experience we gained from the limited production achieved during the period of construc-

tion of the factory, and by the opportunity it provided, to overcome the problems and difficulties which beset new and highly specialised industries such as ours and, above all, to train skilled workmen and supervisory staff. Our thanks are due to our technical associates, Messrs. Krauss-Maffel, for their technical advice and assistance which made our task easier.

I am sure that having waited patiently all these years for a return on your investment, you will be glad to know that, subject to the concurrence of the Railway Board, the Company entered the profit earning stage under its Agreement with Government in February of this year in respect of boilers, and in July in respect of locomotives. As the output of boilers only reached the monthly rate required to qualify for an element of profit under the Agreement in the last two months of the year, the revenues for 1953-54 as shown in the Profit and Loss Account include a sum of only Rs. 1.98 lakhs as profit on boilers. Profit will, however, be earned on boilers for the whole of the current year and on locomotives for about nine months. Under the Agreement with Government the price of locomotives and boilers will henceforth be negotiated each year in advance on the basis of agreed estimated cost to which will be added profit at the rate of 7% on the depreciated value of the assets and working capital used for the manufacture of locomotives and boilers.

\* \* \*

You will be interested to know that the Railway Board have recently requested us to increase the capacity of our Locomotive Division beyond the 50

locomotives and 50 spare boilers per year which the Company is required to supply under the Agreement with Government. In view of the heavy commitments which we have undertaken in respect of the motor truck and foundry projects which will keep us busy for the next three or four years, we would have preferred to postpone any further scheme of expansion until these two projects were nearing completion. Government are, however, anxious to obtain increased deliveries of locomotives and boilers as soon as possible. In view of the great assistance which the Agreement with Government has been to us in the establishment of this industry, we feel it our duty to make every effort to respond to their request, even though the net return on such additional business is likely to be limited. We are, therefore, actively considering, in consultation with the Railway Board, a programme of expansion of our Locomotive Division which will increase our output of locomotives and boilers by a fairly substantial margin within the next few years."

Mr. Tata then referred to the recent recommendation of the Public Accounts Committee that the Government should consider the advisability of taking over from TELCO the manufacture of Boilers and Locomotives and managing it as a State-owned industry, and appealed to the Government of India that, in view of their declared policy of mixed economy and the satisfactory work done by the TELCO, a declaration should be made that the TELCO will not be nationalised, to allay misgivings in the public mind and to enable the TELCO to work with assurance and enthusiasm.

x x x x

In the United States 6% of the world's people living on only 7% of the World's land area, are producing almost 50% of the World's wealth.

x x x x

The American Railway System, now about 124 years old is privately owned by nearly 700 Railway Companies. The system employs over 1,231,000 workers, and comprises more than 225,000 miles of track, some 43,000 locomotives of all types and nearly 2,000,000 passenger and goods coaches.

## Readers' Forum

It is seen that advantage is not taken of this section of the Journal by readers. There is no doubt whatever that there are many aspects engaging the attention of the staff and creating in their minds many doubts upon which clarification would be welcome. The Readers' Forum section of the Journal affords a suitable opportunity for indicating all such doubts, difficulties, intricate points and with a view to elicit replies, explanations, clarifications etc. It is anticipated that readers and subscribers of the Journal will make good use of the Journal in this respect.

Mg. Editor.

### APPROPRIATION ACCOUNTS

In paragraph 662-G, the details of Appropriation Accounts of Civil Grants to be submitted by the Railways are mentioned, but no mention is made therein, of

- (a) Pre-Partition payments, and
- (b) Interest on debt and other obligations (Interest on Provident Fund etc.).

Though the former, i.e., Appropriation Accounts regarding Pre-Partition Payments, may be said to be a temporary feature, it cannot be said so of the latter (Interest). It is presumed that a Correction Slip will be issued by the Railway Board in regard to the inclusion of

Interest on Debt and other obligations also in para 662-G. B.

### APPORTIONMENT OF EARNINGS

Due to the reintroduction of apportionment of shares between Railways on interchanged traffic certain amounts are held at the Debit or Credit of Foreign Railways in each Railway's Books. A doubt seems to have been felt in many quarters whether a Transfer Certificate should be issued to the concerned Railways to clear these items; or if not, how they should be disposed of. Replies on the procedure in force on the various Railways are requested. K. S. S.

## Students' Corner

Topical problems which require elucidation etc., and points requiring discussion may be communicated by Readers and Subscribers to the Managing Editor for necessary action, so as to give their full benefit to all the Students interested in them.

Mg. Editor.

### TYPICAL CASES OF FRAUDS, ETC.

The following summary of a few cases of actual occurrence of irregularities and frauds are likely to be useful for examination candidates.

1. *Non-payment of Railway dues by a Commercial concern.* A certain Roadways Company was appointed as Out-Agents for the connected Railway and allowed on its behalf to book Railway Traffic and to collect the earnings. Provision was made for the Roadways Company to remit the railway share of earnings only when Accounts

therefor were presented to it, i.e., after an interval of nearly a month or more; but no security deposit had been obtained from the Company to cover the outstandings. After some time the State Government took over the management of the Roadways Company without giving timely notice to the Railway. It was then found that the Roadways Company owed the Railway over Rs. 2,50,000 which represented the Railway's share of earnings for six months. The Company could not pay these dues for want of ready money; and only about one and a half lakhs

could be recovered by instalments spread over a long time. It became very difficult to collect the balance as the Company had run into difficulties; there was no provision also made for payment of interest by the Company for the amount not paid to the Railway in time and interest at 3½% on the outstanding amounted to about Rs. 20,000 rupees.

It is obvious that the absence of a proper clause in the agreement was the main cause contributing to the difficulties and loss to the Railway.

2. *Arrangement for checking handling and Transshipment bills.* One of the authorised methods in force for loading and unloading the goods at Stations is to appoint the Station Master or Goods Inspector as the Contractor for the purpose and to pay him at rates sanctioned by competent authority. The amounts of these bills are being taken out by the Contractor from the Station earnings on the basis of the bills received back duly countersigned by the D. T. S., such paid bills being sent to the Accounts Officers as Cash Vouchers. These bills are then to be post checked in the Accounts office, discrepancies, if any, noticed therein being adjusted subsequently. On a certain Railway, this post-check fell into arrears for several years and it was later found that these bills included amounts overdrawn to the extent of nearly Rs. 37,000 ranging over a period of six years. Only about Rs. 1,000 had been recovered during an interval of two and a half years. It is doubtful whether any substantial portion of the balance amount could be recovered at all.

The question of entrusting the handling and transshipment work to outside contractors or Departmental labour was, however, taken up for consideration.

3. *Non-recovery of charges from the Defence Department.* Month after month, the Accounts Officer of a Railway reported non-receipt of certain military warrants relating to a Station. It was found that in some months a few of the

vouchers had been received, while in other months, none had been received at all. Enquiry at the station was initiated and it was not clear whether vouchers had at all been despatched by stations. Demands to obtain copies of warrants from the military units concerned were successful to some extent, but in many cases no copies could be obtained. Meanwhile the time limit of 3 years for preferring bills had expired in several cases. The total amount involved was about Rs. 40,000 while nearly for Rs. 25,000 no copies of warrants could be obtained and this amount had, therefore, to be written off.

It is obvious that the procedure adopted was not only dilatory, but also not intelligent as more time was devoted in the initial stages for locating the missing vouchers, rather than obtaining certified copies and arranging to send out bills as expeditiously as possible within the time limit.

4. *Grainshop Concessions.* In accordance with the revised Grainshop scheme, staff drawing below Rs 250 per month as basic pay and enjoying grainshop concessions were entitled to draw dearness allowance at lower rates than staff who opted out of grainshop concessions. During Audit Inspection of several offices over a long period of years, many cases were detected in which staff enjoying grainshop concessions were paid dearness allowance at a higher rate, involving an overpayment of nearly Rs. 10,000. Further thorough check by the Accounts Department revealed further overpayments of Rs. 12,500 in a portion of the Railway. Recoveries of such overpayments could not be made of more than 25%. There is thus the possibility of heavy amounts becoming irrecoverable and leading to write off.

### PRECIS AND DRAFTING

Precis Writing and Drafting often present very great difficulties. Consequently, it is necessary to ascertain what

the usual difficulties are that are found in an examination and how they could be conveniently rectified by the prospective candidates. Some of the points noticed in the past are summarised below:

1. Certain paras of a Circular letter required to be summarised as a preamble in the Precis are not so summarised, but are reproduced in extenso. This shows an unpardonable defect.

2. The preamble should be complete in order to convey a full picture of the subject dealt with. In this connection, it should be borne in mind that the object of the precis is to enable the reader to have a complete and connected idea of the subject without the necessity of having to read the original passage.

3. Replies, if any received, to the Circular should be analysed para by para for each point involved. Explanations or deviations from the proposals should be brought together. Replies and other suggestions or counter-suggestions or amendments should be brought under separate paras allotted for the purpose.

Where a letter is required to be drafted, it should be seen whether the original circular letter was already sent to the addressee, in which case, only modifications etc., to the proposal need be incorporated in the draft letter.

(To be Continued)

\* \* \*

#### LOCAL AND MUNICIPAL TAXES ON RAILWAY PROPERTY

Land, buildings and other property of the Railways belonging to the Central Government are exempt from payment of all taxes imposed by any Provincial Government (State) or by an authority under it such as Municipalities, District Boards, Panchayat Boards etc., under Section 154 of the Government of India Act, 1935. Under this Section, however, taxes should continue to be paid in respect of property which was liable to such taxation before 1st April 1937.

Representations were made by Provincial Governments to the Government of India to the effect that Section 154 of the Government of India Act, 1935, acted very harshly on the Local Boards in that it was not possible to levy the taxes on Railway land, buildings etc., for all additions made on or after 1st April 1937, though the Municipalities rendered some service or other to the Railways in common with other members of the public. To mitigate the situation, the Railways Local Authority Taxation Act, 1941, was passed under which it was declared that Railway properties would be liable to taxation on the issue of a Notification in the Official Gazette by the Government of India, the idea being that, where necessary, if the Railways stood to get any benefit by the service rendered by the Municipalities or Local Boards in particular cases, taxes may be levied by the Municipality or Local Board concerned. This position still continues, even with the coming into effect of the New Constitution from 26-1-50. Article 285 of the Constitution of India lays down as under:—

“285 (1) The property of the Union shall, save in so far as Parliament may by law otherwise provide, be exempt from all taxes imposed by a State or by any authority within a State.

(2) Nothing in clause (1) shall, until Parliament by law, otherwise provides, prevent any authority within a State from levying any tax on any property of the Union to which such property was immediately before the commencement of this Constitution liable or treated as liable, so long as that tax continued to be levied in that State.”

It has also been decided that, so far as Railways are concerned, separate contracts may be entered into by the Railways with the Municipalities or Local Boards concerned for payment by the Railways for specific services done such as sanitation, conservancy etc. In certain cases where the Railway has provided most of the amenities etc., for

itself, and service is rendered by the Municipality or the Local Board to some extent, the tax to be paid to the Municipality may be agreed upon with the State Government at an appropriate percentage of the usual full assessment, the Government of India's approval being accorded to such arrangement in each case. Increase in taxes on account of periodical revaluation of properties, in common with the public, is also payable by the Railways in respect of property which was liable to taxation before 1-4-1937 or under Government of India notifications in respect of other property.

\* \* \*

#### RAILWAY CHARGES IN SOUTH AFRICA

Mr. Charles H. Newton, (formerly Chief Accountant on one of the British Railways and one of the well-known and reputed Railway Accountants) Chairman of the South African Railway Rating Policy Committee, in a letter to the 'Railway Gazette', London, has made it clear that the higher level of fares in the new tariff recently introduced by the South African Railways Administration, was not due to the recommendation in the report of the Railway Rating Policy Committee. What the Committee actually stated, was, that many of the rates on the lower classes of traffic did not cover even out-of-pocket cost of conveyance and that these should be raised and that the increased revenue so secured should be applied in relief of the excessive burden on higher class traffic. The Committee also recommended that the many free services performed by the railways for other Government Departments should, in future, be charged against the Government Department concerned with a corresponding credit to the railway working account so that in total the sum to be raised from the railway users would be reduced. (Evidently, unlike on Indian Railways, some services were performed free by the South African Railways for other Government Departments, without adjustment of

cost, with the result that the revenues of the South African Railways were understated to this extent).

As regards the principle of “What the traffic will bear” the Committee laid down the following rule:—

“To ensure that rating is based on business principles,

(1) Every rate must more than cover the direct costs, not merely of carrying an extra parcel of that particular traffic but of carrying the general run of that traffic in loads of normal bulk;

(2) Subject to (1), no rate must exceed what the traffic can reasonably bear.”

Needless to say, the above principle, laid down by such an eminent authority as Mr. Newton, applies equally to Railways of all countries.

\* \* \*

Some of the irregularities noticed in respect of the Internal Check conducted by the Railways are as under:

1. Unsatisfactory maintenance of scale check registers prescribed for the purpose of exercising a check over the number of posts in the authorised time scales of grades sanctioned from time to time.

2. Inefficient maintenance or non-maintenance of objectionable items registers prescribed to watch the clearance of objections raised by the Railway Accounts and Audit Offices.

3. Non-reconciliation between muster rolls and time sheets in some of the workshops; or reconciliation done only by total and not by individual workmen.

4. Absence of and unsatisfactory arrangements for regular and systematic watch over recoveries of rent due from occupiers of Railway Buildings.

5. Absence of annual test check of running allowance drawn by guards and drivers etc., with reference to the initial documents in the Executive Offices.

6. Absence of comparison of the Indentor's foil of the Issue Note for Stores with the priced copy (accompanying the Debit schedule) prescribed as a safeguard against frauds.

7. Unsatisfactory condition of P.F. accounts and Registers to Foreign Service contributions.

8. Formal agreements or bonds were neither executed by the Staff of the Cash and Pay Office, nor was any security desposited by the staff handling stores.

9. Arrears due to revision of Pay under the Central pay Commission award in respect of the staff engaged on behalf of private parties had not been recovered from the parties concerned in all cases.

10. Prescribed review of unremunerativeness or otherwise of Assisted Sidings had not been conducted for several years with a view to recover the repairs and maintenance charges in respect of unremunerative assisted sidings.

11. Irregular submission of bills by Railway and non-payment by firms of demurrage charges amounting to lakhs of rupees outstanding against certain firms and collieries.

12. Non-recasting of leave account of staff taken over by Government from private Railways who had elected Liberalised Leave Rules of the Government of India.

13. Absence of internal check by Accounts Office on the amounts paid by the administration as compensation for goods lost or damaged.

14. Default in recoveries of maintenance and interest charges in respect of a number of private and Assisted sidings.

15. Non-carrying out of prescribed reconciliation between Stores priced Ledgers and the depot ledgers and between the Traffic Book & General Books.

16. Non-maintenance of several important registers, such as Land Register, Register of unaccounted for Way bills, etc.

## Personnel

Sri A.K. Chanda, assumed charge as Comptroller and Auditor General of India on the 14th August '54 in succession to Sri V. Narahari Rao, retired.

Sri P. C. Padhi has been appointed as Additional Deputy Comptroller and Auditor General with effect from 11th August '54 in place of Mr. V. D. Dantyagi who has proceeded on leave.

The services of Sri K. Krishna Rau, F.A. & C.A.O., Central Railway, Bombay have been extended for a period of one year from July 1954.

Sri G. Visvanathan, Dy. C. E., Southern Railway, was promoted as Chief Engineer, Western Railway, with effect from 9th July 1954.

Sri R. Ramaswamy Ayyar, Dy. Auditor-General, assumed charge as F.A. & C.A.O., Southern Railway, with effect from 8-9-54,

relieving Sri S. Ramayya on leave for four months prior to joining the Indian Audit Department.

Sri C. R. Nagalingam, Offg. S.A.O., Southern Ry., proceeded on leave preparatory to retirement from 15-8-54.

Sri B. Madhavan, Accounts Officer, Southern Ry., has been promoted to officiate as S.A.O.

Mr. M. A. Khaleel, has again been promoted to officiate as S.A.O.

Sri A. S. Visvanathan, A.A.O., Southern Ry., has been retransferred from Integral Coach Factory to the Southern Railway on Sri K. Ramachandran's return from leave.

Sri P. H. Sethu Rao continues to officiate as A.A.O., R.A.O's Office, Mysore, vice Sri V. Ramachandra Rao, granted leave from 1-9-54.

## ERRATA TO AUGUST 1954 ISSUE

- Page 107. Third line from bottom: Delete the words "in 1943".  
 „ 113. In the last item, delete "being the budget allotment required".  
 „ 137. Column 1, lines 15 & 16: Delete "passenger amenity works".

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## QUERIES AND REPLIES

**MISSING JOURNALS:** Complaints are being received from subscribers of non-receipt of Journals sent to them in the normal course. As personal attention is being paid to the despatch of the copies to every subscriber, the responsibility for missings in transit should be pinned to the Postal Department. Subscribers may please note that every month's Journal is posted either on the 15th (or a day earlier if 15th happens to be a Postal Holiday.) They may, therefore, kindly watch for the receipt of the Journal in the normal course and prefer a complaint forthwith to the Local Postal authorities in case of non-receipt.

Indents for DUPLICATE copies must be accompanied by remittance of the cost of Re. 1 plus postage—if ordinary 1 anna, or if registered As. 7. Orders received without such remittances will receive no attention.

\* \* \* \*

**BACK ISSUES :** Requisitions are being received for copies of back issues of the Journal. Only very few copies of the Issues from May 1954 onwards are available; and the Editor is therefore unable to guarantee supply of the copies required. There are no copies at all of the first Issue for April 1954. The value of each back issue which can be supplied will be Rs. 1-8-0 (plus As. 6 if the copies are desired to be sent by Registered Post.) All such orders should be accompanied by *advance remittances*.

\* \* \* \*

**STUDENTS' CONCESSIONS RATE:** Several enquiries are being made about the Students' Concession Rate offered for the half year from June to November 1954. Attention of the readers is drawn to the information contained on the wrapper facing page 104 of the Journal, wherein a date has been fixed for closing of this concession. Requests for copies at concessional rates will therefore not be entertained hereafter. May Issue is *not* available at concession rate.

---

## ACKNOWLEDGMENT

The following Journals and Magazines have been received .

|                                              |                    |
|----------------------------------------------|--------------------|
| <i>Central Railway News Letter</i>           | August 1954        |
| <i>Central Railway Magazine</i>              | August 1954        |
| <i>Chartered Accountant</i>                  | August 1954        |
| <i>Eastern Railway Magazine</i>              | July & August 1954 |
| <i>Indian Railway Gazette</i>                | September 1954     |
| <i>Southrailnews</i>                         | August 1954        |
| <i>Western Railway Magazine</i>              | August 1954        |
| <i>North-Eastern Railway Magazine</i>        | July 1954          |
| <i>The Accountants' Journal, New Zealand</i> | July 1954          |
| <i>The Wednesday Review</i>                  | 18-8-1954          |
| <i>The Educational Review</i>                | August 1954        |

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# THE RAILWAY ACCOUNTANT

(A Monthly Journal devoted to Railway Accounts, Audit and Finance)

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| * Railway Statistics—Revised and enlarged—by L. V. Gopalan ...                                                       | No. 297 | 3 8 0 | 0 4 0 |
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\* Contains elaborate information on Railway Statistics utilising authoritative information from various standard books like Outhwaite's Lectures, Major Budden's Railway Statistics, Railway Board's Manual of Instructions for Statistics and the practice and methods of working adopted on several Indian Railways etc., etc. Due to be released on 25th September, 1954. Orders registered if accompanied by advance remittance.

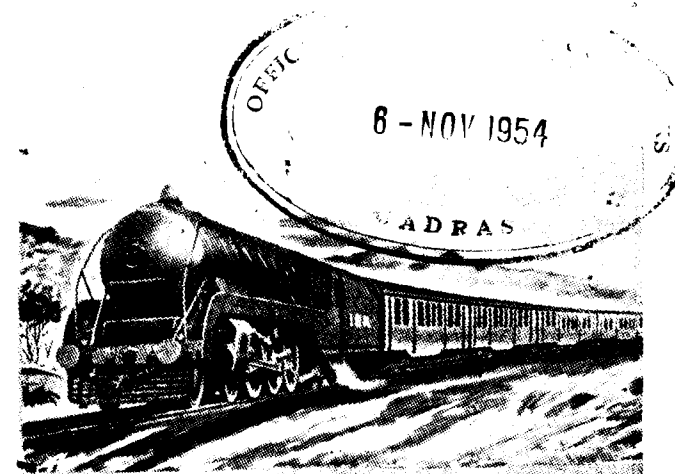
\*\* Probable date of release: 20th September, 1954.

\*\*\* Under compilation. Expected to be released by the 15th October. Orders registered from now on, if accompanied by advance remittance.

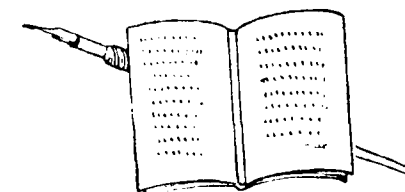
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454



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Retd. A. A. O., M. S. M. Ry.

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## EDITORIAL NOTICE

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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## ACKNOWLEDGMENT

The following Journals and Magazines were received since the last issue :

*For August 1954 :*

N. E. RLY. MAGAZINE  
SOUTHERN RLY. MAGAZINE  
ACCOUNTANTS' JOURNAL  
New Zealand

*For October 1954 :*

INDIAN RAILWAY GAZETTE

*For September 1954 :*

CENTRAL RLY. NEWSLETTER  
CENTRAL RAILWAY MAGAZINE  
CHARTERED ACCOUNTANT  
SOUTHRAILNEWS

*For Week Ending 29-9-54 :*

THE WEDNESDAY REVIEW

*Railway Centenary Number :*

SOUTHERN RAILWAY MAGAZINE

6 - NOV 1954

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3806

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## Organisation of Finance Branch on Railways

To take care of the finances of the Railways and apply the necessary financial scrutiny to the proposals relating to Railway expenditure and earnings, the "Finance" Organisation of the Railway Board was incorporated on a proper footing in 1923, when the post of Financial Commissioner for Railways was created, as a result of the reorganisation of the Railway Board, based on the recommendations of the Ackworth Committee. The process and technique of financial scrutiny were, however, almost on the same lines as in the Civil Secretariat, and did not take special note of the peculiar requirements of the Railways as a commercial undertaking. Most of the Indian Railways were then company-managed, though the bulk of them were owned by the Government, and financial advice and scrutiny in those days were diverted more to protecting the financial interests of the Government of India as against the companies which worked the Railways. On the individual Railways which were managed by the Government, the accounts, audit and finance were combined in one functionary called the Chief Auditor and financial advice to the Administration as such was almost unknown, while on Railways managed by the Companies, the views of the Chief Auditor on financial matters were generally obtained by the Boards of Directors of those companies in England. In 1929, the audit and accounts functions were separated and the Chief Accounts Officer on the Government Railways was made the financial adviser as well to the Railway Administration, but it was not until 1940 that proper emphasis was laid on the F. A. & C. A. O.'s functions as the Financial Adviser to the General Manager of the Railway concerned. But even then, there was no binding obligation on the part of the General Manager of the Railway to obtain financial advice from the F. A. & C. A. O., and it all depended upon the whims and fancies of the General Managers to consult (or not to consult) the F. A. & C. A. O. With the completion of the taking over, by the Government, of almost all the Indian Railways in 1944, the need for financial control both at the top (in the Railway Board) and on the individual Railways, became, as was to be expected, more pronounced; but owing to the War, nothing substantial was done, though the General Managers were directed to obtain the views of the Financial Adviser in all cases of substantial financial importance. This prescription however, it would appear, was observed more in its breach than in its observance. Neither the General Managers and the Administrative/Executive authorities generally, nor the Railway Board themselves were accustomed to strict financial control in the sense in which it is exercised by the Financial Branch of the Civil Secretariat, and the duty to obtain financial advice was (and is still to some extent) considered as fettering the powers of the Administrative and Executive authorities (who were un-accustomed to such checks) without appreciating that such financial advice was more a help to the Administrative authorities to save themselves from financial pitfalls. Consultation with "Finance"

was considered by them as a tiresome formality and shunned to the utmost extent possible. It was Mr. I. S. Puri, the then Financial Commissioner of Railways, that realised the gravity of the situation, and in fact, he had also some rather hard words to say of the F. A. & C. A. O.'s of Railways, a reference to which was made by the Indian Railway Enquiry Committee, 1947, in their Report). Mr. Puri felt that most of the F. A. & C. A. O.'s were not equal to the task of 'financial' advice and such critical examination of proposals as was expected of a proper 'finance' man, since they had not been trained specially in this technique, but were more concerned with internal check and compilation of accounts. It was again Mr. Puri that brought out in bold relief the thesis that Railway finance being concerned with commercial activities, should be viewed from a pattern different from that devised and practised on the Civil side for non-commercial activities. In pursuance of this, the demands for Grants were re-cast at his instance, and it was decided to establish a separate 'finance' organisation on each Railway. In this connection, the reference to this subject by the Minister for Transport in his Budget Speech for 1947-48 is of interest. He stated as follows :

"Another line of action which the Railway Board are pursuing to secure economy is the tightening of the machinery for financial control of Railway expenditure, both at the headquarters of the Government of India and on the Railways.

The Railway Board have also under examination the development of a technique of control over expenditure better suited to the needs of a commercial department like the Railways than that now in force, which was worked out primarily for ordinary non-commercial spending departments of Government. They are also taking effective and practical measures to place at the disposal of the General Managers of railways improved machinery for financial advice and control. The reorganisation in the Board's office, which was an essential preliminary to the reorganisation on the Railways, has recently been carried out. The next step is to bring into existence a Finance Branch on each Railway, which will not be concerned with routine accounts checks and which will be amalgamated with the Budget Branch of the General Manager's Office. The necessary detailed investigations to this end have now been taken in hand."

The first reorganisation made in the Railway Board's Office was more nominal than real, as except for the change in designation of the Director (Accounts) as Director, Finance (Budget) nothing material appears to have resulted. On the other hand, the establishment of a separate Financial Branch on the individual Railways was taken up in right earnest and a beginning was made on the ex. B. B. & C. I. Rly. in 1947 under the expert guidance of Mr. Puri. This was followed by the ex. E. I. Railway, and with the re-grouping of Railways, all the Zonal Railways have now, each of them, a separate "Finance" Branch, and it is for stock taking, in order to review if, and to what extent, the aims adumbrated in the scheme have been achieved. It may at once be stated (and it will doubtless be agreed on all hands) that the achievements of the scheme have been very poor indeed, but this is due to a variety of factors. For one thing, any organisation newly started has its own initial difficulties and teething troubles, and "Finance" branch is no exception to this. It has had to start from scratch, with no previous files, copies of orders and precedents and it fell to the F. A. & C. A. O.'s and their Deputy Financial Advisers to make the best of what was available. Selected staff, the 'pick' of the Railway Accountants were (and still are) not available, at any rate, to the required extent to man this important branch. The F. A. & C. A. O.'s organisation was not also spick and span and too many organisational changes were made in quick succession, due to the integration and re-grouping of the Railways and the absorption of the erstwhile State (Durbar etc.) Railways which were far below the Indian Government Railway standard of financial control and accounting in many cases. These

presented a number of complicated and worrying problems requiring careful and consistent attention from the F. A. & C. A. O.'s and the Senior Officers of Accounts and Finance, with the result that they could not devote sufficient attention, which was so much needed, to nurture the baby of "Finance Branch". Added to these, the Executive are not also, it appears, giving adequate support and cooperation to the Finance Branch. "Finance" Branch has *not* on some Railways even been equipped with essential books of reference such as Reports of Special Committees, Statistical publications, Technical Journals bearing on Railway Finance, Accounts and Audit matters. No wonder, therefore, that the "Finance" branch has not been able to show any results, let alone spectacular. There is however, a great future for "Finance" with the increasing amount of interest shown in public finance both by the taxpayer individually and by his representatives in Parliament. Public accountability is coming to the fore, and it is up to the Railway Board to ensure that "Finance" functions on the Railways as it should. If "Finance" is vigilant, there should be no occasion for criticism by the Audit or the Public Accounts Committee, and the success or otherwise of "Finance" will surely be judged by the extent to which Railway transactions come in for criticism by Audit and the Public Accounts Committee (as also by the Estimates Committee). On the steps that might be taken to make "Finance" effective on Railways, keeping in view the critical remarks of Mr. A. K. Chanda (then Secretary to Government of India in the Production Ministry—now Comptroller and Auditor-General), we shall have something to say later on.

Elsewhere we have published details on the discussions recently held in the Parliament on the Public Accounts Committee Reports presented on Appropriation Accounts of Defence Services etc. These point out a sad lack of Financial Control on huge expenditure. It is, therefore, a point for consideration whether the entire set up of the Finance Branch in the various Departments should not be subjected to a thorough scrutiny so as to enable them to execute their duties without fear or favour and assert themselves in safeguarding the interests of the tax-payer. In particular, the organisation of the Finance Branch on Railways as at present under the administrative control of the General Manager of each Railway is itself one deserving review. We feel that it would be far better that the Finance Branch acts independently of the Administration so as to exercise impartial and effective control over Railway Finances and for this purpose, bifurcation of the duties of the Chief Accounts Officer and the Financial Adviser seems to be a *sine qua non*.

### Prudential Care in Expenditure of Public Money

The Chanda Report forcibly reveals the absence of proper scrutiny of Public expenditure and lack of expert knowledge on the part of the members of the Legislature in dealing with Financial problems. Due to the revised constitution and the Adult Franchise, the election of the Legislature has been very broad-based and many a member has not got the necessary equipment to deal ably with problems of public administration—particularly financial questions. In fact there is such a lack of influential authority in the Legislature to criticise public accounts, that with the enormous expenditure on Developmental schemes and various other matters which the Governments of the Union and the States have been undertaking in recent years and propose to undertake in the near future, the need for on intelligent understanding of the financial questions is all the more felt. It is, therefore, incumbent on the Governments to adopt

such methods as would be necessary to train and equip such members of the Parliament as are desirous of acquiring knowledge of the system of budgeting and accounting in India and the principles underlying the control of expenditure. It is only with such a background that it is possible for any Government to run efficiently. The recent speeches in the Parliament in connection with the heavy revised estimates and supplementary Demands serve to prominently bring these points to notice; and there is every

need for the intelligent public to take the cue for better management. A democratic Government does not merely imply persons enjoying privileges; but they must also adequately discharge their responsibilities; sound criticism of wasteful expenditure is always bound to have a moral and deterrent effect on extravagance. In fact it looks as if the primary canon of financial propriety requiring extreme prudence in the expenditure of public money was practically lost sight of.

## Grouping of Works

(Contributed)

The works are required to be grouped for the purpose of

- (1) determining the competent authority for sanction, (i.e. Powers of Sanction) and
- (2) allocation.

As regards (1), the rules are laid down in para 950-E which reads as under:

"When two or more works are so connected, either by their situation or by the purpose of purposes which they are designed to serve, that the construction of one necessarily involves that of the other or others, the works should be considered as one scheme and the aggregate estimated cost of the work so connected should determine the authority competent to sanction expenditure on the scheme".

It is also provided that, when the works constituting a connected scheme are situated in more than one executive district or division separate detailed estimates should be prepared of the cost of the work in each district or division, in order that the Executive Engineer entrusted with the actual construction may be in a position to watch expenditure against the sanctioned estimate of the cost of the work in his charge.

It will thus be seen that the underlying object of this rule is to ensure that no

work is sanctioned and expenditure incurred by a lower authority if it involves at a later stage construction of more similar works or leads to repercussions by way of further expenditure, recurring or non-recurring resulting in the proposal being beyond the powers of the authority that sanctioned the original work. Further, it may also happen that the higher authority may not be willing to sanction such works not being satisfied with the justification or on the ground of financial implications or even for reasons of policy with which the lower authority is not perhaps acquainted, and this may result in embarrassing situations, quite apart from financial loss to the Railway.

As regards item (2), i.e., Grouping of Works for the purpose of *allocation*, the importance of this was predominant in olden days when there were only two heads of account viz., Capital and Revenue, and it was always necessary to ensure that the debit to Capital by grouping of several New Minor Works costing each below a specified limit (Rs. 2000/- in those days), was kept down to the minimum. This was particularly important in the case of Company-worked Railways which wanted to debit to Capital as much as possible and reduce the debit to Revenue (New Minor Works)

also to the extent possible, so as to ensure a larger share of surplus profits. This position no longer exists with the taking over of almost all the Indian Railways by the Government. However, the principle of grouping of works for purposes of allocation is still recognised and is practically the same as in olden days, except that the limit for New Minor Works has been increased to Rs. 25,000/- (from 1-4-50). The rule in regard to this is contained in para 932-G (Revised) which runs as follows:—

"Works, estimated to cost not more than Rs. 25,000 each, but more than Rs. 25,000 in aggregate, may be charged to capital, Development Fund or Open Line Works-Revenue, if each work cannot be carried out by itself and independently of others, or is ineffective for the purpose for which it is intended unless all works are undertaken together and completed at or about the same time. The physical purpose for which a work is intended is the determining factor in such cases.

The criterion for grouping for the purpose of allocation is thus the "physical purpose".

As *all* New Minor Works (excepting Passenger amenities) are under the rules required to be charged to the Head "Open Line Works Revenue"; if the cost does not exceed Rs. 25,000/- in each case (and unremunerative operating improvements up to Rs. 3 lakhs) the significance of inclusion of the words "or Open Line Works Revenue" in the above rule is not apparent without grouping such works as Staff amenity works, will be debited to Open Line Works Revenue. If by grouping, the cost exceeds Rs. 25,000, the amount is allocated to Development Fund. In the case of unremunerative operating improvements whether there is grouping or not, the cost will be debitable to Open Line Works Revenue upto Rs. 3 lakhs. In other words, the question of fulfilment of the conditions laid down for grouping does not affect the allocation O. L. W. R. in

such cases. In view of this, the Railway Board may consider deleting the words "or Open Line Works Revenue" in the rule referred to above.

As an exception to the general principle, however, it has been decided by the Railway Board that expenditure on quarters of a type meant for the Class IV staff built *at one station* at or about the same time (as part of one scheme) should be grouped together, and if the total cost exceeds Rs. 25,000, the work should not be dealt with as a New Minor Work under 15-I-Open Line Works Revenue but allocated to the Development Fund (2)-Staff Welfare Works. The question of charging such works to Capital does not arise under the existing rules. As regards quarters built for Class III staff, however, the grouping is to be applied to quarters constructed *in the same locality* at a station (as part of one scheme). Thus, for instance, if at the same station five Type III quarters costing Rs. 40,000 are proposed to be built near the loco yard and three type III quarters costing Rs. 16,000 are proposed to be constructed at a different locality, say near the goods yard, far away from the loco yard, the cost of the former five quarters should be allocated to Capital while the cost of the latter should be allocated to Open Line Works-Revenue. In other words, all the 8 quarters at the station should not be built at capital cost because five quarters are in one locality and three are in a different locality though both at the same station.

The rules do not specifically lay down the principle in regard to the grouping of quarters for Gazetted Officers. There, however, appears to be no doubt that the principle laid down for Class III staff quarters should apply also to quarters for the Gazetted staff.

As a further exception to the criterion of "physical purpose", rolling stock of any one class forming part of the programme of a year are required to be grouped together without reference to

the conditions laid down for grouping of works for allocation.

So far as passenger amenity works are concerned, the cost is required to be charged to Development Fund (1)—Passenger Amenities, irrespective of

cost and therefore the question of grouping such works for the purpose of allocation does not arise; because whether they are grouped or not, the cost is to be allocated to the same head viz., Development Fund (1)—Passenger Amenities.

## Comparison of Indian Procedure with British in Regard to Budgetary System

(An article on this subject appeared on page 218 of the "Commerce" in its (Issue dated the 31st July 1954. A summary of this article has been given below by courtesy of and with due acknowledgments to the Journal.)

The Indian Financial Year runs from 1st April to 31st March and the Budget Session of the Parliament is held in February. Prior to the present Constitution of India, only about 8 to 10 days were allowed for debates on the estimates as compared with 26 supply days in the U. K. Under the revised Constitution of India, Budget need not necessarily be concluded before the end of the year and for this purpose, provision has been made for temporary borrowing, which does not exist in the United Kingdom.

Both in the U. K. and in India preparation of the Budget has been timed to take place towards the close of the year, thus increasing the accuracy of estimates.

The estimates in India consist of the actual accounts of the preceding year, revised estimates for 10 months for the current year and budget estimates for the ensuing year. No explanation is, however, given for the difference between the first and the revised estimates. In Britain, Appropriation Accounts are published so as to trace the true net outlays on many heads. This is not done in the Indian Budget.

A separate Railway Budget is introduced in India a few weeks in advance of the General Budget; the Railway Finance being entirely a separate Revenue Account, although amalga-

mated with that of the Government in respect of their loans and reserve operations. There is also another separate budget now presented to the Indian Parliament and that is on account of the Damodar Valley Corporation, which is a joint concern of the Government of India and the States in whose area it is situated and has received help from the International Bank for reconstruction and Development.

In India, the demands for grants are given in great detail; they are summarised in the Budget Statement and in an Explanatory Memorandum. The Finance Minister's Budget speech is based upon these documents. As in Britain, these expenditure proposals are debated in the Parliament primarily and the Select Committee thereof discusses the Finances subsequently. In regard to individual tax changes, legislation can be introduced in the Indian Parliament at any time during the year without the necessity for a new Budget. But in Britain, a new Budget would be required for each such introduction.

In the States, taxation proposals are usually introduced separately; but though convenient, it weakens the control of the Legislature over the Finances as compared with the presentation of a single two-sided account,

British Budgetary system has two most essential characteristics:

- (i) unification of the budget, and
- (ii) a single double-sided account for both Revenue and expenditure voted more or less simultaneously.

In the Indian Union Budget also, the same characteristics are preserved, though the custom of voting certain continuous services directly and thus outside the demands for grants exists, just as in the British Consolidated Fund practice.

The Indian Finances are even more unified than those of the U. K.

(i) The Auditor General in India is the authority responsible for the examination and Audit of the Accounts of the States and of the Union.

(ii) The Government India, acts extensively as a sort of Banker in respect of loans to States, P. F. Deposits, Trust Funds etc.

The British Government is steadily expanding its accounts on these lines.

In Britain, the Central Government works with the smallest of balances in the Bank of England. But in India considerable credit balances are maintained in Banks to ensure sufficient funds being available for maintaining the exchange value of the local currency and partly to cover obligatory remittances to various centres. This policy is similar to that followed throughout the British Colonial territories.

In Britain, no emergency powers of expenditure are given to the Central Government, while in India both the Central and State Governments are supplied with liberal emergency powers to expend primarily to meet sudden natural disasters such as famine, floods, earthquake. Exercise of such emergency

powers exists only in some Commonwealth Governments like Canada.

In India, the Revenue Budget and Capital Budget are presented; while in Britain, instead of a Capital Budget, there is only an account of the nature of a list of loan operations, which does not very much differ in contents from the Indian Capital Budget.

Summarising: Financial control in India is both internal and external. *Internal or Treasury Control* is exercised primarily by the Finance Department which is charged with the duty of seeing that economy is observed by the Administrative Departments. This control is, however, in practice limited by several factors like the personality of the Finance Minister; combination of several portfolios with that of Finance in the same person thus leading to an anomalous position of the Minister being a party to expenditure which he is ultimately to sanction as the head of the Finance Department; absence of dictating or vetoing policy of the Finance Department; and lastly the necessity for administrative considerations prevailing over financial considerations. In England, however, the Chancellor of the Exchequer is regarded next in importance only to the Prime Minister and always a leading member of the party in power and his veto is final. In India, however, the Finance Department control is not final and is not as strict as that of the British Treasury.

*External control* over public finances is exercised by 3 Agencies viz., the Legislature, the Committees of the Legislature and the Audit Department. Legislature votes the supplies which includes voting of expenditure as well as provision of funds therefor by taxation or otherwise.

S. A. S (Rys.) Examination 1954:

**RAILWAY STATISTICS** by L. V. Gopalan  
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## Subjects of Moment

### HONORARIUM FOR ARBITRATORS

An Advance Correction Slip has been issued by the Railway Board to Chapter XXX—R. II (F. R. 46—2035—R. II), in regard to honorarium to Railway servants appointed as arbitrators. According to this Correction Slip, a railway servant appointed as arbitrator may be paid an honorarium of Rs. 30 per day in any one case subject to a maximum of Rs. 500 for the whole case, as the Government's share. Such a railway servant may be allowed to receive as remuneration from the Contractor or any non-Government party to the dispute in arbitration, a fee up to a maximum of Rs. 750 in any one case, subject to one third deduction under Rule 2216 (S. R. 12)—R. II.

### REVIEW OF ACCOUNTING CHANGES MADE IN THE STRUCTURE OF RAILWAY ACCOUNTING

The following orders of the Railway Board have to be carefully borne in mind by every Railway Accountant—present or prospective.

(1) The rates prescribed\* for the carriage of Railway materials and stores are applicable at O.R. and to goods traffic only and the rates at R.R. should be 20% higher than the ordinary rates.

(2) Dangerous goods charged at Public Tariff rates prior to 1-4-1949 and these rates continue.

(3) No extra charges should be levied on wagon load consignments for terminals.

(4) The rate of Rs. 1-12-0 per ton on the carrying capacity of the wagon used for wagon load consignment is a flat rate and there is no question of levy of a minimum charge.

(5) No financial adjustment should be carried out in the Accounts for 1954-55 in respect of the freight charges on

Railway Stores pertaining to the years 50-51 and 51-52 which remain unadjusted upto 31-3-1952.

\* Published on page 22 of the "Railway Accountant"

### SCHEDULE OF POWERS

On pages 46 and 47 of the Railway Accountant some of the powers delegated to the General Managers of Indian Railways were indicated in respect of works etc.

Some more of these items are now reproduced for the information and guidance of readers.

Previous sanction of higher authority is necessary—

(1) To the deputation of a Railway Servant out of India.

(2) To payment of medical charges otherwise than as authorised under General Rules or Orders.

(3) To the grant of passages in excess of those admissible under the rules.

(4) To the purchase or hire of a motor car, motor cycle or a motor boat for the exclusive use of a Railway servant or servants.

(5) To the remission of recovery of rent from the incumbent of a post for which a quarter has been allotted.

Note: G. M. may exempt upto a maximum period of three months

(a) when an employee is temporarily transferred to a post

(b) when a quarter is subjected to extensive repairs, necessitating vacation of the whole quarter.

(c) when an employee is required to vacate a quarter under medical advice on account of an infectious disease or epidemic.

(6) To expenditure on ceremonial occasions in excess of Rs. 1000/-

(7) To the dismantling or otherwise permanently closing to public traffic of any existing open line section.

(8) To alteration of or departure from the terms of contract with branch or worked lines.

(9) To advances to any single contract or a sum exceeding Rs. 1,00,000/- in all.

(10) To enter into contracts in respect of sanctioned works in excess of Rs. 10,00,000/- for each contract.

(11) To any substantial modification of a project sanctioned by higher authority.

(12) To any alteration in the existing cash and pay arrangements or in the remuneration payable to a contractor under the cash contract system.

(13) To the Institution of legal proceedings against a newspaper for publishing false and damaging articles against the Railway Administration.

(14) To the introduction of new designs for goods stock and to all coaching stock designs sanctioned for construction during each financial year irrespective of whether the stock is to be built to existing sanctioned or new designs.

(15) To the alterations in the authorised stock of all descriptions.

(16) To any expenditure on an object which has not previously been recognised as a fit object for Railway expenditure.

(17) to expenditure in connection with the entertainment of high Government dignitaries during their visits to Railway Centres.

(18) To the payment otherwise than as specified below of compensation in cases of Railway Accidents.

A—Ordinary passengers (including Government and Companies' servants, other than those specified in Class B) and their dependants.

Up to Rs. 10,000 in any single case.

B—Military Men, being or travelling on military duty.

No powers. All cases to be submitted to higher authority.

C—Compensation to public (other than Railway passengers) for injury to person or damage to property caused by accidents as the result of negligence or carelessness on the part of the Railway.

Up to Rs. 5,000 in any single case.

D—Claims decreed by a Court of Law.

Full powers to pay any sum so decreed,

E—Claims settled out of Court with the advice of Law Officers of Government,

Upto Rs. 5,000 in any single case.

(19) To the payment otherwise than as specified below of claims for compensation other than those relating to goods lost or damaged and those arising out of Railway Accidents—

(i) Claims settled out of Court. Upto Rs. 500 in each case.

(ii) Claims decreed by a Court of Law.

(iii) Claims settled by arbitration award against any dispute arising out of a contract.

Full powers subject to the condition that particulars of cases involving expenditure of more than Rs. 1000 in each case should be reported to the Railway Board for information.

Note. The powers under (i) and (ii) above should not be redelegated to subordinate authorities.

(20) to the incurrence of law charges estimated to exceed Rs. 10,000 in any particular case.

Note (1) Any costs awarded by the court to the Railway cannot be set off against the expenditure for purposes of this limit.

Note (2) Sanction of the Railway Board should be obtained before any steps are taken either to appeal or to defend an appeal to the Supreme Court.

Their prior sanction should also be obtained to the engagement of Counsel at more than Rs. 750 per day in Bombay and Calcutta or at more than Rs. 400 per day elsewhere.

(21) To the payment otherwise than as specified below of compensation in cases of Railway accidents—

To the dependants of Railway subordinates killed, or to Railway subordinates injured, in accidents caused by the working of trains or Railway engines, provided that the death or injury was met with in the discharge of their duties otherwise than through their own negligence or wilful action.

Upto a maximum of 24 months' emoluments of the Railway servant.

Note (i). In the case of persons to whom the Workmen's Compensation Act applies, compensation shall be paid under this rule only if the authority competent to sanction compensation considers that more liberal treatment than that given by the Act is necessary. The compensation so paid shall not, inclusive of the compensation payable under the Act, exceed the amount admissible under this rule.

(ii) The term "emoluments" means monthly average of emoluments as defined in paragraph 2544-R (CSR-186) and of running allowance (without any percentage limit of pay) in the case of running staff drawn during the last 12 months or during the whole service if it is less than 12 months.

(22) To the grant of compensation to a Railway employee for loss of private property except compensation not exceeding Rs. 2,000 in any individual case for loss suffered by an employee in the course of a strike or Railway accident in the execution of a Railway

duty and from circumstances arising directly out of that duty.

(23) To the grant of a compensation gratuity in excess of Rs. 2,000 to a Railway servant who has been severely injured in the execution of his duty or to the family of a Railway servant who has died from the effects of such injury.

Note (1) In the case of persons to whom the Workmen's Compensation Act applies, compensation shall be paid under this rule only if the authority competent to sanction compensation considers that more liberal treatment than that given by the Act is necessary. The compensation so paid shall not, inclusive of the compensation payable under the Act, exceed the amount admissible under this rule.

Note (2) This item applies only to Railway servants who entered Railway service before the 1st April 1937 and held a lien or a suspended lien on a permanent post on the 31st March 1937.

(24) To the creation of a pensionable non-gazetted post.

(25) To the grant of honorarium or reward in excess of Rs. 1000/- in each individual case to non-gazetted staff.

Note. Where the honorarium is recurring, the limit of Rs. 1000/- applies to the total amount paid in a financial year.

#### APP. II EXAMINATION—RYS.

We are glad to learn that the Railway Board have decided to hold the App. II-A Examination of Railways on an all-India basis. We await fuller details as to the scheme etc.; but we hope that the Examination will be treated as a qualifying entrance test for the higher S. A. S. (Railways) Examination.

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## News and Notes

### MORE AMENITIES FOR RAILWAY PASSENGERS

The Seventh Meeting of the Regional Railway Users' Consultative Committee of the Madras Region of the Southern Railway held on September, 10 took the following decisions.

To the suggestion made by the Committee for the provision of individual dining tables to passengers at Refreshment Rooms, the Chairman informed them that separate tables with white marble tops would be provided shortly in Refreshment Rooms. The Committee urged that the present practice of charging Mail fares for certain trains like the Expresses between Guntur and Bezwada and Guntur and Tenali and for the Mangalore-Trichy Express should be modified and only ordinary fares should be charged for these trains. The Chairman stated that this question would be reviewed in the light of the observations made by the Committee.

The Committee approved a number of proposals made by the Rly. Administration to provide more amenities to passengers at stations as well as in trains, like the provision of separate Inter Class accommodation for ladies on the Madras-Raichur Passenger trains, the extension of some platforms, etc.

In connection with the impending conversion of the Gudur-Renigunta section from metre gauge to broad gauge, most of the members of the Committee felt strongly that the new broad gauge line should be extended up to Tirupati in view of the growing importance of the town. They accordingly decided to recommend to the railway administration the conversion of the Renigunta-Tirupati section also into broad gauge.

The Committee discussed the policy to be adopted in regard to the question of languages to be used on the name boards at stations, and decided that in addition to the common languages viz., Hindi and

English, the predominant local language should be used and in areas which were bi-lingual, both the languages spoken by the public should be used for the name boards.

### INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

Mr. N. R. Mody (Bombay) and Mr. C. S. Sastri (Madras) have been elected President and Vice-President respectively of the Indian Institute of Chartered Accountants.

### DELEGATION TO RUSSIA

The Government of India, on the recommendations of the 3-man (Vasist) Indian Railway Delegation, which recently visited the European Railway Systems, have decided on adopting the following on Indian Railways.

1. Provision of sleeping berths for long distance 3rd class passengers of Indian Railways.

2. Throwing open dining Cars on trains to 3rd class passengers also instead of restricting them to Upper Class Passengers only as at present.

3. Abolition of separate entrances and exits at Railway Stations for 3rd Class and Upper Class Passengers.

4. Provision of efficient Information Services at Railway Stations.

Proposals still under consideration are :

(i) feasibility of using vestibule type compartments on trains,

(ii) introducing telescopic scales for passenger fares, and

(iii) increasing of ticket checking staff in running trains.

### COMMONWEALTH AUDITORS—GENERAL'S CONFERENCE

Auditors General of nine Commonwealth Countries started a five-day

conference in London on 13th September 1954 to pool their experience. The countries represented are: Britain, Canada, Australia, New Zealand, South Africa, India, Pakistan, Ceylon and the Federation of Rhodesia and Nyasaland.

Each of the Auditors General is an independent Statutory Authority in his own country and though there is no question of applying uniformity or adopting correct practices, there is likely to be much valuable information which could be learned from practices in other countries from problems of similar nature arising in all audit of public accounts.

### RAILWAY PROSECUTIONS

It was recently reported that a Railway employee drew pay for a period of 3 months in respect of a peon whom he was reported to have appointed under his own powers, but whose whereabouts were not known. There were conflicting decisions in the various courts as to the offence of abetment of forgery and corruption with which the employee was charged. Though he was finally acquitted on the ground of benefit of doubt, it looks as if one of the causes of failure of finding out the truth was the inordinate delay of several years that had elapsed between the date of occurrence and the period of enquiry. It is hoped that in the interests of justice at least in future cases, the authorities concerned will take a more lively interest in trying to collect all available evidence without any loss of time if they want to prevent waste of public money and also not to allow their cases to be quashed in the end for want of adequate proof.

### RAILWAY EFFICIENCY BUREAU

The Minister for Railways in his Budget Speech, had announced the creation of a Railway Efficiency Bureau in the Railway Board for effecting certain improvements in efficiency and economy of operation etc. on Indian Railways.

We feel that even greater attention is required to be paid by the various Offices in regard to the disposal of references made to them as expeditiously and completely as possible. Any neglect or indifference in this direction is likely to lead not only to congestion but also inefficiency and to create wrong impressions in the minds of the correspondents. It is hoped that suitable orders will be issued to all concerned forthwith.

### FRENCH HONOUR MR. TATA

Mr. J. R. D. Tata, Chairman of the Air India International has been conferred the Cross of the "Honour of the Legion de' Honneur" (Legion of Honour) by the President of the French Republic on 17th September, 1954 in recognition of the services rendered by Mr. Tata to the cause of Aviation. We are proud of this International Recognition and tender our congratulations to Mr. Tata.

### RECONSTITUTION OF Rly. BOARD

With effect from the 1st October 1954, the Railway Board has been reconstituted as under:

*Chairman:* Mr. G. Pande (formerly General Manager of the Ganga Bridge Project).

*Members:*

Mr. P. C. Mukerjee (formerly General Manager of Eastern Railway),

Mr. K. P. Mushran (formerly General Manager of Western Railway), and

Mr. K. B. Mathur (formerly General Manager of Northern Railway).

*Financial Commissioner for Rlys.:* Mr. P. C. Bhattacharyya.

The Chairman will have the Status of the Secretary to the Government of India in the Ministry of Railways and all policy as well as other important matters would be put up to the Minister only through him. This became necessary in recognition of the imperative need for scientific planning and for expediting

implementation of large schemes which the Railways will be called upon to undertake in the coming years.

"The Railway Board in the coming years will specially have to keep itself posted with the trends in the country, its needs and requirements and plan for the future with imagination and wider perspective under the guidance and direction of the Minister" stated the Railway Minister in the Lok Sabha on the 24th September, 1954, while announcing the changes. These changes reverse the arrangements made by the previous Minister, the late Mr. N. Gopalaswami Ayyangar. The previous Chairman and Members of the Board have all been replaced, excepting the Financial Commissioner for Railways.

### COMPENSATION FOR GOODS LOST OR DAMAGED

The Railways are paying nearly Rs. 3 crores by way of compensation for goods lost or damaged and all possible steps are being taken by the Railways for prevention of claims and keeping the loss on this account to the minimum. Complaints of delays in settlement of compensation claims are very often received from the public, but there seems to be a wide-spread misapprehension that the Railways are liable to pay compensation for goods lost or damaged in transit under *all* circumstances. This misapprehension has been cleared by Mr. T. A. Joseph, General Manager, Southern Railway, Madras, in his address on "Damages and losses in Transit" to the Southern India Chamber of Commerce, Madras on 31st Aug. '54.

Mr. Joseph said that generally the public did not appreciate the grounds on which the railways rejected compensation claims. They thought that now that the railways were owned by the Government, it was unreasonable on the part of railways to reject claims.

The Administration was trying its best to reduce thefts, pilferages, etc. on

the railways, and the Watch & Ward staff was also being strengthened.

Mr. Joseph pointed out, the liability of the railways to pay compensation, was very clearly laid down under Section 72 of the Indian Railways Act. The railway was a bailee for the goods entrusted to its care, and the care it had to take was only that which a man of ordinary prudence would take in respect of goods under his care. When the railways took over goods from the sender, its liability was not absolutely bound to the sender for the goods. It would be responsible for negligence, or malpractices or misconduct on the part of its employees. They should not confuse the railways with the Government, though the latter now owned it. The roots of the railways were in the private company of the past and they were governed by the laws of those companies of the past.

Mr. Joseph appealed to the trade to conform to the packing conditions prescribed by the Government of India, even if it meant a little additional cost to them.

### PRESENTATION OF ACCOUNTS

The weekly Journal "The Accountant" London, has instituted a scheme under which an award is to be given annually to a Company whose annual accounts are adjudged as the best presented and most informative". The first Annual Award for 1954 goes to Messrs. Thos. W. F. Ward (Iron and Steel Masters, Engineers etc.) Sheffield and the presentation was made by the Rt. Hon. the Lord Mayor of London, Sir Noel Bowater, Bt, M. C. at an impressive function held in the Hall of the Worshipful Company of Tallow Chandlers, London. Such awards go to stimulate the preparation and presentation of accounts in a form which not only complies with legal requirements but is accompanied by a statement which sets out data, where necessary comparative, as to the activities and nature of business of the Company, which will be quite illuminating. Indeed,

in India also there are several companies (to quote only one instance, Messrs. Tatas) who present their accounts in a most informative manner accompanied by Statistical and other detailed information of interest not only to the shareholders but to the public. But this practice is at present confined to a few forward companies and it is public opinion that should assert itself to make this more prevalent. We would, if we may, suggest to the Indian Institute of Chartered Accountants to institute such an award in India also. While this may not be expensive, the benefits to the public to be derived therefrom, cannot be gainsaid.

On the Indian Railways, prize schemes at present exist for the best maintained station etc. Why not extend this principle to the best presented Station Accounts also? The top stations may be grouped and a competition award instituted on each Railway for the best presented and most informative station accounts. Details as to what constitutes "best presented and most informative" can be easily worked out and a panel of Judges (two Senior Accounts Officers and two Senior Traffic Officers) may examine the accounts and recommend the award. We have no doubt that at a time like this when Station Accounts and Returns are not only delayed (or not forth-coming) but are incomplete in many respects, all attempts to improve the position should be welcome and the institution of an award as suggested above is bound to give rich dividends.

#### INDEPENDENCE & INTEGRITY OF THE ACCOUNTANCY PROFESSION

Mr. C. R. Srinivasan (Local Director, Reserve Bank of India) addressing the Chartered Accountants at a meeting of the General Body of the Institute of Chartered Accountants (Madras Region), emphasised that the Accountancy profession was bound up with two important basic factors, viz., independence and integrity. That this applies with equal

force to the specialised profession of Railway Accountant, goes without saying. The fact that Chartered Accountants are generally Auditors of public Companies etc., exercising their profession independently, while Railway Accountants are in service, does not in any way diminish the importance to the latter of the basic requirements of independence and integrity expected of the Accountancy profession generally.

Railway Accountants certainly owe a duty to the tax-payer who depends on them to the discharge of their functions fearlessly and without favour, to safeguard the financial interest of the tax-payer. An idea of the magnitude of the responsibility of Rly. Accountants can be got easily if it is remembered that they have to deal with an annual revenue income of the order of 275 crores of rupees and expenditure from revenues of over Rs. 200 crores, apart from expenditure met out of Capital Funds, Development Fund and Depreciation Reserve Fund, totalling several crores every year, and expenditure on purchase of stores, workshop manufactures etc.; and there are only about 10,000 qualified Accountants (which term includes Accounts Inspectors also for the present purpose) all over India to deal with these huge transactions. A responsibility rests on each one of the Railway Accountants and while there may be (and is) scope for improvement as in the case of all other professions, the way in which they have risen to the occasion both during the war years and after despite the severe handicaps due to a number of causes which were common to all the professions, undoubtedly reflects great credit on the efficiency independence and integrity which we may well hope will be upheld and maintained by them in future also.

#### COMPILATION OF COMMERCIAL CODE

It may be remembered that Sri Surjan Singh was placed by the Railway Board

on Special Duty for the preparation of Indian Railways Commercial Code. It is not quite clear whether the Code will embrace merely executive matters relating to the Commercial Department such as development of traffic, procedure at stations for booking and delivery of goods, parcels etc., and so on. In any case, the Manual has necessarily to touch on points relating to Station Accounts in some form or other, and it would be eminently desirable if an Accounts Officer is associated with the preparation of this Manual, so that accounting and financial aspects may be adequately covered with special emphasis on precision and correctness in regard to the accounting procedure etc.

#### FACTORY FOR PRODUCTION OF LOCOMOTIVES

Sardar Swaransingh, Central Minister for Works, Housing and Supply announced that another Locomotive Workshop with increased production capacity than the existing one at Chittaranjan would soon be set up in India. Further details are wanting.

#### LOCOMOTIVES FOR INDIA FROM THE U. S.

Under the Indo-American Operational Aid Agreement, the U. S. had agreed to make available 20 million dollars for the purchase of 100 locomotives and 5000 wagons by India, on the basis of a global tender. Subsequently at the instance of the manufacturers in U. S., it was settled that 50% of the contract should be placed with manufacturers in the U. S. and the rest with the lowest bidder in the World Market outside the U. S. S. R. The extra cost needed to supply the number of units already agreed upon would also be borne by the U. S. Accordingly, orders for the purchase of rolling stock are placed with U. K., Japan, West Germany & Belgium, in addition to U. S.

#### CONCRETE COSTING

An interesting article on "Concrete Costing" by Sri J. N. Bose, M.A., F.C.W.A. (London), F.I.C.W.A., Vice-President, Institute of Cost & Works Accountants, Calcutta and Cost Accounts Officer, Damodar Valley Corporation, appears in the Institute of Cost & Works Accountants Bulletin for August, 1954. The procedure adopted for assessing the Unit Cost of Concreting works in the Damodar Valley Project has been described in detail. It seems concreting work is done on that Project both departmentally and by contract, and a Cost Sheet is prepared comparing the Unit Costs under both the agencies. A monthly Cost Sheet of concreting work is prepared, indicating, for each ratio of mixture, the Unit Cost under the following heads:—

##### I. Prime Cost

##### (a) Direct Materials

- (i) Cement
- (ii) Aggregate
- (iii) Sand
- (iv) Carr. of Materials
- (v) Gravel Washing

##### (b) Direct Labour (Pouring)

##### 2. Direct Charges (Personnel-Supervisory staff).

##### 3. Overhead

- (a) Ord. Tools & Plant
- (b) Machine Operating Cost
  - (i) Department
  - (ii) Hire charges
- (c) Electricity
- (d) Establishment & Administration
- (e) Departmental Transport
- (f) P. F. Contribution
- (g) Miscellaneous

##### Total

##### (h) Interest (Pro forma Charge)

##### Total (Including Interest) ...

In order to ensure that the contract rates are not excessive, we would suggest that on the Railways also important items of work should be done both by contract

and by departmental labour in well-defined areas and Costs compared. It has of course also to be ensured that one agency does not get mixed up with another resulting in departmental labour and materials being used by contract agency.

### THE INTEGRAL COACH FACTORY, PERAMBUR, MADRAS.

#### PROJECT AT A GLANCE

|                        |                   |
|------------------------|-------------------|
| Production per year    | 350 Ry. Coaches   |
| Scheduled to start     | In middle of 1955 |
| Workers to be employed | 4,000             |
| Capital expenditure    | Rs. 7 crores.     |

### REQUIREMENTS OF LOCOMOTIVES

About 9,200 locomotives in good serviceable condition are required to meet the immediate requirements of the Indian Railways. Of this, about 8,400 are at present available in service. It is estimated that an average of about 450 new locomotives will be needed annually. Locomotives made in India cost nearly Rs. 6 lakhs each; those imported from Japan cost Rs. 3.2 lakhs and those from Germany, Italy and other countries Rs. 5.5 lakhs.

### RAILWAY SERVICE RULES

The following changes were made in 1954 in the Railway Services (Safeguarding of National Security) Rules, 1949, to remove certain defects as under:

(1) Authority competent to pass orders of termination. Formerly it was stated "appropriate authority", now altered to President.

(2) Formerly those served with notice of suspension were asked to go on leave: changed to their being placed under suspension to give them the benefit of the suspension allowance.

The right of the employees to seek redress through Courts of Law has not been taken away.

Normal punishments for Railway Officers found guilty of corruption are: withholding of post-retirement passes for two years and of annual increments for periods ranging from 1 to 3 years.

### TRANSFERS OF THE EX-MEMBERS OF THE RAILWAY BOARD

(1) Mr. S. S. Vasist, after relinquishing Office as Member of the Railway Board, was appointed Adviser to the Ministry of Rlys. to deal with certain special problems confronting the Ministry.

[Mr. Vasist's report on his recent two-month study tour of the Russian and continental Railways is awaited.]

(2) Mr. V. Neelakantan, formerly Member (Staff), Railway Board, has been appointed as Managing Director of the Sindri Fertilizers and Chemicals Ltd.

### RECOMMENDATIONS OF THE ESTIMATES COMMITTEE AND ACTION TAKEN THEREON BY THE UNION GOVERNMENT

Appointment of Treasury Officers to Executive Departments (as existing in the United Kingdom) was being considered along with the question relating to internal financial advice within each Ministry and a suggested change in the existing system of budgetary and financial control.

Regarding contingent expenditure, the Government stated that the Financial Ministry must ultimately have the power and responsibility for ensuring propriety and economy in all Government expenditure. Subject to this general principle, the Government have already accepted the need for maximum possible delegation and devolution of financial autonomy.

Regarding a separate demand for expenditure incurred under the Five year Plan, the Statement read: "The inclusion of an item in the plan does not make any difference in the responsibility of the controlling authority. A consoli-

dated demand will be somewhat artificial and will be unwieldy and will tend to blur the responsibility of the respective Ministries. It is, therefore, neither necessary nor desirable to have a separate demand as suggested".

The question of the relationship of the Imperial Bank with the Government will be considered in connection with the reports of the Shroff Committee and of Rural Credit Survey, stated the Report.

On the working of the purchase organisation, the Statement says that the financial decision will be taken on receipt of the full report of the Stores Purchase Committee, expected soon. The Estimates Committee had observed that it was not correct that the purchase organisation should be run as part of the Government Department or Consular Office in U.K. & America on the same principles and procedure of Government Department and manned by the same kind of personnel.

## Readers' Forum

It is seen that advantage is not taken of this section of the Journal by readers. There is no doubt whatever that there are many aspects engaging the attention of the staff and creating in their minds many doubts upon which clarification would be welcome. The Readers' Forum section of the Journal affords a suitable opportunity for indicating all such doubts, difficulties, intricate points and with a view to elicit replies, explanations, clarifications etc. It is anticipated that readers and subscribers of the Journal will make good use of the Journal in this respect.

*Mg. Editor.*

In the advance correction slip proposed for paras 132, 324 and 398 of the Stores Code for the Railway Department, it is noticed that the monetary limits for the calling of public tenders have been enhanced as shown below:

Limited tenders from Rs. 5,000/- to Rs. 10,000/-

Open Tenders from "Rs. 5,000/- and above" to "Rs. 1,000/- and above."

It is, however, seen that the corresponding limit of Rs. 5,000 laid down in para 1111-E has not been correspondingly altered to Rs. 10,000/- for application to engineering works. It may be made clear whether the limit of Rs. 10,000/- is or is not applicable to Engineering works.

N. C.

### EXCLUSION OF CREDITS FROM THE SCOPE OF DEMANDS FOR GRANTS

The object of exclusion of credits from the scope of Demands for Grants is to get the Vote of Parliament for the gross expenditure to be incurred by the

Railways, and to prevent unanticipated credits being utilised for incurring excess expenditure.

In the case of Replacements and Renewals works chargeable to Depreciation Reserve Fund, the credit for released materials is no doubt excluded from the scope of the Demand, but the dismantling charges of the existing assets and freight and other incidental charges relating to the return of the released materials are taken in reduction of the credit for released materials: vide description of the Head A. 4300 etc. and thus the Vote of the Parliament is not obtained for the debits on account of such charges viz., dismantling etc. It would appear to be necessary, in keeping with the general principle of exclusion of the credits from the scope of Demands for Grants, that these incidental charges relating to released materials should be provided for under gross expenditure, the credit being confined to the value realised by the disposal of the released materials only.

KALAB

### SERVICE BUILDINGS USED AS RESIDENCES

It is laid down in paragraph 1962-E that, if at any time service buildings such as rest houses etc., are, with the sanction of the competent authority, used as residences, *standard rent* for the portion of the building occupied should be recovered from the occupant. A doubt arises as to what the "standard

rent" connotes. The standard rent as per Fundamental Rules is 6% while in accordance with paragraph 1908-E, a return of 4% per annum on the total cost is required for building constructed as Railway Quarters. The rule contained in paragraph 1962-E requires to be made more precise by defining what the term "standard rent" means for the purpose of that rule.

### Personnel

#### APPOINTMENT OF RAILWAY GENERAL MANAGERS

Consequent upon the transfers of several General Managers to the Railway Board from 1st Oct. '54, the following postings are announced by the Railway Ministry :

Mr. H. K. L. Sethi, Director, Civil Engineering, Railway Board—Ganga Bridge Project.

Mr. P. N. Saxena, Director, Establishment, Railway Board—Western Rly.

Mr. A. K. Basu, Director, Traffic (General) Railway Board—Eastern Rly.

Mr M. K. Kaul, Senior Deputy G. M., Northern Railway—Northern Rly.

Sri K. J. Chandra, Dist. Traffic Superintendent, Southern Railway, has been appointed Deputy General Manager for Passenger Amenities on the same Railway. His Office will be at the Headquarters of the Southern Railway.

[This is in reference to the Railway Board's recent announcement of Special Officers for Passenger Amenities—referred to at page 158 of the Journal.]

Mr. M. C. Sivasankaran, Dy. C.O.P.S., Southern Railway, has been promoted as C.O.P.S. on the same Railway in place of the late Mr. S. R. Sarma.

### Students' Corner

Topical problems which require elucidation etc., and points requiring discussion may be communicated by Readers and Subscribers to the Managing Editor for necessary action, so as to give their full benefit to all the Students interested in them.

Mg. Editor.

#### PAYMENT OF COMPENSATION BY RAILWAYS

The amount paid by way of compensation for damages or losses in transit of consignments accepted by Railways for transport is becoming increasingly heavier year after year. It becomes, therefore, necessary to investigate the

causes that lead to these claims and how best the root of the evil can be tackled to prevent the amount swelling; and, if possible, also to see that the amounts are considerably reduced hereafter. It is obvious that prevention is always better than cure and that therefore it would be better to prevent or remedy the causes that give rise to these compensation

claims, rather than to cure them by meeting the claims to some extent or other, when once they have actually occurred. It is only when the causes are beyond the control of the Railway administration that the payment of compensation can be justified. In the following paras, a few of the very common causes that may give rise to claims are analysed and measures that can possibly be taken to prevent continuance of the causes are also enumerated. By a careful observance of these various measures by the executive, it may be possible, ere long, to cut down expenditure on account of compensation claims payments considerably.

A very common cause is pilferage and theft. Pilferage may include cutting through flap doors of wagons or cutting through panels of wagons and extraction from packages, gunnies etc. Theft, on the other hand, may include thefts in running trains or while wagons are in yards or sheds or on Platforms or those committed in passenger brake vans in charge of Guards. Some of the remedial measures that can be adopted in connection with these are: strengthening watch and ward staff and the Railway Police and also to make the Police Staff accompany trains conveying valuable consignments. Mobile squads of watch and ward staff may also exercise supervisory check over valuable parcels carried in passenger trains. The damage done through flap doors of wagons may be remedied by provision of wooden battens or putting in dummy loading near the doorways or the proper rivetting and locking of wagons. In regard to Stationary vehicles, the provision, as far as possible of covered and closed-in accommodation or of strong rooms for valuable commodities may be effective preventive measures. Better lighting and fencing of yards at Station premises may facilitate prevention of thefts.

Another common cause giving rise to claims is the misdespatch of the consignments and sometimes also their exchanges. Such mistakes occur either by incorrect

marking on packages or due to irregular and incorrect preparation of wagon card labels or wrong loadings or repackings, all of which mostly point to slack or bad work on the part of the station staff. The methods that can be used as preventives are the use of marking ink or tin plate stencils and brushes; strict observance of obliterating old marks; and ensuring correct preparation of wagon guidances and wagon seal card labels showing booked routes, preferably in block letters in full, without the use of codes. Action may also be taken to promptly advise Train Controllers in case of unconnected wagons at Stations.

The Public should also be educated so as to provide sufficient facilities for identification of the packages or wagons in case of their getting unconnected. As a further measure, all wagons said to be empty should be closely examined to see that there are not left therein carelessly any consignment which required unloading or which have been loaded without entries. The provision also of Luggage Guards, Assistant Guards and Brakesmen to augment the running staff wherever necessary, may also considerably lessen the chances of misdespatch or exchange.

Yet another cause for the compensation claim may be the delays in transit of either wagons or consignments. The proper arrangement of goods trains for clearing loaded wagons and packages offering is the best remedy. The despatches should be regulated so as to prevent congestion in goods sheds, leading up to hold-ups in traffic yards. Hence action is required to be taken in this connection as and when necessity arises without any waste of time.

Another important cause is damage to consignments by deterioration due to delayed transit; wetted by rain due to use of non-watertight wagons; oil and other stains due to loading in wagons not properly cleaned; bad handling and loading; rough shunting; and accidents by fire. Frequent exami-

nation of wagons in regard to their water-tightness would prevent one of these causes. The use of tarpaulins for protecting consignments liable to be wetted by rain is another remedial measure. Delays in yard or in transit should be avoided by proper and efficient marshalling of trains requiring quick transit. Bad handling can be avoided by use of hand-barrows and trolleys for packages containing fragile goods etc. Provision of fire-fighting equipments ready to hand for emergent use would be very helpful in putting down fire accidents.

It will be seen from the above that in almost all the cases, the human element is a great force and with the best of intentions and with the largest facilities for preventive measures, unless the men in charge take an interest in their duty and discharge them efficiently, prevention of causes like damages, theft, delays etc. becomes impossible.

(Contributed)

#### PUBLIC ACCOUNTS COMMITTEE

This Committee consists of 15 members elected by the Legislature annually. The Chairman of the Committee is usually a member of the political party in office. This Committee examines the appropriation accounts and the Audit reports thereon as part of the functions of the Legislature and submits its reports, to the Parliament for consideration. The Committee has (1) to satisfy itself that the amounts as voted by Parliament have been spent according to the details of the estimates set out at the time the budget was sanctioned and (2) to report to the Parliament (a) all cases of breach of principle that reappropriation should not be made from one grant to another grant and (b) the reappropriation made by executives within the grant which is not in accordance with the rules and orders in force; and (c) all matters which the executive have requested to be brought to the notice of the Parliament.

The Public Accounts Committee is primarily concerned in ascertaining whether the amount voted by it has been spent according to its determination, regularity and propriety. The Committee will examine all the matters included in the appropriation accounts, audit reports and Auditor General's comments thereon and express its opinion on the conduct of the administrative departments and comment upon waste, improper financial administration and nugatory expenditure and record its recommendation. This Committee is not an executive body and has therefore no powers to disallow any items or to pass an order. Their recommendations are, however, circulated to all Government Administrative Departments for implementation, wherever necessary. This Committee is also advised of the action taken by the Government on their recommendations.

#### ESTIMATES COMMITTEE

The Estimates Committee is one constituted at the Centre as well as in each State at the commencement of every budget session to examine such of the estimates as may seem fit to the Committee and suggest economies consistently with the policy underlying the estimates. The Committee will select a few of the estimates each year and make its recommendations for economy. It is not concerned with the policy but only put through the policy in force with minimum cost to the Government. The Committee has power to examine officials of the departments and record their evidence in connection with the estimates. The Committee continues its examination of the estimates from time to time throughout the financial year and makes its recommendations from time to time to the Parliament.

The Committee at the Centre comprises of 25 members elected by Parliament from among its members. This Committee holds Office for a period of one year. The Chairman of the Committee is appointed by the Speaker from among

the Committee Members. The Committee's Secretariat is provided by the Parliament Secretariat. The Estimates Committee is empowered to examine any of the estimates presented to the House and to suggest the form in which the estimate may be presented and report on the economies consistent with the policy employed in the estimates. The Work of this Committee is of a technical character and the recommendations made by it are usually implemented by Government.

This Committee has superseded the Standing Finance Committee which existed sometime ago and which became unnecessary in view of the constitutional set-up of the Estimates Committee.

#### FINANCIAL IRREGULARITIES

##### I

The Public Accounts Committee of the Lok Sabha has viewed with "concern" that "elementary and commonsense precautions" were ignored in the matter of a series of important contracts for the purchase of stores in foreign countries involving large sums of money and that well-known business and financial procedure and established practices were also overlooked. They have also pointed out that intermediaries were imposed without justification in most of the cases and it is not possible to hold that the lapses were merely procedural or due to defects in rules. In view of the limitations under which the Committee functions, they have suggested that the question of the extent of individual responsibilities can be assessed only by a high level committee consisting one or two High Court Judges. These observations relate to contracts entered into in London and in regard to which certain irregularities have been pointed out in the Committee's Reports on the Defence Services for 1951-52. These Contracts are

- (1) The Jeep Contract;
- (2) Two contracts for purchase of Defence Stores;

- (3) Purchase of Aviation Stores; and
- (4) Procurement of blankets in the U.K.

The Committee's observations in their report are reproduced below *in extenso*.

It is hoped that other Ministries will also benefit by these observations and not give room for the occurrence of such patently serious financial irregularities.

#### Need for Closer Estimating

Pointing out that the standards of budgeting for the Defence Services during the years under the review are not still very satisfactory, the committee has expressed the hope that the need for closer estimating would be impressed on all the branches of the Defence Services.

An instance of 'defective budgeting' noticed by the committee in the accounts for 1949-50 was that a sum of Rs. 1,05,60,000 was provided for twice for the same stores.

The committee has desired that over-estimating should be "scrupulously avoided" and urged that a strict watch should be maintained upon the observance of its instructions.

As regards store accounts, the committee has observed with "regret" that the Financial Adviser, Defence, had to make reservations in his certificate with regard to the attaining of satisfactory standard of store accounting, especially in the Ordnance and Air Force Store Depots, and had stated that in several cases, stores had not in practice been linked with the goods actually received by them with the particular consignments.

After referring to "serious defects" in the store accounts of almost all the three services pointed out in audit reports, the committee says that it is "concerned" to find that even so long after the end of the war, store accounts should still be inadequate for their primary purpose of ensuring that the quantity and location of stocks available to meet the requirements of the services are known with reasonable accuracy. "Needless to say",

the committee adds, "this knowledge is essential for the efficient administration of the services."

The Committee further observes: "whatever excuses there may have been, valid or invalid, during the war and the post-war periods, the latter of which was affected to some extent by the Partition, it is imperative that the store accounts should be improved and brought on an entirely correct basis."

"The Committee was informed that satisfactory arrangements would be made to maintain correct stores accounts and to conduct necessary stock-takings in order to ensure the efficient administration of stores."

"The Committee trusts that these promises are being implemented and that the authorities will satisfy them in this matter."

"It is essential," the Committee emphasised, "that adequate and efficient manpower should be employed for the administration of stores and the maintenance of satisfactory accounts".

#### "Jeep Contracts"

Referring to the "jeep contracts", the committee says that in an earlier report it had expressed dissatisfaction over the manner in which this transaction was conducted. It was then informed that the Government of India had entered into a new contract in March, 1951, with a new firm S. C. K. (Agencies), Ltd., which provided for the purchase of 1,007 jeeps at £ 458 per jeep and for the new contractor giving a credit to the Government for a sum of £ 1,43,162 being the loss incurred on the first contract with Anti-Mistants. All liabilities and obligations of the first contract with Anti-Mistants were assigned to the S. C. K. (Agencies). The entire supply of jeeps was to be completed by September, 1952.

The committee notes "with regret" that contrary to all promises and in violation of the terms of the new contract only 49 jeeps had so far arrived in India, one

jeep being held in Belgium as specimen to guide inspection. The present position seemed to be that the new firm was not willing to supply any more jeeps at the contracted rate and the Government were contemplating a civil suit for recovery of losses incurred by them.

It had been accepted by the Government that under the first contract for the purchase of 2,000 secondhand jeeps, it had incurred a loss of £ 1,43,162 (approximately Rs. 19 lakhs). With the supply of 49 jeeps the committee says the loss might be said to have been reduced by only £ 7,100 (approximately Rs. 94,667). The new firm had repudiated its liability to indemnify the Government against the damages for the breach of the contract and had stated that the contract was at an end.

"The entire trouble arose", the committee observes, "from non-observance of the terms of the contract with Anti-Mistants Ltd. Payments were made without proper inspection. The matter was further complicated when the relevant clause of the contract was modified to require certificate for 10 per cent inspection only. It was due to the above two factors that £ 1,60,000 were wrongly paid to Messrs Anti-Mistants and the bulk of this money has not been recovered either in cash or in the shape of goods. The committee fails to understand as to how the new contract improved the position."

The committee has mentioned the following as "objectionable features" of the first contract: 1. Short-circuiting of the normal procedure which lays down that the D. G., I. S. D., London, assisted by his legal and financial advisers should deal with such contracts; 2. Failure to invite tenders; 3. A newly-formed private limited company, which was not an established firm dealing in jeeps and whose antecedents and financial stand were not known was selected; 4. Failure to obtain the necessary bank references and securities for the performance of the contract and for advance payments made;

5. Unjustified revision of the contract, which made large payments possible without proper inspection certificates; 6. Payment of the second instalment of £ 81,575 without any certificates of inspection for 502 jeeps; and 7. Failure to proceed against Anti-Mistants for the recovery of such damages on account of the non-performance of the contract as might have been possible.

#### Question of Reliability

The committee points out that the Defence Ministry submitted a document purporting to be a bank reference which ran as follows: "We consider both to be respectable. Although we are not fully conversant with their financial resources, in our opinion they are men, who can be relied upon to fulfil their undertaking in connection with a business contract."

In the committee's view, any one conversant with banking and business procedures will unhesitatingly refuse to accept the above as a bank reference, particularly in the context of a transaction which involved crores of rupees.

The committee has felt that it was not desirable that in the case of the new contract, the High Commission, before entering into negotiations should have obtained reliable information from the Government of the country, the trade or other reliable sources about the commercial and financial standing and capacity of S. C. K. (Agencies) as well as its individual members, especially as personal guarantee of these members was being accepted.

"The offer of S.C.K. (Agencies), a new firm, to make good the loss of £ 1,43,162 suffered by the Government in their deal with the Anti-Mistants without a *quid pro quo* should not have been so readily accepted at its face value."

The committee observes that although the comments on this deal were made known to the Government through its second report, yet no effective action had been taken by Government against persons, who were responsible for transact-

ing such an unbusinesslike deal in disregard of the administrative and financial rules.

#### Purchase of Defence Stores

Referring to another contract for purchase of defence stores, the committee states, the requirements of the Government of India were communicated to the High Commission in London on December 22, 1950. Within eight days of this communication, the S. C. K. (Agencies), London, became intermediaries for the negotiation of this contract. When questioned by the committee as to when the firm became the agents of the manufacturers, a letter was produced by the Defence Ministry, which showed that they were appointed on December 30, 1950, to negotiate for the supply of the same quantities of defence stores to India as stated in the indent sent to the High Commission for India on December 21, 1950. This firm was constituted as a private company only on June 20, 1950.

"It is amazing" comments the committee, "how the exact military requirements of the Government of India, which are of a confidential character, became known to a private firm within eight days of their communication by the Defence Ministry to the High Commissioner for India in London".

An independent enquiry into the circumstances in which the information leaked out to a foreign private firm would appear desirable, the committee feels.

#### Aviation Stores Affair

Referring to the contract for purchase of aviation stores of the value of £ 8,115, from Messrs Aircraft Instrumentation Ltd., London, the committee says that repeated shipping instructions for the delivery of the stores were not complied with, and in April 1950, the shortfall in deliveries amounted to approximately £ 5,800. Meanwhile, the firm had been taken over by another which, on being approached by the India Stores Department to fulfil the balance of the contract,

supplied a few of the outstanding items valued at £ 1,169, but pleaded inability to complete the supply of the remaining items on the ground that they had not been informed on taking over the old company of any outstanding contracts with the I. S. D. and that they were themselves in financial difficulties as a result of their having advanced large sums on the basis of a false balance-sheet and fraudulent misrepresentations. The question of legal proceedings was stated to be under consideration by the High Commissioner for India in London.

The committee is "distressed" to note that in this case no steps were taken by the D.G., I.S.D., London, before placing the order to the value of £ 8,115 or making the advance payment, to verify the credentials and financial standing of the firm, Messrs. Aircraft Instrumentation Ltd., which was a private company with a nominal capital of £ 2,000.

The committee has expressed its disapproval of the action of the Air Adviser in London in having "gone out of his way" to suggest the name of a particular firm not even on the approved list of contractors. The committee thinks that if the Air Adviser recommended some firm, which was unsuitable, which failed to execute the job, "he cannot escape responsibility".

#### Procurement of Blankets in U. K.

Dealing with the contract for purchase of 50,000 blankets from a firm in the United Kingdom, the committee refers to "serious irregularities, procedural and technical" and says that when the blankets arrived in India between May and July 1949, they were found to be "infested and unserviceable."

As the unserviceable blankets could be disposed of in India by public auction, the actual loss sustained by the Government was not heavy, "but the committee is constrained" to point out "that in matters of stores which are urgently required, their supply within the stipulated time is absolutely essential. In this

case, the blankets arrived long after the stipulated date at a time when summer had set in and the blankets were of no use to the troops till the winter. "The matter becomes serious still if the stores received are found unfit for use by the army."

The committee is of the opinion that both the Ministry of Works, Housing and Supply, and the D. G., London, have been "neglectful" in their duty to enforce proper standard of inspection and observance of the contract by the firm concerned.

The committee has also "noted with concern" the admission of the departmental officials that the departmental files regarding this transaction had been destroyed, and recommended that the existing instructions regarding destruction of files should be carefully examined and modified to ensure that Government interests are not jeopardised by premature destruction of files.

#### Need for Greater Care

To sum up the recommendations of the committee on the purchase of stores in foreign countries, "no contract should be negotiated through intermediaries having little or no standing or which appear to have been formed a few months before the contracts are negotiated.

"It is also essential that in all cases, where contracts or transactions are entered into with private firms, every care should be taken to verify their financial position through banker's reference or by consultation with the Government concerned.

"It is always desirable that when dealing with private firms in a foreign country to take both our Ambassador in that country as well as the Government concerned into confidence, particularly as in these days supplies of defence stores are not possible from a foreign country without concurrence and co-operation of the Government of that country.

#### Import of Batteries

The committee notes that of the various types of batteries valued at about Rs. 55.93 lakhs imported from the U.K. for providing power for army wireless sets, a number of them valued at Rs. 29 lakhs had been condemned in an ordinance depot. The representative of the Ministry stated that the losses were due either to defective supply by the U. K. authorities or to over-provisioning.

The committee regrets that the U. K. War Office, who arranged the supply of these batteries, when asked to replace the defective batteries, refused to do the needful on the following ground, which does not appear to carry much weight; "We appreciate that these batteries have not stood up as they should have done, but this has been the same for all our customers, as indeed it has been for ourselves."

The Committee has suggested that the High Commissioner for India in London should be asked to pursue the question of early settlement of outstanding claims against the U. K. Government, which amounted to £3,788,100 at the end of March, 1953, at a high level "as any further delay is likely to complicate matters."

The committee has deprecated the delays that "generally occur" in the subordinate offices to proceed with disciplinary cases and emphasised that top-priority should be accorded in all offices to this matter.

#### II

The Public Accounts Committee have also strongly criticised the inordinate delays by Government in arriving at decisions in disciplinary cases against officials found guilty of misuse of public money and dereliction of duty. This has been particularly dealt with in regard to what is called the Fertilizer Deal case. This case relates to the purchase of 250 sets of Agricultural implements from Messrs. Pashabai Patel & Co. Ltd. Bombay in 1946. The changing of specification

from time to time without calculating the effect of this change on the ultimate cost of the contract and not finalising them before the placing of the indent is a *very serious lapse* on the part of the indenting as well as the supplying departments and requires severe action. It not only entails loss of public money, but also paves the way for certain malpractices etc. To prevent such a situation, the Committee desired that the changing of specification involving huge financial commitments should not be decided upon at the level of Junior Officers, but in each case sanction of the head of the department should be obtained after due consultation with the accredited Financial Advisers.

The Committee views with much dissatisfaction the indiscreet selection of supplying firms; dereliction of duty in not properly inspecting the finished goods tendered by the contractor; exceeding their financial powers and attempting to shift their responsibility for their acts of omission or commission to other Ministries.

During their visit to several workshops the Committee observed more irregularities about which observations were made as under in the report:

Central Tractor Organisation Workshops, New Delhi, and at Bairagarh (Bhopal): The committee saw "how the Pashabhai implements were lying idle there, rusting with the efflux of time".

New Delhi Workshop: The F. A. O. Expert whose services had been requisitioned by the Government for the remodelling and rehabilitation of the implements informed the Committee that the defects noticed by him in the disc ploughs and pan breakers were due to "faulty design" and "faulty material".

Bairagarh: The Committee was told that the "Pashabhai" ploughs were put on work, but they broke down.

The Committee, therefore, recommended that the Central Tractor Organisation should not proceed with the

**SRI F. C. MANDHANA**  
Accountant, T.A Branch,  
N. Rly., JODHPUR.

## CIRCULAR

### Appendix II Examinations—Railways

The Railway Board having recently ordered the conduct of the above examination by themselves for all Indian Railways annually from January 1955 onwards, in place of similar examinations held by the Railways individually hitherto, it is brought to the notice of the various candidates that they have to face 3 compulsory subjects viz., **Precis Writing and Drafting, Book Keeping and General Rules and Procedure**; and in addition, a paper on **one** optional subject—Coaching, Goods, Books and Budget, Establishment, General Expenditure, Stores or Workshop.

Answers and Guides are available with me for the compulsory subjects and I can also undertake Postal tuition for these subjects provided sufficient number of candidates volunteer.

In regard to optional subjects, I have collected together questions set on the various Railways right upto 1952 and copies thereof are available at nominal prices. The following books are also available at specially reduced rates as indicated against them, with effect from 1st October 1954. Those interested may order for the copies by sending **advance remittance** to cover the cost and packing postage charges.

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These books will also be made available with **Messrs. BAHRI BROS.**, 188, Lajpat Rai Market, Delhi 6.

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27th Sep. 1954.

**L. V. GOPALAN,**  
*Retd. A. A. O., ex-M. S. M. Rly.*

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## QUERIES AND REPLIES

MISSING JOURNALS: Complaints are being received from subscribers of non-receipt of Journals sent to them in the normal course. As personal attention is being paid to the despatch of the copies to every subscriber, the responsibility for missings in transit should be pinned to the Postal Department. Subscribers may please note that every month's Journal is posted either on the 15th (or a day earlier if 15th happens to be a Postal Holiday.) They may, therefore, kindly watch for the receipt of the Journal in the normal course and prefer a *complaint* forthwith to the *Local Postal authorities* in case of non-receipt.

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BACK ISSUES: Requisitions are being received for back issues of the Journal. Only very few copies of the Issues from May 1954 onwards are available; and the Editor is therefore unable to guarantee supply of the copies required. There are no copies at all of the first Issue for April 1954. The value of each issue other than the current and (which can be supplied) will be Rs. 1-8-0 (plus As. 6 if the copies are desired to be sent by Registered Post.) All such orders should be accompanied by *advance remittances*.

\* \* \* \* \*

STUDENTS' CONCESSION RATE: Several enquiries are being made about the Students' Concession Rate offered for the half year from June to November 1954. Attention of the readers is drawn to the information contained on the wrapper facing page 104 of the Journal, wherein a date was fixed for closing of this concession. Requests for copies at concessional rates will therefore not be entertained hereafter. May Issue is *not* available at concession rate.

\* \* \* \* \*

### Specimen Copies

Occasional requests are being made by intending subscribers for *free specimen* copies of the Journal. It is pointed out that while no such free copies are issued, skeleton particulars of contents of the current issue will be furnished for information. Should however, a journal itself be required, the full value thereof should be remitted along with the request.

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In order to develop the circulation of the RAILWAY ACCOUNTANT and thus to spread its benefits to a vaster area of needy students, enquiries are solicited from such members of the staff as are prepared to undertake the work of canvassing subscribers to the Journal and also for distribution of copies thereof. Such staff as undertake the service will be compensated by way of Books etc., useful to them.

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*Mg. Editor.*

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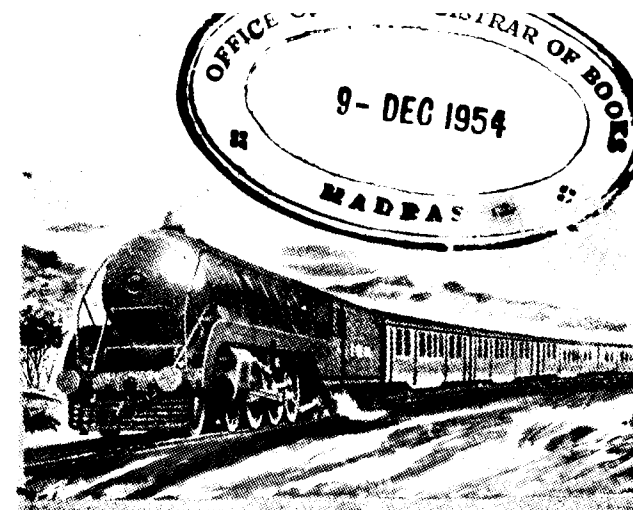
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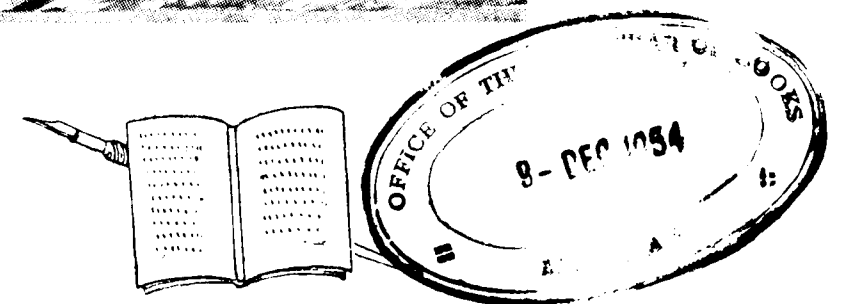
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## EDITORIAL NOTICE

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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## ACKNOWLEDGMENTS

The following Journals and Magazines were received since the last issue :

September '54.

WESTERN RAILWAY MAGAZINE  
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## Organisation of Finance Branch on Railways

In our editorial last month, we described in detail the various handicaps under which the Finance Organisations on individual railways have been suffering from the commencement, and we also hinted that the fundamental question of not only the desirability but the necessity for separation of the Finance Branch from the Accounts Department should be given serious consideration by the higher authorities.

It is of interest, therefore, to know that, in the Tenth report of the Public Accounts Committee on the Appropriation Accounts (Railways) 1950-51 and the Audit Report thereon, the Committee have expressed the view that the Railway Board should discuss with the Comptroller and Auditor General of India, the question of separation of the Finance and Accounts functions on the Railways, especially the position of the Financial Adviser and Chief Accounts Officer in the integrated set-up of Finance and Accounts, and thereafter submit to the Committee a comprehensive memorandum at the time they next take up examination of the Railway accounts.

We may, therefore, expect further action in this direction being taken by the Railway Board in due course, but it may take possibly about a year before anything material reaches even the stage of a suggestion or a draft scheme. Many questions will arise in that connection, not the least important being the widely advertised (rightly or wrongly) difficulty in obtaining the required personnel for manning the divided Finance Branches of the Railways on a status appropriate to the functions attached to the post. On the one hand, it is being argued that suitable personnel are wanting in the Railway Accounts side while, on the other hand, the bogey of extra expenditure that would be necessitated by separating the Finance Branch is put up for nipping the proposal in the bud. The latter argument need hardly be considered with any seriousness in view of the fact that, considering the extra advantage, both financial and otherwise, that would be secured by separating the Finance functions on the Railways and the increasing emphasis that is being laid, and rightly, on public accountability, the extra expenditure on the separate Finance Organisation, compared to the crores of rupees that are being spent on the Railways, should be but negligible.

We have, therefore, no hesitation in saying that the very first reform that should be made on the Railways in regard to financial control is the separation of the financial functions from the accounts functions, and giving the Financial Adviser an independent status from the Chief Accounts Officer, though the Financial Adviser and the Chief Accounts Officer could and should work in close collabo-

ration and co-operation with the common object of achieving the most effective financial control possible. The Finance Organisation on Railways should be so designed that it works more or less on the same pattern as on the civil side. A limited extent of powers in regard to specified items (works, establishment, etc.) should be delegated to the different gradations of the Officers on the executive side, such powers to be exercised *without* financial concurrence. The Finance Branch should be endowed with authority to issue sanctions in well defined cases i.e., those above the limits prescribed for being dealt with finally by the executive.

The Finance Branch should be attached to the General Manager's Office, as an adjunct thereto. In these days when the importance of Management Accounting is coming to the fore in industrial and commercial fields, it is but logical that the Finance Branch charged with the duty of scrutinising proposals for expenditure and other financial issues, should give its unstinted and expert advice directly to the G. M. or the Railway Board where necessary, Management Accounting being only a newcoined term for financial advice and control.

If the Finance Branch, as organised on Railways at present, has not achieved to any great extent the purpose for which this scheme was introduced, the reasons are not far to seek. Indeed these have been explained in our earlier article. The pick of the Railway Accountancy profession should be harnessed to this scheme, and training facilities in the Finance Branches on the civil side should be provided in the first instance, though this should not be taken to mean that Railway Accountants are not at present fitted to do the finance functions efficiently. The point is that, when a scheme is already in force on the civil side, the advantages of such a scheme could be fruitfully utilised on the Railway side also. There should be no half-hearted effort in this direction.

It would not be a bad idea if the Deputy Financial Advisers of the Railways meet together in Conference and discuss across the table the difficulties and handicaps experienced by them in the course of the working of the Finance Branch during these two or three years. It is only through a Conference that ideas can be exchanged, experience can be pooled and new suggestions can be discussed.

### Railway Board's Commentaries on Railway Examinations

We requested the Railway Board sometime ago to place at our disposal a copy of the above Commentaries so that we might study them and furnish some useful advice to the prospective candidates of the S. A. S. (Railways) Examination on the basis of such commentaries in the past. We expected to provide some useful hints regarding the methods of study, the approach to be made for answering etc. The Railway Board, however, do not seem to have understood the spirit in which our request was made, but turned it down by stating "the Commentaries are intended for official use only and it is regretted that they cannot be supplied to outsiders". This has led us into some amount of scrutiny as to the position in which we have been placed and it looks as if the Journal has not been considered in the light in which we propose to run it and have been doing it; viz., that of serving the interests of the Railway Accountancy profession in India. That our claim is just, can be easily seen by the various suggestions that we have been putting up through the Journal, ever since its inception, some of which at least have been very favourably commented upon by reputed Journals outside India. Our desire to educate the candidates for the Departmental Examinations was based on our feeling that, our

Journal being not connected with the conduct of the Examination, would be best suited for such an educative work in the interests of the Railway Accountancy Profession. Furthermore, it has also to be considered that proper facilities are not *always* provided by Railway Administrations to the Staff working under them for adequate preparation for such examinations.

Incidentally, it may be pointed out that the Institute of Chartered Accountants in India, which conducts examinations for declaring eligibility to practise as Accountants, publishes the Examiners' commentaries and thus make them available for perusal by "outsiders" through their Journal "The Chartered Accountant". What exactly the Railway Board intended by the term "outsiders" as used in their letter is not apparent. But even if they meant that any Institution outside the official Railway Administration was an *outsider*, still it does not seem that these commentaries are such as need be shut out from such "outsiders". If, however, the Board feel that the commentaries are not fit to be published in the form in which they are now made available to the Administrations, there was no need for them to fight shy of supplying them to us as we definitely stated what use we were going to make of them. The commentaries are not obviously secret documents, nor such as lay down the policy of the Railways. Barring such items, we are unable to understand why there should be any hesitation in making available to the public, documents of the sort we are referring to. If the results of Government competitive examinations like I.A.A.S., etc giving marks of all candidates, are fit to be printed and circulated as well as commentaries and some "examination howlers", it is hard to justify the action of the Railway Board in not making their commentaries available for reference, even to us whose object is to promote the efficiency of the Railway Accountancy Profession—an object with which the Railway Board should identify themselves. We do not in the least dispute the Railway Board's discretion to make them available or not; but we should like to point out that nothing is gained by keeping them away from the "Railway Accountant" or its readers.

## Revised Railway Convention and Allocation Rules

### Some Reflections

(Contributed)

The whole object of the Revised Convention which came into force from 1-4-'50 was that capital expenditure i.e., expenditure from borrowed funds, should be limited to the utmost extent possible. There is no doubt that this principle has been achieved to a large extent in actual practice during the last four years during which the Revised Convention has been in operation. One may even go further and say that the original idea has been over-done. In fact, quite a large amount of expenditure which would, under the old rules, have been debited to capital, was met either from Revenue under O. L. W. (R) or Development Fund and to a certain extent from Depreciation Reserve Fund (to the extent of improvements). If the new Convention had not been in force, such expenditure would have had to be met from borrowings through General Revenues, and it is just possible that General Revenues might not have been in a position to supply all the required funds for capital expenditure, if such expenditure was charged to capital. Thus, it is quite clear that the Revised Convention has helped the railways in being able to meet quite a large part of expenditure which would have been otherwise chargeable to Capital,

The main question now for consideration would, therefore, be whether and to what extent the Revised Convention should be revised. As will be seen from what is stated above, the main structure of the Revised Convention may be kept intact in order to enable railways to follow a continuous policy with regard to financing new works including new lines, which, though strictly of a capital nature, are not financially remunerative. Thus, the railways will be able to provide out of their own funds, whether from Revenue or Development Fund, for large schemes of operating improvements, passenger amenity works, staff welfare works and new lines. But with the progressive development of railway activities and increased requirements on account of the First and Second Five Year Plans, coupled with the present trends of revenue earnings, the surplus with the railways after meeting all expenses and also the dividend at the existing rate, would be small, and it may, therefore, be necessary in the future to have at the disposal of railways larger amounts of funds than at present. In order to ensure this, the dividend payable by the railways to the General Revenues may be reduced from the present rate of 4% to, say 3½% or even less, in keeping with the money market conditions for long term borrowings. This will not in any way be detrimental to the interest of the General Revenues, because it is undoubtedly the obligation of the General Revenues—as owners of the railway undertaking—to provide all that is necessary for the development of the railways. Further, for construction of new lines which are not remunerative but considered essential in the interests of the general public, the responsibility should clearly be that of the Central Government on its non-railway side, because, if the railway side is to be considered as a commercial undertaking it cannot undertake unremunerative projects. If the dividend payable by the railways to the General Revenues is not reduced, the result would be that the

amount left to the railways would be correspondingly less and to meet the needs for development, the General Revenues will again have to come to the rescue of the railways. So, it would be in the best interests of the tax-payer if the railways were allowed to pay a smaller dividend commensurate with the borrowing rate of interest, and to undertake projects absolutely necessary though unremunerative, from out of surplus funds available with them, either in the Development Fund or any surplus.

It may be argued that the present day cost of the existing railways would be about 3 times the book value i.e., the cost would now be over Rs. 2,500 crores against the book value of about 850 crores and the tax-payer may legitimately expect to get interest on the present worth of the undertaking as in the case of other commercial concerns. But the fact has to be remembered that revenue earnings at the present levels of fares and freights would be quite inadequate to meet such a demand. If, therefore, interest is to be paid to the General Revenues on the basis of the present day cost of the assets in use in the railway undertaking, fares and freight will have to be raised considerably which would mean a burden on the public or the general tax-payer. Thus, if the interest is to be paid on the present worth of assets, then fares and freights may have to be increased by about 70 crores against the present earnings of about 250 crores, i.e., 28%. This would be resented by the public, particularly by the commercial and industrial community who might justifiably feel that the increase in freight will be an unbearable burden and may further retard production and result in closing of existing industries in certain cases. In other words, it might be viewed as an obstruction to the industrial and commercial progress of the country. The tax-payer being thus in the peculiar position of both the owner of the concern as well as the consumer of the service (customer) of the undertaking, he has to choose bet-

ween (a) paying higher fares and freights and getting a larger amount by way of interest on the capital, and (b) paying the existing fares and freights and receiving interest also at a lower rate. Considering the advantages and disadvantages of the respective methods, the latter seems to be more practical and in the interests of the tax-payer.

There are also some other factors which may be noted in connection with the review of the Convention. Though new assets under certain conditions are created out of Revenues and Development Fund, and certain improvements are also charged to Depreciation Reserve Fund, no financial arrangement has been made for providing for their eventual replacement just as is made for assets created from out of Capital by contribution to Depreciation Reserve Fund. This appears to be a lacuna requiring to be remedied. A suitable arrangement might be to subdivide the Development Fund into two parts—(1) for new works and (2) for provision for replacements of works created out of Development Fund or Revenue. If this is done, the amount available under the latter sub-head may be utilised for replacement works chargeable to Development Fund when they have to be carried out in due course.

As regards the rules of allocation of expenditure, these are susceptible of some improvement. The head 'Open Line Works (Revenue)', under which is booked, New Minor Works upto Rs. 25,000, Staff Welfare Works etc., upto the same limit, as also Operating Improvements to the extent of Rs. 3 lakhs in each case, seems to be an unnecessary enlargement of the existing heads of classification, particularly when it is remembered that such expenditure is not booked under any of the Revenue Abstracts by the Railways but in the common pool under a separate major head '15-I Open Line Works (Revenue)' which head should normally be expected to record expenditure common to all the railways as a whole, such as expenditure

on the Railway Board's Office etc., etc. The Head '15-I' is not therefore appropriate to record expenditure on works of this kind relating to individual railways. Such expenditure may be debitable to Development Fund straightaway except that the New Minor Works limit under which the cost of new assets and improvements may be charged to Revenue may be put at Rs. 2,000. Works of a Capital nature should be booked separately from works which are not of such a nature, i.e., replacements and renewals, shifting etc., and provision should also be made as stated earlier year after year for a separate contribution from Revenue to the Development Fund for replacement works initially charged to that head, as contribution to Depreciation Reserve Fund is not now made in respect of such works. This will ensure that sufficient funds are made available for replacement of works not charged to Capital.

At present a write-back from Capital to Depreciation Reserve Fund is made in respect of old assets provided at debit of Capital which are replaced at debit of Development Fund or Open Line Works (Revenue). Such an adjustment is also not necessary, because it would lead to the anomalous position that, while certain unremunerative assets stand at debit of Capital, others of the same character are taken out of Capital Account and debited to Depreciation Reserve Fund when replacements are made at debit of Open Line Works (Revenue) or Development Fund. Further, credit for released materials should more appropriately be given to the head (Depreciation Reserve Fund) to which is written back the original cost and not to Open Line Works (Revenue) or Development Fund, if the write-back is at all made. Strictly speaking, however, such a write-back may not be necessary so long as replacements are made at debit of O. L. W. (R) or D. F. exactly in the same way as such adjustment is not made while replacements are charged to D. R. F.

## When Should a Man Retire ?

[The age of superannuation in India for Government Servants (including those on Railways) is 55, while in England, Australia etc., the age of retirement is generally 65. The following article by a Contributor appearing in the "Australian Accountant" of September 1954 is of interest.

*Editor, Railway Accountant.]*

In my middle years I was greatly impressed with an observation by Charles Darwin, who announced that he had decided to write no more on the difficult subject of evolution, and modestly observed to the effect that it was not possible for a person to detect when his own intellectual powers were declining. Not being quite in Darwin's class, I took this observation to heart and made my two second-in-command partners promise that when the day came that I should be labelled as a nuisance, they would take me quietly home. There is to be no appeal from their decision.

That is a far better way of doing things than observing an arbitrary retiring age of 65 or any other age. A man is as old as he thinks, and the stage of non-thinking varies with each individual. I believe the "psychologists" would be better employed making I.Q. tests towards the end of a man's career rather than at its beginning. My father died at 75 in good physical condition but completely potty and enjoying the delusion that he was the King of the Isle of Man, a doubtful honour enjoyed by one of our Viking ancestors. My mother, racked with pain, died at 84 with a mind like a razor blade. As a mild diversion, she read the Bible through twice in the last year of her life. Mother never had

much confidence in me, so that at 62 I had better set about securing a kingdom.

These thoughts on approaching senility were prompted by some interesting correspondence with Mr. Cameron Cavaye of Brisbane, concerning the age (60 for the ladies, 65 for non-ladies) allowance under the Income Tax Assessment Act. Mr. Cavaye writes: "Whenever a friend talks of advancing years, I am reminded of my maternal grandfather, a stalwart Scot named Milne. He died in his ninetieth year protesting that he was still too young to play bowls. He was not a homely philosopher, but I remember his observations that 'no man is old until he has to sit down to put on his trousers.' I think that is a pretty fair test for an age allowance."

The above test is a comfort. I can still stand up, but have to hold on to a chair while I don the breeks. The remedy is to wear a kilt. Shoes are the difficulty; many a time my wife has to put them on for me. But these little failings have little or nothing to do with the process of thinking. My partners would not know why I changed to a kilt. They might believe I am copying the Duke of Windsor, but unless and until I claim my kingdom, they will have no moral right to send me home. However, their decision is final.

### CORRECTION

On page 183 of the Issue for October 1954, in the 10th line of the first item under READERS' FORUM, for "Rs. 1000/-" read "Rs. 10,000/-."

## Railway Coach Building at Perambur

BY K. SADAGOPAN, M.A., I.R.A.S., *Chief Administrative Officer,*  
*Integral Coach Factory, Perambur.*

[This is a report of a speech delivered at the Madras Rotary Club on the 12th October 1954. The special features and advantages of the type of Integral coach that is to be manufactured in this factory are described here in detail.

At the end of the lecture, in reply to a question, Mr. Sadagopan stated that the Hindustan Aircraft Factory might take up the manufacture of Metre Gauge coaches at a later stage. He further stated that all-steel coaches proposed to be manufactured had various advantages over the coaches with bodies made of wood, besides the absence of risk of telescoping; and that the problem of heat in the tropical climate was solved by the proper insulation provided in the design. Mr. Sadagopan further declared that there would be no import of any parts when the full production capacity was reached in the factory and that the entire process would then be completely Indian.]

The Capital invested on Indian Railways is of the order of Rs. 862 crores. About 40 per cent of the Capital Expenditure is invested in Railway Rolling Stock. This investment represents only the capital outlay as recorded in the books from time to time, but in terms of present day valuation, and purchasing power of the Rupee, the assets will be worth three to four times this amount.

2. The holdings of rolling stock on Indian Railways are:

| No. as on 31-3-1953 |          |
|---------------------|----------|
| Locomotive & Rail   |          |
| Cars etc.           | 8,330    |
| Coaching Stock      | 14,466   |
| Goods Stock         | 2,04,705 |

3. *Locomotives.* In the past, under British regime, no serious attempts were made for establishing in India, a large

locomotive manufacturing industry, to meet the requirements of Indian Railways. Eventually, due to persistent agitation in the press, the public and the legislature, a beginning was made for the manufacture of locomotives on a small scale in the Railway Workshops at Jamalpur and Ajmer. Even here, production was discontinued after a time. As a result, however, of continued agitation by our leaders, this matter was taken up seriously in 1945 and today, after Independence, we have the Chittaranjan Locomotive works, with an originally planned production capacity of 120 locomotives and 50 boilers a year and the Tata Locomotive Engineering Company with a capacity of 50 locomotives and 50 boilers a year. As you are aware, it has been recently decided by the Government that the Chittaranjan production capacity should be stepped upto 200 locomotives a year and swift action is being taken to attain this revised production target. Both these industrial units will, when they attain their maximum output targets, more than meet our annual demands of new locomotives and will also leave a surplus for export.

4. *Wagons.* The annual requirements of wagons for the replacement of worn-out and uneconomical wagons, would be of the order of about 5,000. With the progressive industrialisation and economic development of the country in all directions, the demands for freight movement are constantly on the increase, and to cope with the rising transport demands, an addition of at least one percent of the holdings would be necessary every year. At the moment, there exists capacity in the country in the private sector, for the manufacture of about 11000 wagons a year. The Ministry of Railways are constantly exploring

ways and means of expanding the capacity in the country to about 15,000 a year, so that indigenous manufacture of wagons may keep abreast of the increasing requirements of Railways.

However, for sometime to come, it would be necessary to import from abroad locomotives and wagons to overtake the enormous arrears of replacement that had accumulated during the war period.

5. *Coaches.* In the past, Railway Coach bodies were constructed of timber mounted on steel underframes. In recent years, however, the development in passenger coach design has been towards the all-steel body coach, which makes for much greater safety and protection to the travelling public in the event of accidents. At present, the annual demand for coaches is of the order of about 700 both for the Broad and Metre gauges. The Hindusthan Air-Craft Co., Ltd., Bangalore, are at present supplying annually about 120 Broad Gauge all-steel coaches built on steel underframes supplied by Messrs. Tata Locomotive Engineering Co. The balance of our requirements has been partly by import from abroad and partly by manufacture in the existing Railway Workshops. There are still very heavy arrears of replacement to be overtaken, and there is also the pressure for a very substantial addition to the present holding, if adequate passenger services are to be maintained and overcrowding in trains is to be eliminated. Since 1939, passenger traffic had increased out of all proportions. Compared to 1938-39 the number of passengers originating during 1952-53 had risen from 355 millions to 902 millions an increase of 154 per cent. The length of the journeys, performed by passengers showed an increase from 12,588 million passenger miles in 1938-39 to 29,013 million passenger miles an increase of 130 per cent. Against these, there have been no additions worth mentioning, to the passenger stock.

6. The need for establishing an independent factory for the building of railway coaches, with a view to attaining self-sufficiency, had been engaging the attention of the Ministry of Railways since Independence. In 1948, a decision was taken by Government that to begin with, a separate factory should be established for the manufacture of Broad Gauge coaches. Government undertook a detailed technical study of the different types of modern coaches, and came to the conclusion that the latest design of coaching stock featuring 'all-welded, all-metal integral and tubular construction' designed by a Swiss Firm, viz. Messrs. Swiss Car and Elevator Manufacturing Corporation, Ltd., Schlieren-Zurich, Switzerland, should be adopted as the future standard for the Broad gauge coaches. It is this type of coach that has been planned for production in Perambur.

7. The advantages of the type of coach to be built in the proposed Factory at Perambur, are:

(i) The design incorporates the principles of an Integral tubular construction. The tubular integral design enables the forces sustained by the coach to be borne by the entire body including the skin. This design, therefore, results in the maximum economy of material for a desired strength and is therefore about 7 tons lighter than the conventional design weighing only 35 tons as against 42 tons of the present all steel coach of the conventional type.

(ii) The design incorporates anti-telescopic end construction. This design, combined, with the fact that the carriage will be of all-steel welded construction would reduce the possibility of the carriages telescoping in the event of an accident. It has also been established that the casualty rate in the case of a steel carriage is very much less than in the case of a timber body coach. In the latter case, telescoping is quite common due to which the splinters from the tim-

ber body carriage fly and injure the passengers.

(iii) The carriage is designed for improved riding by the provision of shock absorbers and coiled spring axle box suspension. The bogie trucks are of the latest all-welded Swiss design. The axle boxes are fitted with S. K. F. Roller Bearings, making for smoother movement.

(iv) The coach will be sprayed with Limpet asbestos as an insulation against heat and noise. From actual experience it can be said that the noise inside a carriage of this design has been reduced to a very appreciable extent.

8. *Layout of the Integral Coach Factory.* The Factory has been so planned that the raw material will be received at one end, and processed through the Factory in a uniflow direction; the coach shell is finished by the time it reaches the other end of the factory, and from this end, one coach will be rolled out every 6 working hours, giving a total of 350 coaches a year.

The actual process of manufacture will commence in the Sheet Metal Shop, where raw material, which is almost wholly sheet metal of 12 to 16 gauge and some plates upto  $\frac{1}{4}$ " thickness, will be received. The machinery equipment in this Shop includes big guillotine shears of 10' size, several brake presses some upto 250 tons. These machines will cut and press the structural members such as pillars, purlins, carlines, cant rails, etc. In this Shop, side sheathing and roof sheets would be butt-welded, and window openings will be pressed out in a 1000 ton hydraulic press. The component assemblies and sub-assemblies will be fabricated on special design jigs by arc-welding and, wherever possible the latest spot-welding machines will be installed in order to effect the maximum economy in production costs.

The sub-assemblies will then be transferred to the adjoining Main Assembly Shop, where two 80' bays are provided

with 20 ton overhead cranes for the assembly of the coach on a uniflow scheme. At one end of this Shop, complete roofs and ends of the coach-body will be built separately on jigs which will then be picked up and assembled in their position on the assembly belt. The assembly belt will consist of 11 positions and the coach will remain in one position for 4 days. By the time the shell reaches the end of the Assembly Shop, it will have been finally assembled and be ready for inspection by an independent Inspecting Organisation.

At the south end of the Main Assembly Shop, there are two 50' bays in which the bogie trucks will be fabricated from pressed sections. These bogies are of the Swiss design with coiled springs on the axle boxes and bolsters carried on long span laminated springs. The assembly of the bogie trucks will proceed in conformity with the main assembly lines and the completed bogies will be rolled from the Bogie Shop on to the final hoist, where the body shell will be lowered on them which upto this stage would be moving on service trucks.

From the Assembly Shop, the completed shell moves over a traverser to the adjoining Paint shop. Here the shell will be thoroughly cleaned by means of shot-blasting for which special shot-blasting machines covering the entire length of the body shell will be installed. Immediately after shot-blasting, the primer paints will be sprayed on to prevent any possibilities of corrosion. The inside of the shell will be sprayed with a coating of limpet asbestos for insulation against heat and noise.

The body shells as finally painted and insulated, will roll out of the Factory at the average rate of one every 6 hours for despatch to the various shops of the Indian Railways, where they will be furnished according to the latest designs and developments for being put on the rails.

The ancillary shops included in the second group of shops are at right angles

to the south of the Main Assembly Shop. These will form the basic manufacturing shops for the manufacture of important parts required for the building of the body-shell. The latest types of machines will be installed in the Machine Shop and Blacksmith Shop with a view to eliminate most of the handling by manual labour. This is necessary in a big workshop of this size planned for mass production to one standard design.

A very modern Tool and Die Sinking Shop and a Mill-wright Shop are also being provided with the latest machinery for producing complicated jigs, fixtures and tools required for the manufacture of coaches on a mass production basis at a rate for which there is hardly any parallel at present anywhere.

9. This Project is estimated to cost roughly about Rs. 7.35 crores. The Civil Engineering works on the Project are in progress. The bulk of the fabricated steel has been received at site, and the erection of the shop structures is rapidly progressing.

#### Plant and Machinery

10. Global tenders have been called for, for the procurement of plant and machinery for the Factory. With the present day easier market conditions in Europe, it has been possible to place contracts with Machine manufacturers in West Germany, U.K., and Switzerland and other Western European countries at favourable prices and satisfactory delivery terms.

The workshops will have 30 cranes of different sizes, 2 traversers of 75 tons, 2 mobile cranes besides the latest transport equipment. There will be a number of compressors the capacity of which will be 5000 cft. per minute. A hydraulic accumulator for providing hydraulic power will also be installed. There will also be Oxy-Acetylene generators.

It is anticipated that the plant and machinery so far ordered to the tune of about Rs. 1.50 crores, will be received in

India towards the end of this year and early in 1955. Allowing for the installation of 700 machines in the works, it is hoped to inaugurate production in the Factory during the latter half of 1955.

In the first year, as is inevitable in large industrial units of this nature, production has to start with only an 'assembly' job from parts and components supplied by the Swiss Collaborators. It has been agreed with our Swiss friends that production should be stepped up from year to year, and by 1959, the full production target of 350 coaches a year will have been attained.

12. The question of training technicians has been given the most careful and timely consideration. A separate technical training school with its own satellite workshop employing modern methods of training, giving the apprentices the best instruction to develop into efficient tradesmen has already been opened and is functioning since March this year. It is also intended to give general and civic education to the apprentices in this School to make them better citizens of tomorrow. This school will be training 600 men per year for the first 4 years with a view to finding the full complement of skilled workers for the Factory, and after this period it will switch over to training apprentices on a regular Apprenticeship scheme on an extended course of 3½ years, when the number will be reduced from 600 to approximately 150 a year.

13. The shops have been planned to provide all the modern amenities to the workmen. Special care is being taken to provide well-lighted and ventilated shops in clean surroundings. Canteens, Tiffin Sheds, Washing and Shower bath facilities are being planned to be provided.

14. The Project will have a small colony of its own, where 400 staff quarters of various categories are being built to provide accommodation for the essential staff. Arrangements for water

supply, drainage and for the supply of electric power from the Madras Electricity system have also been made.

15. A number of supervisors and artisans have been deputed to Switzerland for receiving special training in the latest production methods, so that, on their return, they may demonstrate and teach proper speeds, feeds and other modern methods to the other workmen of the factory. Our Technical colla-

borators, Messrs. Swiss Car & Elevator Manufacturing Corporation Ltd., Schlieren, have offered their fullest co-operation in this matter and it shall be the earnest endeavour of the Factory Administration to give all such facilities as may help the workers to attain the maximum efficiency.

16. The factory will provide employment to over 4000 men in the various categories when the factory is fully developed.

## Accountancy, A Wasting Asset!

Mr. Nicholas A. H. Stacy, Author of "1800—1954 English Accountancy", has expressed his view that "accountancy knowledge is a wasting asset which requires consistent replenishment, a replenishment which can be achieved only by research." This view has added value under the existing conditions of industry and commerce, particularly in this age of changing values. The Accountant in these days is not merely a book-keeper but has to be an expert in presentation of financial data, interpretation of abstruse conclusions, in clear and intelligible terms, spot-lighting the salient features for the information of management, indicating future trends, projecting into the future for advising the management on contemplated plans for expansion etc. With the widening duties and functions of the accountant, it is necessary that the methods and techn-

ques employed for performing those functions should be constantly subjected to review and new methods devised to cater to the new demands and requirements. Constant research is, therefore, a desideratum and as rightly pointed out by Mr. Stacey, consistent replenishment of accountancy knowledge can be achieved only by research. This applies equally, if not with greater force, to Railway Accountancy where old orthodox theories, ideas and practices which were quite valid some decades ago and suited to the then existing conditions and scope of the functions of the Railway Accountant and which are outworn and outmoded now, seem to die hard, and a bold policy of intelligent research and what is more, appropriate action, are undoubtedly indicated.

—KALAB.

## Assisted Sidings

(Contributed)

Ordinarily, consignors of goods have to take their goods to the Goods Sheds at Railway Stations for booking them to destination stations, and consignees have similarly to take delivery of the goods received from the Goods sheds at

the Railway Stations, where they are received by rail from other places. Out Agencies for transporting goods to and from a rail head and carting and other road transport agencies for street delivery services etc., also exist at some

places. When the goods are despatched in wagon loads, the general conditions of the contract of carriage are that the loading into the wagons should be done by the Consignor himself at his cost and the Railway will provide the wagons in a Railway siding or in a running line near the Goods Shed. For inward consignments in wagon loads also, the wagon is put in position by the Railway near the Goods Shed and the goods are to be unloaded by the consignee at his cost. To the parties, there is generally a certain amount of inconvenience and trouble apart from possible delay, in arranging for the loading into or unloading from wagon at the Railway Station and transporting the goods from the warehouse or factory to the Railway Station or *vice versa*. Industrial organisations (factories, mills etc.) situated near Railway Stations, having inward and/or outward traffic in wagon loads to a considerable extent, often find it to their advantage to have a siding branching off at a convenient point from the Railway Station into their premises (or very near thereto, if that would be convenient). There are several advantages to the mills etc., by having such a siding. In the first place, the sealed wagons can come straight into their premises, or leave from their warehouse, and possible pilferages, breakages or losses between their premises and the station through other means of transport are avoided. The trouble and inconvenience with consequent extra expense involved in double handling (loading into the road vehicle and unloading therefrom at the station) do not also exist. The party has the satisfaction of loading into or unloading from the wagon under proper responsible supervision at his own premises, thus avoiding complaints from the other party viz., consignees or from himself as the case may be. The charges on account of the provision of the siding, haulage etc., are also generally less than the expenditure incurred on road transport between the Railway Station and the factory.

In the earlier days of Railway construction and operation, the Railways themselves used to actively encourage the construction of such sidings for mills, factories etc., in the Railway's own interests, to get extra traffic from such concerns, and for this purpose, the Railways met a portion of the cost of construction of the siding although specifically required for a particular party. The conditions for the construction of such sidings also varied with each case, depending, in the main, upon the magnitude of the extra traffic (and earnings) expected from the party. Such sidings were known as "assisted sidings", as distinguished from "private" sidings which were those constructed at the *entire* cost of the party, no assistance being rendered by the Railway to the party by laying some part of the work, (supergrade work within Railway limits) at its cost. There does not, however, appear to be any authorised definition of a "private siding" as distinguished from "assisted sidings" and both the terms have been used by the Traffic and other Railway authorities as connoting all sidings laid for the use of a private party. This should not, of course, be confused with "Railway sidings" at certain Stations, intended for the exclusive facility of certain classes of parties, laid at the cost of the Railway, for which a separate siding charge is levied by the Railway for the wagons required by the parties to be placed in position on the particular sidings, instead of at the normal place close to the goods shed.

The terms and conditions under which assisted sidings are, under the existing rules, provided are as follows:

These rules are applicable to Assisted sidings other than those in Collieries and Mining areas. These are also applicable to sidings constructed for other Government Departments, except the Defence Department, for whom separate rules apply.

The General Manager may also, at his discretion and in consultation with his

Financial Adviser and Chief Accounts Officer, levy reduced rates but not lower than the Home Line material rates, for the carriage of materials required for the construction or maintenance of such portions of assisted sidings as are required to be financed by the applicants.

A deposit to cover the cost of survey and preparation of the necessary plans & estimates should be made by the Applicant. At present a charge of Rs. 500 per

mile or part thereof (previously Rs. 200) is made for this purpose. This should be paid in advance by the applicant and will, under no circumstances, be refunded to him.

If the siding is to be constructed at the entire cost of the party and not on assisted sidings terms, the Applicant should also pay, in advance, the cost of preparation of plans and estimates regulated on the following scale:

| For works costing over Rs. 1,00,000 |   |   |   |   | 2                                            |
|-------------------------------------|---|---|---|---|----------------------------------------------|
| "                                   | " | " | " | " | 60,000 2½                                    |
| "                                   | " | " | " | " | 30,000 3                                     |
| "                                   | " | " | " | " | 20,000 3½                                    |
| "                                   | " | " | " | " | 10,000 4                                     |
| "                                   | " | " | " | " | 1,000 4½                                     |
| "                                   | " | " | " | " | 1,600                                        |
|                                     |   |   |   |   | and below, 5 subject to a minimum of Rs. 25. |

This amount will, however, be adjusted towards the cost of the work payable by the party when it is taken up. If, however, the work is not taken up, this amount will be forfeited to the Railway.

**Land:** The land to be acquired for the siding outside the applicant's premises should be paid for by the applicant; such land should vest in the Central Government absolutely.

The incidence of the cost of the sidings as between the Railway Administration and the applicant should be in accordance with the following general principles:

(i) Outside the applicant's premises, the cost of all works which would have to be abandoned in the event of the siding being closed; e.g., earthwork, bridges (exclusive of girder work) culverts, ballast, buildings etc., should be borne by the applicant; (this is generally called subgrade work).

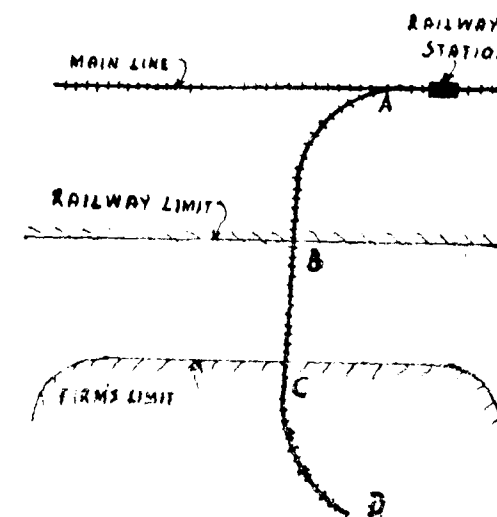
(ii) outside the applicant's premises, the cost of all works which would be removed by the Railway Administration in the event of the siding being closed; e.g., sleepers, rails, fastenings, points and crossings, girder work of bridges, fencing, signalling and interlocking appliances, and machinery of any kind, should be borne by the Railway Adminis-

tration; (this is generally called super-grade work).

(iii) the entire cost of the siding within the applicant's premises should be borne by the applicant;

(iv) overhead electric traction equipment, whether on railway land or on private land, should be paid for by the Ry. and remain the property of the railway.

The following diagram will show the incidence of the cost of construction of the siding:



- A—B. Cost of subgrade work to be borne by the party.  
Cost of supergrade work by the Railway.
- B—C. Cost of land to be paid for by the party (but the Land will be vested in the Railway absolutely).  
Cost of subgrade work to be paid by the party.  
Cost of supergrade work to be paid by the Railway.
- C—D. Cost of sub and supergrade work to be borne by the Party. (i.e., entire cost).

Owing to the present ways and means position of the Government of India and the general conditions under which the industries are started or are functioning, the Government have decided that for the present, the sidings required by such concerns should be provided for by the parties themselves entirely at their cost, and *no portion* of the cost of construction or maintenance of such sidings should be borne by the Railways.

The estimated amount of the cost to be borne by the applicant should be deposited with the Railway Administration before the construction of the siding is taken on hand.

The applicant should pay annually to the Railway Administration interest and maintenance charges at 8½% calculated on the cost of the siding borne by the railway. This payment will according to the Code Rule, ordinarily cover the maintenance by the railway of the works paid for by the applicant outside his premises. The maintenance of the works inside the applicant's premises is the applicant's own concern. If, in any case, it is considered desirable that the railway should maintain such works, the terms of the arrangement may be mutually settled with the parties concerned. On some Railways, the maintenance charges are in some cases recovered on a flat rate basis at a fixed rate per mile.

It is not clear why it is stated that the 8½ per cent charges calculated on the cost of supergrade work borne by the Railway should be deemed to cover the maintenance by the Railway of works paid for by the applicant. There does not appear to be any logical reason for this provision. On the other hand, taking into account the present increased cost of labour and materials and the inadequacy of the 8½ per cent charged to cover the interest, repairs and maintenance, the rules in this respect appear to require an immediate revision, if the financial interests of the Railways are to be safeguarded. One aspect that is particularly worthy of note in this connection is that the charges are still being recovered at the same level as when the siding was constructed before the War, when the prices were very low, (comparatively speaking about only one-third of the current prices.) For instance, a siding constructed in 1937 at a cost of say Rs. 1 lakh (supergrade work only within the Railway premises) would, under present conditions, cost not less than Rs. 3 lakhs and the recovery of interest and maintenance charges at 8½% on the figure of Rs. 1 lakh is obviously inadequate and does less than justice to the Railway. It would be quite reasonable under such circumstances to either revise the capital cost to agree with the present conditions and levy percentage charges thereon or to inflate the percentage three-fold on the original capital cost. This should not evoke any opposition from the parties, because they have been benefiting at the cost of the Railway all these years by paying less maintenance charges and they have also been making huge profits during and after the war.

The applicant should pay a siding charge, to be fixed by the Railway Administration, for every wagon, either loaded or empty, hauled over the siding in each direction, to cover the cost of working the siding. The amount of the siding charge should be specified in the agreement.

Here also the method or basis for fixing the siding charges requires to be carefully considered. What exactly should it represent? This should cover the cost of haulage of the wagon from the Railway Station at the point at which the wagon will normally be placed in position by the Railway, to the point on the siding at which (or from which) the wagon is to be hauled. A fair method would be to take into account the distance and the time involved in shunting operations and arrive at the rate per hour. If found not feasible to keep correct data for these timings, the average may be worked out and the rate per wagon arrived at. Of course, the same engine may be used for hauling one wagon in some cases, five wagons in other cases, and more in certain other cases. It should not, however, be difficult to arrive at a fair average per wagon based on the traffic handled for a period of say, one year.

The Railway Administration should be responsible for any municipal, union or

district board taxes (only when so notified by the Railway Board) on the land on which the siding lies; and the applicant should be responsible for any such taxation on any structures built or owned by him or erected by the railway on his behalf within the assisted siding limit.

The agreement will also provide for the closing down of the siding on either party giving due notice or if the railway wishes to take over the siding for its own use, interest on overdue amount, power to modify charges etc.

An annual examination should be made by each Railway Administration of the earnings of each siding in the Railway, where the percentage charges referred to above are not levied. If the sidings are found to be unremunerative, the 8½ per cent charges referred to above should be levied, so that the Railway may not be out of pocket by keeping the siding open.

## Subjects of Moment

### Defects in Budgeting

One of the Annexures to the Appropriation Accounts is the Statement of Defects in Budgeting, which is prepared in two parts,

- one showing Defects in Estimating noticed during the year,
- and the other Expenditure classified in the Budget differently from the Accounts.

The grants affected and the amounts involved should be clearly shown in the Statement, with brief particulars of each item. The reasons for the defects, the circumstances under which the mistakes occurred and the steps taken to guard against such defects in future, are also required to be explained in sufficient detail. The monetary limit for inclusion of items in this Statement is laid down in para 641-G as Rs. 20,000, i.e., items

amounting to less than Rs. 20,000 should not be included in this Statement. The Railway Board have since increased this limit to Rs. 50,000 with effect from the Appropriation Accounts for 1953-'54, and accordingly only items amounting to Rs. 50,000 and above will be shown in this statement.

The increase in the limit is justified by the higher price levels compared with pre-war prices and by the Regrouping of Railways, which has meant comparatively a larger area for each zonal railway, with consequent increase in the magnitude of the transactions.

\* \* \*

### Provision of R.M.S. buildings on Railway premises

It has been decided recently that the Railway has to provide adequate ac-

commodation to meet the following P. & T. Department requirements:

- (a) Mail Offices on Railway Platforms.
- (b) Rest Houses for R.M.S. Staff within or near the Railway Station.
- (c) Quarters for Telegraph line maintenance staff near the Railway Station.

For this purpose, the Railway Administrations have, as far as possible, to meet the demands out of the Railway Budget and charge the P. & T. Department for such buildings, rent and maintenance charges, according to Railway Rules.

Where the cost cannot be provided from within the Railway grant, but the P. & T. Department require the works to be constructed under an overriding priority, the works may be carried out as Deposit Works by debiting the cost thereof against the P. & T. Department. In such cases, the P. & T. Department should be charged the ground rent and maintenance charges only. The usual conditions of guarantee and payment of compensation in the event of premature withdrawal will not apply to such buildings. But by mutual settlement, the Railways can acquire these properties from the P. & T. Department at any time.

The programme of works should be so arranged that individual works under construction only are carried out as Deposit Works. The designs of all buildings should be acceptable to the P. & T. Department and the Railways. The Railway Administration should maintain all buildings, whether provided at Railway cost or at the cost of the P. & T. Department.

#### Qualifying Examinations

Ex. State Railways' (Railways belonging to former Indian States such as Mysore, Hyderabad etc.) Accounts Staff are required to pass the Examinations laid down in Appendices II, III and XVII of Railway Accounts Department Code and in common with other Indian

Government Railways' Accounts staff, before they are promoted to higher posts. It has now been decided by the Railway Board that persons who had held *permanent* posts on the ex-States Railways and who had attained 45 years of age on 30-11-50 will not be required to pass the relevant Departmental examinations and their fitness for further promotion will be determined through the medium of duly authorised selection Boards constituted for the purpose of selection being held once a year at the time that the relative departmental examination is held.

#### Freight Charges for Railway Materials

Under the existing orders, freight at Railway material concession rates is allowable only for consignments of Railway materials booked by one authorised official to another. In other words, both the consignor and the consignee should be authorised Railway officials. In cases of supplies of materials by firms to the Railways and materials sent by the Railways to firms for fabrication, as the above condition in regard to the Consignor and Consignee is not fulfilled, freight at public tariff rates will be chargeable, and the concession of reduced rates of freight as for Railway materials will not be allowed. In special cases of large consignments of materials for Schemes or projects, however, where the freight involved is over Rs. 50,000, the Railway Board may authorise the charging of freight at the concessional rate (R. M. rate).

[Note. It may be remembered in this connection that, under the old procedure obtaining several years ago, Railway materials concession certificates used to be issued to suppliers, to enable freight being charged at Railway materials concessional rate, and we think that the same procedure may be revived now also instead of making exceptions in particular cases only—Ed.]

#### Import Policy of Railway Board

The Railway Board has recently issued instructions to all Railway Administrations in India that there can be no justification for importing an article which is manufactured in India or for which a suitable indigenously produced alternative is available.

Justification for imports can be accepted only in cases where the particular component cannot be made in India or cannot be made in sufficient quantities within the period during which it is actually required and no suitable substitute manufactured within the country is available. The Board's policy is designed to develop indigenous production of all railway needs. But in assess-

ing the suitability of an article, there should be no compromise on the safety aspects involved.

#### Revenue Abstract J.

The Expenditure on Signal and Telecommunication Department on Railways has now assumed such large proportions as to merit a separate distinction for itself. Consequently, with effect from the coming financial year, a new Revenue Abstract has been proposed to be opened as Abstract J to record the Revenue Expenditure of this Department.

Full details can be obtained from the correction slip to be issued to the Railway General Code, Vol. II.

### News and Notes

#### Allocation of Contracts for Locomotives to be Supplied to India

The F. O. A. has undertaken supply to India of Railway equipments of the value of thirtyseven and a half million dollars and has placed orders for locos, wagons etc., with manufacturers in U.S., as well as elsewhere, but an attempt is made to insist that the foreign firms wishing to participate in the programme should accept payment partly in money and partly in coal to be supplied by the U. S. Japan, which will receive a sizeable part of the total Railway Equipment Order, is to be pressed to buy a very substantial portion of its coking coal needs in the U. S. A. On the other hand, a Belgian Company submitted a very favourable bid to make wagons, but since it did not want to buy coal, it is not likely to get the contract.

This development is commented upon by the Financial Times of Washington as under: "Mr. Stassen's order of the tied coal sales to Railway equipment purchase is in sharp conflict with the traditional U. S. policy of strenuously opposing the use of tied sales in Inter-

national Trade. The U. S. has repeatedly lodged strong protests against efforts of other countries to bolster their exports by resorting to tied sales." It is interesting to note in this connection the bids of the various countries:

|                                  |             |
|----------------------------------|-------------|
| United States — 50 Locos         | \$ 1,78,200 |
| Japan — 25 „                     | \$ 81,470   |
| Crupps — 25 „                    | \$ 87,140   |
| North British Locomotives — 25 „ | \$ 88,800   |

#### Improvements to Railways

A six-day Conference of the Railway Sub-Committee of the United Nations Economic Commission for Asia and the Far East concluded in Tokyo recently, with a promise from six countries, including India, that they would provide more positive co-operation in regard to the Railway Administration in the region. A large number of Senior Railway Administrators and Engineering Experts from Asian and non-Asian countries took part in this Conference.

Among the recommendations which the Conference adopted were the esta-

ishment of Railway Research Centres similar to that set up in Lahore (Pakistan) to test and encourage the use of suitable packing from locally available materials; use of Fork Lift Trucks; use of containers for collection of delivery especially in Cities and setting up a separate detective service. The technical aspects of Railway Administration that were keenly debated in the Conference related to improved methods of track construction and maintenance; modern trends in building bridges; treatment of locomotive boiler water; prevention and speedy disposal of claims against Railway Administrations; and improved designs of Rail cars and Diesel Locomotives.

Russia also offered technical assistance through the United Nations Technical Assistance Administration and also invited the Delegate Countries to visit Moscow.

#### The Second Five Year Plan

The National Development Council is meeting in New Delhi on November 9 and 10, when it will consider the procedure and principles to be observed in the formulation of the second five year plan.

Prime Minister Nehru will preside over the meeting. It will review the progress made during the first three years of the five year plan, namely 1951-54, with special reference to the achievement of targets; difficulties experienced in the implementation of the plan according to schedule, as for example, financial, organisational, administrative and personal.

#### Statement of Misclassifications

Elsewhere in this issue, we have referred to the Railway Board's decision to increase the monetary limit of Rs. 20,000 to Rs. 50,000 in respect of items to be exhibited in the Statement of Defects in Budgeting, annexed to the Appropriation Accounts. The same

reasons which weighed with the Railway Board for increasing the limit in the case of Statement of Defects in Budgeting, equally apply to the Statement of Misclassifications, where the present limit is Rs. 1,000 which may reasonably be increased to Rs. 5,000 in each case.

#### Piece Rate System of Wage Payments

A report of a Lecture on "The Personnel Officer's place in Industry and his relations with the Accounts Department" delivered by Mrs. Mary Sur, Labour Adviser, Kilburn & Co. Ltd., Calcutta, to the Members and students of the Institute of Cost and Works Accountants, appears in the September '54 issue of the Institute bulletin.

Mrs. Sur suggests manual workers and lower paid clerical workers being paid *weekly*, following the normal practice in Western countries instead of monthly as at present; as weekly payments would assist the workers to budget for the weekly consumption and not to get into debt. On the Railways, casual labour is paid weekly, and this system of weekly payment may perhaps be extended to all categories of staff coming under the Payment of Wages Act; but the demand should come from the employees themselves. This will no doubt present some complications in accounting and pay organisations and also result in additional work and consequent extra expenditure in the Accounts Department. If weekly payments would benefit labour generally, the extra expenditure will have to be faced in the interests of social welfare. Machine methods can be used to the extent possible for quick preparation of paysheets. There will also be wide repercussions in regard to employees in the other departments (including Civil) of Government.

Mrs. Sur also advocates the increasing use of piece-rate system of payment of wages in Industries in India. She says:

"Another matter we ought seriously to consider is the introduction of piece

rates wherever applicable in Industry. A recent official survey shows that one worker in every three in the U.K. is paid by results. Particularly among the larger firms, payment by results has become usual in directly productive industries. In textiles and engineering, one worker in every two is on piece-rates. It pays the industry and it pays the worker if he is willing to work fairly hard. Unfortunately in India, today, the workers have got hold of the idea of "work load." Anything which will increase the work-load is automatically considered bad, even if it will bring in more pay. They attempt to examine whether they are doing a fair day's work before they talk of increased workload. Yet piece rates, if properly adjusted, offer one of the best incentive schemes; for the worker can see all the time what he is earning and the relation of his earnings to his output." In the existing circumstances, governing the pay structure of Railway workers particularly in Workshops and the nature of work done in Railway Workshops and in view of the difficulty in fixing piece-rates for individual jobs in agreement with labour, it is not considered that piece work system will at all be successful on Railways.

Reference has also been made in Mrs. Sur's lecture to endless arguments between opposing lawyers on the question of rehabilitation costs (i.e., increased depreciation on buildings and machinery requiring replacement at the much increased post-war costs) to be charged to profits before the net surplus could be ascertained to arrive at the bonus to be paid to workers.

#### Training College for Railway Accountants

Shri B. Rama Rau, Governor, Reserve Bank of India, recently opened a College of training in Banking in Bombay. The idea of the training scheme is to give intensified training for batches of 28 students, who are now in supervisory or executive capacity in Banks or who

would be promoted in the immediate future. They will be given training for 8 weeks, and in the course of a year, the institution will have trained a large number of students. The training will be in all aspects of banking and a dummy bank is being opened in the institution with a view to teach the practical side in a practical manner to the trainees.

It would not be a bad idea if a College of Railway Accountancy is started by the Railway Board in order to provide first class training to the prospective Railway Accountants and also refresher courses for those already working as Railway Accountants and Accounts Officers. The Railway Staff College at Baroda is good in its own way, but Railway Accounting and Finance is such a specialised subject that by itself it warrants the opening of a separate College. We hope that the newly constituted Railway Board will take up this idea in the interests of efficiency of Railway Accounting. The proposed College may, with advantage, be linked with the Research Centre.

#### Southern Railway Zonal Railway Users' Consultative Committee

In their meeting held on the 18th Oct. 1954, the committee indicated the possibility of provision of a mixed gauge between Renigunta and Tirupathi as a passenger amenity work.

#### Separation of Accounts from Audit

##### Madras State Lead

In connection with the separation of Audit from Accounts, the first step has been taken by the Government of Madras by transferring control of the Pay and Cash Section of the Accountant General's Office with effect from 1-11-'54 to the Administrative Control of the Madras Government. This section is in charge of the Cash transactions and to some extent pre-checking bills and Accounts of the State Government. This

new arrangement is intended to facilitate Treasury Operation of the State Government in the City and also the work directly under the State Government.

While inaugurating the new Office, Mr. A. Balakrishnan, Accountant General, Madras, stated that while in Delhi and other places like Mysore, where a start in this direction had been made, it was only payment and treasury functions that had been taken over by the State Government; but Madras is the first Part "A" State, which has agreed to establish a full fledged Pay and Accounts Office for Head Quarters payment under its own administrative control right from the start. Even in Bombay, where a Pay and Accounts Office for Bombay had already started functioning from 1-7-1954, he believed that the Office was working as an integral part of the Office of the Accountant General. He, therefore, felt that Madras Government can be legitimately proud of the lead they had given in implementing this important administrative reform in connection with the division of responsibility between the Executive authority and the Audit Department.

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#### Ceylonese Railway Delegation

A Ceylonese Railway Delegation led by the Minister of Railways of Ceylon arrived in India early in October on a three-week study tour of the Indian Railways. The delegation consisted of the following Officers of the Ceylon Railways:

- the General Manager;
- the Chief Engineer (Way & Works);
- the Chief Mechanical Engineer;
- and two other Ceylon Government officials.

The Ceylonese Delegation visited the Chittaranjan Loco Works, Sindri, and the Damodar Valley Corporation, in addition to various other centres and expressed themselves very much im-

pressed with the progress made by the Indian Railways over the past five years.

The Ceylonese Minister for Transport and Works told pressmen that the Ceylon Government were exploring the possibilities of getting rolling stock and allied railway stores from India and were having discussions with the Union Railway Minister in this connection.

#### Beware of words!

It is well known that words when once uttered cannot be taken back and hence great caution is necessary before speaking, especially at places where words have to be weighed very carefully before they are used. The greater is the caution required when people of divergent views assemble at a place and there are likely to be arguments and counter-arguments becoming very heated at times, and sometimes also leading up to blows.

Another aspect of this subject was recently dealt with by Prime Minister Nehru, who expressed that words are "tricky things". He stated "when two persons meet whose emotions have been roused up in different ways by the same words, then it becomes quite impossible to have any reasonable discussion. To-day, in the International sphere, there is so much emotion, passion and anger roused up by words, whatever the words are supposed to connote, that it has become difficult for any consistent and reasonable discussion. Words are thrown at each other just as you throw any weapon. Therefore, beware of words, however great they are."

#### S.A.S. (Railways) Examination 1954

This Examination, it is learnt has been postponed to start on the 13th December 1954, instead of on the 22nd November as previously announced.

#### Railway Rates Structure

The Railway Board has demurred to the view held by the Federation of the

Indian Chambers of Commerce and Industry that the Railway rates structure as a whole is not reasonable. This is based on the ground that the steady increase in the index of the industrial production is ample testimony to their conclusion. Further reasons given by the Railway Board in justification of the Railway rates structure are:

(1) The rates structure was revised in 1948 after prolonged investigation by a special organisation which worked for four years and every effort was then made to ensure that the increase in rates made did not affect traffic movement adversely.

(2) The Railway Rates Tribunal set up to consider all complaints of unreasonable or undue preferential rates had during the above four years only a few cases referred to it, indicating that complaints were few.

(3) The Railways have been given powers to quote reduced rates where a convincing case has been made out.

The Committee of the Federation argues that the primary reason given by the Board in regard to the increased industrial production was an argument not upheld by the Railway Rates Tribunal and hence should not have been reiterated. Their further comments are that the outlook of the Railway Administration in regard to rates is largely circumscribed by financial implications of any revision. Though, no doubt, the Railways should be financially strong, it should not preclude them from undertaking their due responsibility towards the economic development of the country. Adjustment of rates calculated to increase the economic tempo may not in the long run be attractive to the Railway Administration, but an imaginative and bold policy will more than pay the Railways by increased revenues. The Committee further felt that in spite of the Railway Board's assurance that prolonged investigations were made before introduction of the present structure, there were several anomalies in the

classification and there was complication and overlapping description of goods. The Committee thought that the reclassification of goods and adjustment of freight rates would, far from crippling the Railway earnings, enable the Railways to have more revenues by adjustment sought to increase the development of industries.

#### Direct Recruitment of Class I Clerks

It is understood that the Railway Board have decided that in order to improve the efficiency of the Accounts Department on Railways, direct recruitment of brilliant Graduates should be made to the posts of Class I Clerks to the extent of 20% of the vacancies in that category. It may be mentioned that direct recruitment to intermediate grades was in vogue a few years ago, but for some reason or other, it was discontinued. The revival of this method of recruitment should be welcomed by all in view of the object sought to be achieved; but if it is not to share the previous experience in direct recruitment, great care should be taken in the selection of candidates.

While on the one hand, it may not be difficult to recruit brilliant Graduates and Honours men, it cannot be said that they will stick to the Railway if they are really of a high order, as they will be going up for the Competitive Examinations of the All India Service. Comparing the experience in this respect on the Civil side (Accountant General's Office etc), it is necessary to select only those who are likely to stick to the Railway and are, at the same time, possessed of attainments of a sufficiently high order to warrant recruitment at the higher start.

It may be recalled that the system of direct recruitment to the posts of Accountants and Inspectors of Accounts also, was in force till some time ago, but was dropped, as it was, in the view of the Government, a total failure.

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**Reorganisation of the Railway Board's Office**

Three new Directors have been appointed as under :

Mr. N. Kamalakara Rao Naidu, (Dy. C.O.P.S., S Rly.), to be Director, Establishment.

Mr. S. R. Kalyanaraman, (C. C. S., S. Rly.), to be Director, Traffic (General).

Mr. N. K. Roy, (Dy. C.E., N. Rly.), to be Director in charge of Civil Engineering.

\* \* \* \*

**Bangalore - Salem Traffic Survey**

A 124-mile Railway Traffic Survey between Salem and Bangalore has been sanctioned for determining the traffic prospects of a metre gauge line connecting these two places. It is estimated to cost Rs. 50,000 and covers the route from Bangalore to Hosur and on to Dharmapuri, following as far as possible, the previous narrow gauge alignment between Hosur and Dharmapuri, and on to Salem via. Oamlur, on the Salem-Mettur Dam Railway.

In this connection, the President of the Mysore Chamber of Commerce in the course of a Statement issued on the 6th Nov. 54, while welcoming the Railway Board's decision, urges that the Survey should be for a broad gauge line to facilitate through traffic from Bangalore to Tiruchirapalli and to thus become a second feeder line for the movement of goods as well as passenger traffic.

Since there are favourable arguments for both a broad gauge and a metre gauge alignment of the proposed survey, it is hoped that the Railway Board will issue instructions for alternative schemes, so that they might have the necessary details for arriving at a decision in due course.

\* \* \*

**Value of Statistical Data in Planning**

The Central Statistical Organisation, Cabinet Secretariat, has organised the training of States Statisticians. About

50 leading Statisticians and Economists drawn from the Central Ministry, State Governments, the Indian Statistical Institute and other Institutions are in charge of the training.

A programme has been drawn up covering all fields, the training in each of which will commence with a course of Lectures followed by actual demonstration of applied work and visits to Statistical Offices and Field Centres. 20 Statisticians from several States, Central Ministries, and some Senior Students from the Delhi University are availing themselves of the facilities.

In the course of his Inaugural Address, Mr. V. T. Krishnamachari, Dy. Chairman, Planning Commission, stated that Statistics had broadly two functions in regard to planning; the first was to furnish materials on which policies and programmes could be formulated and the second was the evaluation of the progress achieved under particular plans. The Dy. Chairman cautioned that Statisticians should realise the limitation of Statistical Information. He stated further that in respect of the data collected through field surveys, it would be necessary to know how far the investigators would be able to collect accurate information on topics assigned to them, and how far the respondent could be expected to answer the question; i.e., the human limitation should be carefully borne in mind.

The above views are equally applicable to Railways where Statistics are required primarily for purposes of ascertaining to what extent the Railway undertaking is working satisfactorily on commercial lines. The data collected should be such as can be correctly interpreted and evaluated for the purpose in view. It is thus obvious that a certain amount of detailed knowledge of the methods employed for collecting data and for their interpretation should be well understood by those concerned. It follows, therefore, that a system of intensive and comprehensive training should be neces-

sarily given to the various persons concerned. We hope that the Railway Board would consider this aspect seriously and review the existing facilities with the idea of finding out what further steps are required and how and when these can be provided.

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**Relative Passenger Service Costs**

Calculations which have been made by the Interstate Commerce Commission show that charges for the different varieties of passenger accommodation in trains are not proportionate to the nature and cost of the service rendered. Compared with the service rendered in reclining chair cars—the equivalent of third class—on the average it costs 2.3 times as much to provide a berth in a tourist sleeping car, 2.76 times as much in a standard sleeper, and 3.29 times as much in a lightweight sleeper. That is to say, the differential in cost for sleeping car

accommodation is disproportionately low.

(From The "Railway Gazette", London, dated 3rd September, 1954).

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**Personnel Officers**

It is understood that the Railway Board have decided that Personnel Officers have to be absorbed in the Accounts Department of the Railways. These Officers were trained for a special job and their absorption in the Accounts Department would be disquieting in more respects than one. Further developments are awaited.

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Mr. P. C. Bhattacharyya, Financial Commissioner of Railways, has been appointed as a Director of the National Industrial Development Corporation Ltd., which has been newly formed as a Limited Company by the Government of India.

**BOOK REVIEW**

RAILWAY STATISTICS BY SRI L. V. GOPALAN, B.A., B.L., 14, BALAKRISHNA ROAD, MYLAPORE, MADRAS - 4. PRICE RS. 3-8-0.

"After Outhwaite and Budden, there has been no book of the kind published in India so far as I know, though it is very nearly 3 decades since Budden and Outhwaite wrote their books. The subject of Railway Statistics is very vast and has not been exhaustively dealt with in any volume so far. The publication that has been put out is a very good introduction to such a comprehensive volume, as it covers all the departments of Railway Statistics, particularly in relationship to the various Abstracts of Expenditure and Heads of Earnings. This volume should be of invaluable use to Accounts men trying to understand statistics and Accounts staff preparing for the statistical examination. The Book will also be useful to statistical men in understanding the relationship between Accounts and Statistics which is a very important matter, since ultimately the bulk of the statistics are intended only to achieve economy in expenditure and improvement in earnings by improvement in efficiency and avoidance of waste".

M. K. KRISHNAMACHARI,  
Statistical Officer, Southern Railway, Madras.

## Readers' Forum

It is seen that advantage is not taken of this section of the Journal by readers. There is no doubt whatever that there are many aspects engaging the attention of the staff and creating in their minds many doubts upon which clarification would be welcome. The Readers' Forum section of the Journal affords a suitable opportunity for indicating all such doubts, difficulties, intricate points and with a view to elicit replies, explanations, clarifications etc. It is anticipated that readers and subscribers of the Journal will make good use of the Journal in this respect.

Mg. Editor.

### Calculation of Time Limit

"Rule 40 of I.R.C.T. No. 16 and Rule 36 of I.R.G.T No. 29 prescribe that the time limit for refund of overcharges in respect of animals or articles carried by Railways shall be six months from the date of delivery of the animals or articles for carriage by Railway. How do these rules apply in the case of "To Pay" consignments as contrasted with "Paid" consignments?

— K. D. JOSHI, Ajmer.

In the case of livestock, pre-payment of freight is compulsory, and Parcel Way Bills or Invoices are made out simultaneously with their delivery to the Railway for carriage. Hence the time limit in these cases takes effect from the date of cash payment. In the case of all articles for which "To Pay" booking is permissible, the cash payment is deferred. In all cases, however, limitation would arise only as a result of the legal aspect viz., that of completion of a contract.

The tendering of goods by the Consignor is the offer and the making out of the invoice by the Railway is acceptance. Consideration for this transaction is the payment of freight charges. In the case of "Paid" consignments, the consideration is satisfied immediately, while in the case of "To Pay" consign-

ments it is a deferred payment or a promise to pay later on at time of delivery when the freight is collected. The legal contract is concluded by the issue of the Invoice and the delivery of the Railway Receipt to the party. Hence the period of six months within which claim should be preferred by the public against the Railway in respect of the contract with them runs from the time the contract is concluded i.e., the date on which the invoice is issued—EDITOR.

[Discussions on this subject as to the procedure on all Railways will be welcome—Ed.]

### Account of Stamped Indemnity Bonds

Mr. Bimalendu Guha of North Eastern Railway writes:

In reply to the query of "Scrutiny" in the August Issue of the RAILWAY ACCOUNTANT, I may mention that item 4 appearing under Explanatory Note (12) of App. I—G has since been deleted by CS. No. 1-G2 which reads as follows:

"Delete item 4 appearing under Explanatory Note (12) as modified by C. S. Nos. N354, N482 and N548 and renumber the remaining items as 4 to 31 instead of 5 to 32".

### Personnel

Mr. B. B. Mathur, C.O.P.S., posted as Senior Dy. General Manager, N. Ry.

Mr. S. K. Mukerjee (Dy. C.O.P.S., N.E. Railway) posted as C.O.P.S., N. Ry.

Mr. B. C. Desikachari, Divisional Superintendent, Central Railway, appointed as C.O.P.S., Southern Railway.

Mr. S. K. Mukerjee (Central Railway), posted as Chief Comm. Supt., S. Ry.

Mr. K. Abdul Wahab, A.A.O., has been deputed to the Ry. Staff College, Broda.

Mr. V. Ramachandra Rao, (on leave) has been recalled to duty and posted as A.A., R.A.O.'s Office, Trichy.

## Students' Corner

Topical problems which require elucidation etc., and points requiring discussion may be communicated by Readers and Subscribers to the Managing Editor for necessary action, so as to give their full benefit to all the Students interested in them.

Mg. Editor.

### Appendix II-A Examinations—Railways

(For qualifying for promotion above Class II of the clerical establishment upto and inclusive of the rank of sub-head).

This examination consists of 4 papers:

- (i) Precis and Drafting.
- (ii) Elementary Book Keeping.
- (iii) General Rules and Procedure.
- (iv) Particular branch of accounting viz., Establishment and PF; Stores Accounts; Workshop Accounts; General Expenditure Accounts; Booking and Budget and Appropriation Accounts; Coaching, Passenger and Parcels, Coaching statistics including knowledge of machine methods and Traffic Book; Goods and Goods Statistics, including knowledge of machine methods and Traffic Book; Colliery Accounts.

The first paper is intended to test the ability of the candidate to note and draft.

The second paper will examine the candidate's knowledge of the general principles and practice of elementary Book-keeping. The Text Book prescribed is J. R. Baliboi's "Double Entry Book Keeping," Chapters I to XII and XVI.

The Paper on General Rules and Procedure will be such as to test the candidate's knowledge of the procedure in force in the Office in which he is serving and of General Rules applicable to all branches of the Railway Accounts Office and the questions will be of an elementary nature.

The fourth Paper will be of a nature to test the candidate's theoretical and practical knowledge of work in any one of the branches,

Minimum marks } Precis & Drafting 45%  
for passing : } All other subjects 50%

A candidate who fails in the Examination by not getting the above percentage in any one of the subjects but shows marked excellence in any subject by obtaining not less than 66% of the marks, in that subject, may be exempted from further examination in that subject in a subsequent examination.

Every employee, whether temporary or permanent, with not less than six months' service in a Railway Accounts Office is eligible to sit for the examination, if he has a reasonable chance of passing it.

\* \* \*

### Precis and Drafting

(Note: This subject was initiated in the Students' Corner on page 163 of our Issue for September 1954 and as it has since been found necessary to deal with it more adequately than was then contemplated, the subject is started afresh in this Article.)

The subject of Precis Writing and Drafting has been presenting a good lot of trouble to candidates appearing in the subject in the various examinations. The lower strata of staff especially feel the trouble very greatly, particularly on account of their very poor knowledge of the English language and their inability, therefore, to understand the subject matter, which has to be summarised or upon which the letter has to be drafted. Another aspect which has come to my notice in this connection has been the more or less indifferent attitude taken by several candidates in regard to the preparation to be made for this subject,

It has been found that candidates have taken for granted that this subject does not need any preparation at all and that it can be dealt with straightaway once for all in the Examination hall. An attitude of this sort is one to be deprecated since it arises out of ignorance of what the subject is like. I have heard from several examiners, who had to bear the brunt of correcting all types of answers, that the candidates had made no preparation and their general knowledge of the English language was also much below average, and that no attempt was made to study the given passages carefully and to sift important points from unimportant things before making an attempt to arrange the ideas. Especially when a draft has to be prepared on the basis of the very same passages, the mistake committed in precis would be reflected also in the drafting.

Though the general rules which have to be borne in mind by each candidate in regard to this subject are very few, yet their application requires a lot of practice and in no other subject is good practice so essential as in this.

Even those who had very high University education have sometimes failed to do justice to this subject and the Examiner's assessment of their poor calibre in this subject has been responsible for hindering their prospects in spite of their being very good in all other subjects.

I feel, therefore, there is a very great necessity for giving some very instructive and useful suggestions so that all those who have to tackle this subject may benefit by them.

A good precis involves the selection and expression in a very brief manner, of the essentials of a passage or a series of correspondence in a manner which, while bringing out everything that is of importance in the original, completely omits everything that is unimportant and arranges the ideas according to various themes, the main theme being placed first and the others subsequently according to relative importance. In this

process, all redundancies of expression must be vigorously cut out. Thus while the primary idea of a precis is compressing the matter and making it concise, it also requires the ideas to be arranged in a proper manner and presented not in bits but in a unified way and very clearly.

A precis is not the same thing as a summary. In the latter, no re-arrangement is called for, while in the former re-arrangement plus collation of ideas is essential.

Precis also differs from a paraphrase as this latter term indicates the need for explaining in clear terms the ideas in the original *in full detail* and therefore does not permit of any compression. Normally, a precis is expected to be just about one third of the original passage; but there is no hard and fast rule in this regard.

The following are some of the characteristics of a good precis:

(1) A Precis must be in simple, direct, idiomatic and good English. The ideas must run fluently and in well connected sentences.

(2) All essential points must be included while all non-essential aspects must be cut out completely.

(3) No *original* ideas must be imported into the Precis.

(4) Great attention should be paid to the sequence of tense.

Thus a good Precis would contain the following essentials: correctness, legibility, clearness, conciseness, continuity and order. There should be no vague expressions and every idea should be couched in clear and concise language. Sentences should be short and to the point. It should be a clean and useful note in grammatical English, giving a summary of the subject in such a manner that it should enable the reader of the Precis to feel convinced that there is absolutely no need for him to refer to the original correspondence at all in order to enable him to pass final orders on the

case without going behind the precis itself.

Precis writing is a good exercise in reading and cultivating the habit of concentrated study. It requires the reader to clearly grasp the trend of the original before he can think of making out a Precis. Both the mind and the eye have to be concentrated on the passage. By constant exercise at precis writing, the writer will learn how to choose his words carefully; how to construct his sentences fully and briefly; and how to present the matter in a strictly logical manner and in a continuous strain.

(To be Continued)

#### General Instructions to Candidates Appearing for Examinations

Examiners often complain of the very poor English of the candidates and one Examiner has even gone to the extent of prescribing books for study by such candidates. The candidate should realise that it is definitely in his interest to write correct grammatical English in as simple a style as he can command, consistent with his general knowledge. No bombastic words should be used nor should there be any words whose meaning he himself has not clearly understood. The sentences may be short and the syntax, punctuations, grammar etc., correct; i.e., he should see that capitals are used wherever necessary, that the use of singular and plural should be correct, that present and past tenses should not be mixed up, that commas, semi-colons and fullstops should be used wherever necessary to mark the ideas. If neatness and legibility of hand-writing are also ensured in addition, the candidate is bound to impress the Examiner well, as a first measure.

The candidate should study the question well before he attempts the answer. He should give in his answer directly just as much information as the Examiner wants and nothing more to the best of his knowledge. He should have a sense of

proportion in regard to the answer for each type of question. Where several sub-divisions to a question occur, the answer should be so divided as to satisfy each sub-division separately. Wherever Rules or Code Paras can be quoted, it should be done to prove to the Examiner that the candidate is conversant with the subject. Where any part of the question cannot be answered satisfactorily, this should not be covered up by going out of the way or by trying to wind about. It is always more advantageous to face the question directly than to beat about the bush. "Padding" must be avoided.

The material that the candidate furnishes in his answers should be well tabulated and presented to the Examiner so that the latter will find no trouble in valuing it. It need hardly be emphasised that the Examiner would like to complete the correction of a paper as speedily as he can and would, therefore, welcome brevity and answers to the point. He may not care very much for complete sentences but if ideas or information are brought home to him, he would relish the answer much more.

Another very useful hint that all candidates should bear in mind is that before beginning to answer a paper, he should study the questions carefully and pick out (in all papers where option is allowed) such questions as he feels, he can answer very well and then allot provisionally a certain time for completing the answers to each question, setting apart a certain reserve time for the purpose of careful revision of the answers so written. This last is the most important point and still the most neglected; and consequently, possibly many candidates may have been disappointed at the results when published. It may be that he wrongly punctuated his sentence that gave an unwanted meaning or it may be that he has omitted a "not" or introduced it carelessly where it should not be or that a wrong addition has been made in a hurry or that an addition has been made where a subtraction was

required or vice versa and so on. The need, therefore, for revision of the answers calmly without flutter is essential; and should not be overlooked.

It is hoped that the candidates will benefit by these instructions which, though commonplace, are still of the greatest importance.

#### Contracts at Through Rates

"According to an agreement, relating to a building work, a through rate (labour and materials) for "cement concrete" work is provided with the stipulation that the Railway will supply cement to the contractor at a particular rate and necessary recovery of the cost of cement will be made through their bills. On completion of the work, it is found that, while according to specification in the contract, 80 tons of cement are required for work, only 60 tons were drawn from the Railway by the contractor and used on the work. The work was certified by the Engineer as having been carried out satisfactorily. Can the Railway recover the value of 80 tons of cement from the contractor even though he has used only 60 tons?"

The above Question was set in S.A.S. (Railways) Examination 1953 in the paper on General Expenditure (with Books). The point to be considered here is whether the estimate of cement required for the work at 80 tons was based on any accurate information; and if so, how the circumstances were altered to require only 60 tons instead, on the completion of the work? Two points arise in this connection. One is whether, in the fixing of the through rate, any consideration was implied as to the use

of the entire estimated quantity of cement; and (2) whether it is correct in principle to force the Contractor to take over all the 80 tons and to debit him with the cost thereof, even though 20 tons were not actually required for use on that work. Opinions from the various Railways are welcome; as also any actual decisions made under similar circumstances.

#### Cash and Pay Department & Integration of Railways

As a consequence of the Integration of Railways, some of which were working on District basis, some on Centralised basis and others on the Divisional basis, it was realised that a number of problems should have arisen in the organisation of the Cash and Pay Department after integration. Information was therefore, sought from the various Railways in regard to the past and the revised procedures especially with reference to para 903 (2) of the Railway Accounts Code, which authorises the Chief Accounts Officer to frame detailed rules of procedure for the conduct of business of the Cash and Pay Department.

One of the Railways has evaded the query by stating that the integration has not resulted in any reorganisation of the procedure. Another Railway has stated that the differences in procedure on the previous individual Railways are being coordinated, and that when it is completed, information will be furnished.

Replies from other Railways are still due. Readers are requested to furnish such information as they can, on this subject, for the general edification of all.

—Editor.

#### OBITUARY

We regret to report the sad and premature passing away, in the early hours of the 4th inst., of one of our subscribers, Sri K. Ramaswami Iyengar, Senior Accountant, Books and Budget Sec., Southern Rly., Madras.

We offer our condolences to the bereaved family.

—Editor.

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## QUERIES AND REPLIES

### Note to Subscribers :

The subscriptions of many of the subscribers have expired. It is expected that they will automatically remit the subscriptions for a future period at a very early date without waiting for any reminders from us. Subscribers will please note that even a post card reminder would mean expenditure of nearly Re. 0-1-6 which should not be added as a further drain on the management who are already sacrificing a lot in the cause of this Journal. If in spite of this, reminders have been posted to them, subscribers should understand the urgency for the immediate remittance of the amounts due.

In several cases, one or two subsequent issues have been posted to the subscribers in anticipation of their remittance without delay. Should, however, for any cause the remittance be not received even after the due date for two issues, the despatch of further copies will be suspended and a bill for the copies already supplied will have to be met at the individual copy rate.

Changes in address should be communicated before the 10th of every month to ensure that the current issues are posted to the correct current address.

\* \* \* \*

### Students' Concession Rate :

This concession rate which was in force from June to November expires with this Issue. Those that have derived the benefit of this special rate are expected to continue as subscribers to the Journal at the normal rates. Their remittances for the next half year are awaited at an early date.

\* \* \* \*

### Back Issues :

In spite of the information given on the last inner wrapper of the October Issue of the Journal, enquiries are still being received for the supply of earlier issues of the Journal at the normal current rate. The Editor expects every subscriber, and consequently everyone who sends in such a requisition, to have read the instruction and thus save an extra postage in replying or referring to the instructions already issued.

\* \* \* \*

### Missing Journals :

Several complaints have been received from the subscribers about non-receipt of the Journal sent to them in the normal course. Every case has been verified and found there was no mistake from this end, as the despatches have been properly recorded and personally attended to. It is quite probable that when Journals are received in Offices there is the likelihood of their not being delivered to the parties for one reason or another ; either because the addressees are not in the Office on the date of receipt, or there is defect in the delivery of letters there. Subscribers have, therefore, been advised in the last Journal to take up with the local Post Office promptly in case of non-receipt of the Journal on due dates. They are further advised to furnish their residential addresses to ensure that the copies do not go astray.

In all cases, where despatch from here is clearly established, no duplicate copy can be supplied to the parties, unless a fresh remittance is made therefor.

\* \* \* \*

### Specimen Copies :

Occasional requests are being made by intending subscribers for *free specimen* copies of the Journal. It is pointed out that while no such free copies are issued, skeleton particulars of contents of the current issue will be furnished for information. Should however, a journal itself be required, the full value thereof should be remitted along with the request.

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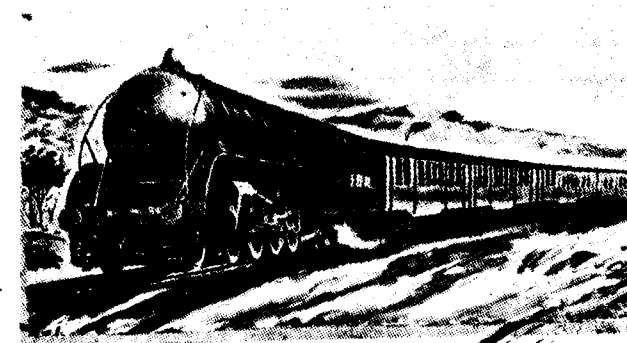
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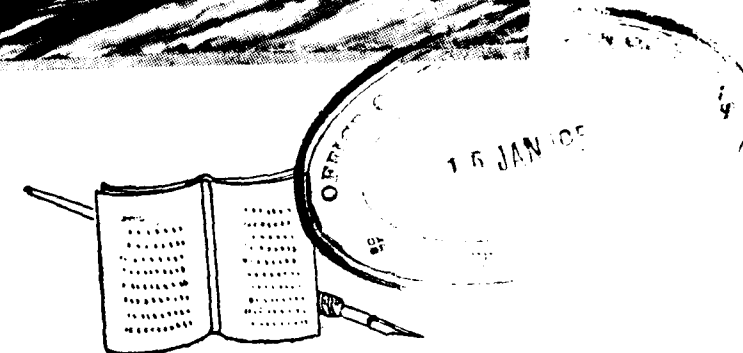
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## THE RAILWAY ACCOUNTANT

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## EDITORIAL NOTICE

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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## ACKNOWLEDGMENTS

The following Journals and Magazines were received since the last issue :

*October '54.*

Western Railway Magazine  
North Eastern Railway Magazine  
Eastern Railway Magazine  
Educational Review  
Accountants Journal, New Zealand  
Australian Accountant  
Central Railway Magazine  
Central Railway Newsletter

*November '54.*

Chartered Accountant  
Southrailnews  
Central Railway Magazine  
Central Railway Newsletter  
Eastern Railway Magazine

*December '54.*

Indian Railway Gazette

# THE RAILWAY ACCOUNTANT

(A Monthly Journal devoted to Railway Accounts, Audit and Finance)

14, Balakrishna Road, Madras - 4.

Vol. I

DECEMBER 1954

No. 9

## Value of Examinations.

It is learnt from "The Hindu" of the 21st November, '54, that a book "The Examination Secret"—written by Dennis B. Jackson has been recently released at Calcutta. We have not had the occasion to read through the original, but we are sure that the book should be of very lively interest at this time, which is a season of examinations everywhere. Mr. Jackson takes the view that the business of passing an examination is a matter of special or specific skill or technique and not merely of knowledge of subjects. Though this statement is very wide, still, an analysis of the results of various examinations goes to prove that there is a good lot of truth in it. The fact that many industrious students have often failed in examinations, while their comparatively carefree and apparently idle rivals are able to get through must indicate that there is something still beyond mere study that is required. This is otherwise termed "technique" or the "open sesame" of the business. Mr. Jackson wants that the methods of study should be radically revised so as to provide for suitable relaxation and restorative exercises at regular intervals.

There is also the factor that the failure in an examination may be attributed to the examination system not being a satisfactory instrument for assessing knowledge or ability. In fact, a detailed scrutiny of the various examinations proves that results of the examinations are not always reliable. The men that are declared passed may not be efficient workers in practice, while really good workmen are not always able to pass through the ordeal of examination.

We too have felt that there is a lot of truth in the above statement, since no two examiners value an answer in the same manner and to the same extent. There is thus the necessity for using the result of an examination with a certain amount of reserve. An examination being conducted in a restricted period and under certain definite conditions may not always enable the expression of the candidate's capacity or ability to the fullest extent. There is, therefore, the need to coordinate these results with other known factors like his previous working sheets or class results or otherwise.

In this connection, we have read with interest the speech made by Dr. Zakir Hussain, Chairman of the Central Board of Secondary Education, Ajmer, on the occasion of the laying of the Foundation stone of the proposed new building for the Library, Museum and multi-purpose hall of the Board at Ajmer on the 28th November 1954. He then posed the question "Is it not the duty of the Educationist to replace or at least to supplement the essay-type of examination in schools or consider the possibility of taking school records into account in determining the accomplishment of the candidates?" Mr. Hussain continued "the examinations we conduct evaluate the quality of the individual's performance in comparison with

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## Accountancy - A Way of Life

(By D. J. HISLOP)

Once, on enquiring the nature of a movement about which I had previously heard very little, I was told "It is really a way of life."

The remark at first amused me even while I found the definition intriguing. Later, as I became more acquainted with it, I realised that adherence to the high ideals of the movement did indeed constitute a "way of life"—a way of life distinct from that of the average man in the street. The fact that all members of the movement did not adhere strictly to the rules did not altogether rob the expression of its meaning.

Is the practice of accountancy a "way of life?" For it to be identified as such, its members must have other things in common besides the skilled knowledge required for the taking out of balance sheets, the administration of estates, the formation and liquidation of companies, the delving into the intricacies of income tax.....

"A way of life" must of necessity touch most spheres of the lives of those claiming to practise it. It must govern to a large extent the accountant's attitude towards his profession as well as his conduct of it.

Any man, well trained and reasonably intelligent, may become a good accountant. But the mere practice of accountancy from the knowledge acquired from text-books and experience will not necessarily bind men together in a common way of life.

It will unite them in a profession, certainly, in their dependence upon each other and the power of their institutes, but there the process of amalgamation might very well cease.

The daily press, with its periodic reports of falsified accounts and defaulting accountants, offers painful proof of

the inadequacy of the practice of accountancy to lift all of its members to a common level of exemplary behaviour. Nevertheless, the professional accountant is respected as a man to be relied upon in that sphere of commerce in which he claims to specialise.

He is generally given credit for being a man of integrity. The seeking after accuracy in the financial statements and returns he prepares is in itself an incentive to be honest. Very few men taking pride in the accurate presentation of their work will wilfully present dishonest reports and endeavour to pass them off as honest.

I think we can safely say that the average accountant is honest; he is mathematically accurate; he holds a position of trust and acquires a respect for the confidences with which he is entrusted; he has the ability to organise and supervise.

As surely as he practises these things sincerely in his profession, will he practise them in private life. He will be dissatisfied with shoddy work in his home, inefficient administration in civic affairs with which he comes into contact.

He will tend to run all phases of his life with the same efficiency that he employs in his office. Respected in professional life, he should warrant respect in his own neighbourhood; capable and skilful in the administration of his professional affairs, he should be able to direct these virtues to the benefit of the civic affairs of the community.

The true practice of accountancy is the *highest* practice of accountancy, giving the maximum to a profession that today is ranked high among the professions of the world.

That is where our "way of life" really comes in. Not performing the duties of

either the performance of others or in comparison with an external standard. They ignore entirely the quality of individual performance now as compared with the performance of the same individual at some earlier point. Examinations which were used to measure the growth and improvement could motivate and guide further growth."

Of late, the system of examination has come in for a good lot of criticism because sometimes the results are prejudged and only a certain percentage of the candidates is fixed for passing the gateway. These are also sometimes adjusted to suit the need for providing for such passed candidates either in colleges or in higher posts, etc. Such a principle is obviously not very encouraging or correct.

In connection with the unreliability of the marking of Examination answers, Sri. S.N. Nigam, B. Sc. L.T., of Vindhya Pradesh, states in an article written by him in the "Educational Review", Madras, that the Examination is a curse in education and that too much value has been placed on its results. He further proceeds to describe some curious types of examiners and their own whims and fancies and their dubious ways of marking the answer papers. Mr. Nigam concludes:

"The examining machine—the man—is governed by environments, habits, family, financial condition and social status. He can never be expected to be perfect and yet he is deemed to be errorless". The above statement is, no doubt, too sweeping, but it is not without foundation. It only goes to prove that the adjudgement on the mere result of an examination for any purpose would not be the proper criterion for assessing capacity or ability.

In a way, this deficiency is met by what is called "moderation of the results". But if this idea of moderation is entrusted to a person without a human feeling and without consideration for the person whose fate is in his hands, such moderation also will not serve the purpose. It should be never lost sight of that the tabulated results of an examination are not to be treated as an end in themselves but only a means to an end—selection of the best men—and that, therefore, examination is *not* the *only* basis for such a purpose—particularly a written examination.

The possibility of favouritism and undue influence in the marking of Examination papers was recognised and met by replacing the regular index numbers of candidates by other secret numbers which alone goes to the Examiners. How far this ruse is effective is not free from doubt. Anyway, the fact remains that even assuming that the examination is a fairly good test of a man's performance, still there does exist the possibility of tampering with the actual assessment.

In view of all that is said above, we feel a very good case exists for reviewing the entire scheme of Examination as a *sole* test by which to select the best talent and we would strongly advocate a thorough investigation into this scheme and modify it by such additions and alternations as would make the scheme a better one and fully fool-proof.

### Review of Railway Convention

Elsewhere in this Issue, we have published in summary the main recommendations of the Railway Convention Committee recently placed before the Parliament. Several of these require a careful scrutiny in regard to their repercussions and we defer our comments till the next Issue, by which time they would also have been discussed by Parliament.

accountancy simply to earn a crust in the only way our parents planned for us somewhere back in the dim past, but rather practising the highest ideals in that profession, the ideals of honesty, accuracy, courtesy, consideration of those about us, our clients, our staff, our colleagues, the respecting of the trust and confidence placed in us—in short the dedication of our lives to the perfection,

morally and academically, of the profession to which we owe our living.

Looked at like that, the practice of accountancy might indeed be called, not without a considerable degree of pride, a "way of life."

*"The Australian Accountant"*  
Melbourne.

### Problems of a Loco Man - Stores Organisation

*This article is the last of a series written by Sri C. Chalapati Rao, who is now the Secretary, Railway Workshops Reviewing Committee. It was originally published on pages 45 to 48 of the "Southrailnews" for November 1954 and has been reproduced here by kind courtesy of the Magazine.*

In the chapter on shed organisation, I have mentioned briefly about Stores in Loco-sheds. The up-keep and recoupment of stores play an important part in the efficient maintenance of engines. It is, therefore, necessary to have a properly equipped and organised stores in a shed. Apart from the usefulness of a well organised stores, maintenance costs of locomotives can be cut down considerably if sufficient care and attention is paid to the subject.

#### Imprest and Non-Imprest Items

Imprest items are consumable stores required for day-to-day maintenance of locomotives and non-imprest items are those required for use occasionally and obtained for a particular job. In the stores there are small and bulky items, materials made of ferrous and non-ferrous metals and materials such as oils, paints etc., on which effective control is necessary to avoid wastage. The small items, both ferrous and non-ferrous, are stocked inside a room in proper bins, the bulky

items in an outdoor fenced enclosure and oils in tanks.

Looking after the imprest items is the most important work in a stores organisation. Normally, it is sufficient if sheds can have two months' stock of consumable stores to start with so that at the end of one month when the stock of consumable stores comes down to one month's consumption, indents can be placed for recoupment and if stores are supplied from the general stores before the end of the following month, fresh stores become available as the original stores get used up. In practice, however, it is found that there are delays for various reasons in the supply of stores from general stores and to avoid hold-up of engines for materials, the original stock is to be for three months' consumption instead of two months. To avoid overstocking of materials in shed stores, a register with the following particulars should be maintained by each shed and indents placed on the particulars available in the register:—

| Month | Description of item : |            | Card No. | Sanctioned Imprest Quantity | Closing Balance | Recoupment Indent |      | Remarks |
|-------|-----------------------|------------|----------|-----------------------------|-----------------|-------------------|------|---------|
|       | Opening Balance       | Receipts   |          |                             |                 | Indent No.        | Date |         |
|       |                       | Chalan No. |          |                             |                 |                   |      |         |
|       |                       | Quan- tity |          |                             |                 |                   |      |         |
|       |                       |            | Issues   |                             |                 |                   |      |         |

The date of placing indents should be fixed and the date of supply should also be fixed. With a register of the above description and working to a regular programme, it is possible to watch the stock. This register also serves another useful purpose. Before making out the indent, if the issue column is carefully checked, the rate of consumption can be judged and on this, action can be taken to increase or reduce the imprest quantity.

The issues are generally made on indents placed by the supervisory officials of the shed and after the items are issued, the transaction is recorded on a tally card. The tally card gives more or less the same information as recorded in the register mentioned above but instead of recording the transactions for the month, daily transactions are recorded. For proper control, these tally cards should be up-to-date.

#### Scrutiny of Issues

In many sheds it is a common practice to see issues made indiscriminately without a proper check. This leads to misuse of valuable and costly items. Take, for instance, a simple item like gauge glass. In a certain shed the consumption of this item was very heavy, because whenever a gauge glass was indented, issue was made without finding out what happened to the old one. To check why the consumption was high, instructions were issued that before a new gauge glass was issued, the broken one should be handed over to the stores. Immediately these instructions were issued, consumption of the item came down by 50 per cent. This just shows what can be done if care is taken before issues are made.

There was another similar case where the old material could not be produced. This was grease blocks for engine axle boxes. When the tally sheets and original indents were checked, it was found that a fresh block was being drawn for the same box on the same engine once every 4th or 5th day. On a

check of the repair book of the engine, it was found that the box was being booked as running hot frequently and instead of eliminating the root cause, the staff were just throwing the old block away and putting in a new block. As such instances are quite common specially in big sheds, I always felt that the store-keeper in charge of stores should be a highly paid technical man who knows the normal life of every fitting, and can study the consumption of items intelligently, instead of merely working as a glorified store issuer. If maintenance costs of engines are analysed, it will be found that material costs are the highest and it is here economies can be effected to bring down the overall maintenance costs.

#### Non-Ferrous Items

There is one more place where careful and close checks are to be maintained. This is with non-ferrous items. Considerable misuse can take place if this is not done. A very good method of checking consumption of non-ferrous items is as follows:

"Before a new item is issued, the old item should be returned. Both the new item and the old item should be weighed and particulars recorded on the indent. A separate scrap tally sheet is to be maintained for each non-ferrous metal in use and in this tally sheet the weight of the old material is to be recorded against the receipt column. After the new fitting is machined, the borings should be returned to stores and the weight of borings should also be entered in the indent and tally sheet. Frequent checks should be done by supervisory officials that the weights recorded are correct. At the end of the month, when the non-ferrous scrap is being returned to stores, a cross-check with the non-ferrous scrap tally sheet will reveal if the correct and full amount is returned or not".

With a check of the above description, considerable savings can be effected as

non-ferrous materials fetch a good return value. Here also the checks done should be done intelligently. Take, for instance, a wagon brass. When a new one is issued, it will be with white metal whereas the old one might be only the shell without the white metal insert. In the stores transactions recorded, it can be seen that an old brass has been returned in place of a new one and if sufficient check is not exercised to get back the white metal of the old brass and account it, the white metal will be misused.

Apart from imprest and non-imprest items, there are several items such as springs, piston and cross-head assemblies, coupling and connecting rods which have to be sent to shops for repair and return. Engines are generally held up for such items. To minimise detentions, it is very necessary to have a proper organisation for sending the materials quickly

to shops and get them back quickly. For this purpose special wagons for loco materials should be arranged and these should move frequently between shops and sheds collecting and delivering materials. In shops there should be an organisation to chase the repairs.

To enable shed officials to keep a close watch on the monetary value of stores received and issued, the shed stores should have an accounts section attached to it and this section can work out the costs and put it up to supervisory officials for guidance.

In sheds, changes in classes of engines are common. When this takes place, it is not sufficient only to send the engines away, but the stores stocked for that particular class should also be sent away. Similarly, when the number of engines of a particular class is reduced, a similar reduction in stores should be made.

## Silver in Scrap Heap

**COSTING** is defined as the "Science of recording and presenting financial transactions pertaining to the production of goods and services whereby the records become a method of measurement and a means of control." Under **STANDARD COSTING**, the idea is not merely to ascertain what the cost is or has been, but also what it should be under standard conditions so that suggestions for corrective action can be taken on the analysis of variances between actual and standard performance.

**MARGINAL COSTING** consists in the separation of the 'variable' costs from the 'fixed' costs of an undertaking and the control of such costs so as to give maximum efficiency and reveal the effect, upon profit, of changes in output. This is allied to the theory of "Dependent costs" widely in use on Railways.

**MANAGEMENT ACCOUNTANCY** is "the presentation of accounting information in such a way as to assist the management in the creation of policy and in the day-to-day operation of an undertaking".

## Subjects of Moment

### Clearance of Suspense Balances

Instructions have been recently issued by the Railway Board to all Railways to bring home the responsibility of officers and staff in order to make the monthly reviews of suspense balances more effective to liquidate them substantially. The Board have felt it necessary to fix up certain monetary limits up to which each grade of staff or officer is expected to effectively scrutinise items with a view to their clearances.

So far as Accounts Department is concerned, it is expected that action will be initiated there by contacting Departmental Officers for immediate action on their part and if necessary contacting Officers of outside Departments like the Industry and Supplies etc., in regard to items concerning them. As great stress is being laid by the Public Accounts Committee in respect of the amounts involved, priority of attention has to be given to items of heavy value rather than to a number of items of smaller value (which can be dealt with later). It has also been suggested that special arrear sections should be formed to look into the suspenses of all items which are outstanding for over a year. The staff allotted to such sections are expected to actually work on the clearance of the arrear items independently of the regular section staff who may be entrusted only with the current work; i.e., avoiding overlapping of work between the arrear Sections and the current Sections, thus enabling the current Sections to deal with items efficiently to prevent accumulation of further arrears.

Other remedies suggested are:

1. Tightening of the control on the efficiency of the current work by making Supervisory Staff and Sectional Officers responsible for admitting before-hand a charge or credit to suspense (within certain prescribed limits) and for subsequently chasing clearance of such items also personally.

2. Getting out a periodical statement of items on which action is pending with the department and reviewing them. Items over one year old to be extracted in special statements and obtaining Departmental explanation therefor through the Head of the Department; this is being also discussed at meetings of the Heads of Departments.

3. Accounts Inspection parties to be furnished with copies of Statements of items over one year old and for which action is pending with the Department to be inspected, with a view to their being discussed with the Departmental Officers to help the latter to initiate action for clearing the items. Any undue delay or lack of co-operation from the Department to be promptly brought to the notice of the higher authorities of the Department or even of the General Manager.

4. Where the Accounts and Executive Officers are at one and the same station, necessary information to be obtained as far as possible by personal contacts even at lower levels.

5. Suspense items over one year old to be posted separately in a separate part of the suspense register where practicable for constant review by Branch Officers and at least quarterly by Deputies and occasionally by the F. A. & C. A. O.

6. Difficulties in getting any of the older and heavier items settled with other Railways and other Departments of the Government to be specially brought to the notice of the Railway Board for necessary action.

### \* \* \*

#### Some Important Recommendations of the Public Accounts Committee on Appropriation Accounts of Railways and Audit Reports thereon

1. *Chittaranjan Loco Works*: The production capacity of these works should be utilised to the maximum possible extent. The Railway Board should

therefore explore the possibilities of undertaking other ancillary industries in these workshops, if necessary, even by augmenting the existing plant and machinery in the greater national interests.

2. *Co-ordination between administrative and Accounts Offices of Railways*: As there does not seem to be necessary co-ordination between Railway Administrations and the Accounts Offices in the formulation of estimates etc., the Committee feel that the Railway Accounts Office should be further strengthened and reorganised, if necessary.

3. *Financial Control*: (a) Overall budgetary standard and control over expenditure on the Railway needs improvement, both by the Railways and by the Railway Board at the time of consolidating Budget Estimates.

(b) Expenditure of an unauthorised nature as evidenced by excesses over grants and charged appropriations are against the provisions of the Constitution and steps should be taken to keep the expenditure well within the sanctioned provision and to obtain funds in time to avoid excess.

(c) Question of Appropriation to Depreciation Reserve Fund being charged to working expenses to be considered; the charge to Working Expenses being limited to the usual Depreciation at 1/60th of capital outlay and the extra amount over and above this to be dealt with as Appropriation of Net Revenue).

4. *Suspense Accounts*: The charging of large sums to *Suspense* instead of to the proper heads of account vitiates Parliamentary financial control. Such debits should be zealously safeguarded by spending departments.

5. *Co-ordination of Work in Railway Board's Offices*: Absence of close co-ordination between different Directorates in obtaining financial concurrence in all cases of equipment for experimental purposes leads to losses and hence

remedial measures to be taken to prevent such instances.

6. *Waiving Demurrage and Wharfage Charges*: Percentage of such charges waived by the Railway Administrations is getting higher every time, and the Committee desires that not only should such waiving be reduced, but also that a detailed para should be included in the Railway Board's Annual Review on the annual Appropriation Accounts in regard to the results achieved.

7. *Regrouping of Railways*: A comprehensive Memorandum on the economy effected by regrouping of Railways to be prepared by the Railway Board for the information of the Committee.

8. *Separation of the Finance Branch*: The Public Accounts Committee desires from the Railway Board a comprehensive memorandum on the question of separation of Financial and Accounts functions on the Railways, and especially the position of the F.A. & C.A.O., in the integrated set-up of Finances and Accounts after discussion of the subject with the Comptroller and Auditor General of India.

9. *Production—Railways*: The Management of Railway Collieries has been changing hands several times between the Railway Ministry and the Ministry of Production. The Public Accounts Committee desires a definite decision in regard to the policy of the Government as to the ownership and management of the collieries as constant changes are likely to affect considerably the economical and efficient management of the working of these collieries.

10. *Labour—Railways*: To have an adequate control over recovery from station staff of accounts office debits raised against them and to prevent their heavy accumulation, the Committee desires the Ministry of Labour to take suitable action to amend the Payment of Wages Act suitably.

11. *Departure from Established Procedure*: In regard to execution of works

and contracts and the preparation of various documents such as measurement books etc., and justification for rates paid in the case of negotiated contracts, work orders etc., the procedure followed generally has been a departure from established rules and is deemed defective. An emergency cannot be considered as justification for wholesale failure to record contemporarily the reasons and justification for what has been done. Similarly in the case of *tenders*, it is vital that the Department should ensure that there are adequate contemporary records and documents from which the correctness of the action of the executive authority can either be established or disapproved; otherwise the risk of malpractices and loss to Government are likely and possibly there is also the risk of Officers getting into difficulties and blame, even though there might be no actual loss or malpractice.

The Committee requires strict adherence to established rules and would like the Government to take adequate steps to prescribe comprehensive procedure which should be followed in cases in which strict adherence to the normal rules may not be wholly practicable.

12. *Non-Compliance with F. A. & C.A.O.'s Ruling*: Even after the F.A. & C.A.O. had pointed out that certain payments were not covered by existing orders, payments continued to be made unauthorisedly and the disposal of such papers was also delayed considerably. The Committee objects to both these aspects and wants suitable disciplinary action to be taken against persons responsible for the delay.

Para 806-A lays down that if Audit objects to any payment of a recurring nature which is, however, considered necessary to be continued pending settlement of objections, such payments may be made provisionally and subject to recovery, the payee receiving payment being so informed.

[The Railway Board has since ordered that this rule may be strictly adhered to

so as to avoid any adverse remarks from the Public Accounts Committee on this point in future.]

\* \* \*

**Destruction of documents which are subject matter of correspondence.**

In commenting on an Audit para appearing in the Railway Audit Report, 1952, on the destruction of records relating to certain objected debits which formed the subject matter of some correspondence between the Accounts Office and the Executive, the Public Accounts Committee have made the following remarks:

"The Committee observe that it is very dangerous practice to destroy any documents which are the subject matter of correspondence and on which objection has been raised and which remains unsettled."

In the particular case in question, the destruction of the records appears to have been carried out merely on the mechanical basis of the expiry of the period prescribed in the Accounts Code for preservation of those records without reference to the fact that they formed the subject matter of some correspondence and should, therefore, have been kept intact until the matter was finalised. The Board have drawn the attention of the Administrations to the remarks of the Public Accounts Committee and issued instructions that the Railway Administrations should not give any occasion for such adverse comment in future.

The periods for which Accounts records are to be preserved are laid down in Appendix XVI of the Indian Railway Code for the Accounts Department. For the other Departments, Executive instructions are issued by the Departments in consonance with the importance of the subject and having regard to all relevant considerations such as the period of limitation under law, any pending points in inspection or Test Audit by the Accounts Offices, Statutory Audit or

even by the higher authorities in the Department itself, pending law suits, results of any test or experiment requiring to be preserved permanently (or for an appreciable length of time). In regard to records not itemised in the Accounts Code, the F.A.C.A.O. will with the G.M.'s approval decide the period of preservation in such cases, having regard to all the relevant factors. Notwithstanding the periods prescribed in the Code, rules or other orders for particular records, it is obvious that, if some point is pending in regard to a particular document or documents, they should not be destroyed till after the point is finally settled by the competent authority.

#### Railway Convention Committee.

We have referred in our earlier Issues to the Railway Convention Committee appointed by Parliament early this year with Mr. M. Ananthasayanam Ayyangar as its Chairman.

Their Report was presented to the Lok Sabha on the 30th Novr. 54. The Chief recommendations made therein are :

(1) The present rate of dividend of 4% on the capital at charge payable by the Railways to the General Finances as computed annually should remain unaltered for a further period of five years.

In the matter of calculation of the capital at charge and arriving at the total of the dividend payable, some minor adjustments were suggested.

(2) The element of over-capitalisation should be precisely assessed by the Railway Board and on that portion of the loan capital, the Railways should pay the dividend at the rate equivalent to the average borrowing rate charged by the Government of India to the Commercial Department from year to year.

The dividend on the capital at charge on the new lines should be computed at the lesser rate viz., the average borrowing rate charged to Commercial Depart-

ments, and a moratorium should be granted in respect of the dividend payable on the capital invested on the new lines during the period of construction and up to the end of the 5th year of their opening for traffic, the deferred amount being repaid from the sixth year onwards in addition to the current dividend out of the net income of the new lines.

(3) Annual contribution to the Depreciation Reserve Fund should be raised from 30 crores to 35 crores per year during the next quinquennium. While appropriation to the D.F. and the solvency of the Fund are dependent on the availability and the size of the surplus, provision for depreciation should be based on the life of the assets and their replacement on the actual conditions which cannot be deferred if their earning potential is to be maintained. It was, therefore, felt by the Committee that the replacement of these assets should bear no relationship with the ultimate loss or gain of the undertaking but should be met out of the D.R.F.

(4) The present practice of earmarking a minimum of 3 crores per annum for amenities for Railway transport users from out of the Development Fund is to be continued.

Expenditure on safety works should be given due priority in any allocation of funds from the D.F. over the next few years.

(5) It has been suggested to the Railway Board to look into the assessment of rent realised from Railway Quarters to ensure that the return of rent more commensurate with the capital cost is obtained on all residential buildings built for Class III staff.

Some of the other suggestions made by the Committee are as under :

(a) They agree with the Railway Board that the distinction of splitting up of expenditure on works between Development Fund and Revenue for the purpose of allocation is unnecessary.

The allocation should be determined, as in the case of other works, according to the total outlay expected on each work. The expenditure on unremunerative operating improvement works costing more than Rs. 3 lakhs each should be charged entirely to Development Fund.

(b) The cost of construction for all new lines when decided to be constructed may be debited to capital from the very beginning.

(c) If Development Fund is not in a position to meet the programme of expenditure chargeable to that Fund from its own resources, money may be advanced from the general revenues to the Railways for utilisation on those projects or works of a developmental nature. Such advances should be treated as temporary loans to the Railways and would not be added to the capital-at-charge on which 4% dividend is payable annually. The rate of interest payable by the Railways to the general revenues in this case would be the average borrowing rate chargeable to commercial departments. The Railways could, however, repay this loan in instalments if necessary, from accretions

to the Development Fund in more prosperous years.

(d) The criterion for classifying a project as remunerative, has been raised from 4½% to 5%.

(e) The question of prescribing any minimum limit for the balance in the Revenue Reserve Fund or for extending its scope so as to include amortisation of capital has been deferred.

(f) The rate of dividend should be reviewed by a parliamentary Committee towards the end of the next quinquennium; and the Railway Ministry should review the general working of the Railways during these five years and submit it to the next Convention Committee.

#### Incidence of cost of Renewal of Furniture in Railway Institutes.

The Railway Board have recently decided that the cost of maintenance and renewal of furniture provided in the Railway Institutes initially by the Railway Administration should be borne by the Institute Funds and not by Railway Revenues.

## Notes & Comments

### Budgetary Control

Some of the advantages of Budgetary Control in any business are summarised in the "Australian Accountant", in an article on Sales Forecasting and Budgets by E. E. Dunshea, Finance Director and General Secretary of Dunlop Rubber (Aust.) Ltd. and they are reproduced below by kind courtesy.

"It ensures that each function of the business is made the responsibility of the appropriate executive.

It enforces co-operation. All departments of the business are forced to co-operate in attaining the budgeted result.

It conserves money. The budget regulates expenditure for defined projects.

It guards against over-expansion. Being realistic the budget guards against undue optimism which could lead to over-expansion.

It forces management to live within its income because it calls for the conservation of the resources of a business.

It enables management to pre-determine when and what extra finance is necessary and whether it should be of a permanent or temporary nature.

It calls for the maximum use of fixed and current assets, therefore, it causes the most economical use of working capital."

It is obvious from the above that these advantages primarily concern commercial business. But the extent to which

they are applicable in wholly Government concerns or in Government-Commercial concerns like Railways deserves scrutiny. In view of the separation of the Railway Finances in India and their being required to furnish the necessary capital funds for development works and works which are required to maintain or improve operating efficiency even though they are unremunerative, the necessity for absolute budgetary control has to be kept always in view. This again implies need for proper forecasting of the needs and preparation of a budget, which would be as near actuals as possible. These call for a lot of foresight and business intuition, control over supplies etc. All these point to the fact that the Executive of the Railway should have the benefit of very efficient financial advice. We trust that the reconstituted Railway Board will provide for these essentials, while chalking out their policy.

#### Costing and Financial Control

The report of the visit to the U.S.A. in 1953 of a British Specialist Team on "Industrial Engineering", has recently been published by the British Productivity Council, London. Though the report is headed "Industrial Engineering", it covers, in addition to matters of technical interest, such as relationship between design and methods of manufacture and other allied topics, the influence of costing and financial control on productivity. The following excerpts from their report, bearing on costing and financial control, will be read with interest by Railway Accountants:—

"It is our opinion that, more than any other factor, competition provides the drive for the more frequent analysis of costs and the application of industrial engineering techniques in the U.S., and the constant effort to achieve the most economic usage of men, materials, machines and money.

We think that since the cost of labour has already increased markedly in Britain, it is now more economical to mechanise than before the War and all the more essential to devote attention to improvement of methods. The Ministry of Labour's comparison of current and pre-war wage rates reveals the increase in labour cost; but the difference is understated, as figures of industrial earnings show. Britain has now become a country with high labour costs. The lesson has not always been understood and the reaction has sometimes been the wrong one; that is, an attempt to restrain wage increases without giving sufficient thought to the need to increase the efficiency of labour because of high wage costs.

Method-consciousness has resulted from the keen attention to production costs which in itself is one of the major features of the American competitive economy. The top executive knows that continual improvement of his methods will reduce his costs and keep him in the race: he cannot afford to stand still since his competitors are advancing all the time. Therefore he keeps his managers, foremen and workers aware that they personally are as vitally concerned in this as the firm itself.

Waste of resources in general and inadequate use of labour in particular are not always readily apparent. Training in costing and the cost-consciousness that results will lead to continual awareness of where such waste occurs and to installation of costing procedures to prevent it. It could be said that cost-consciousness is the most essential aspect of industrial engineering, and for this reason in every firm the application of industrial engineering and of costing should always be closely related. The dynamic approach of American firms to improvement of methods results largely from the continual co-operation of those responsible for analysis of costs with industrial engineers.

The drive of competition has meant that detailed costing information is required to cast a searchlight on all forms of waste. Only as a result of this is the utmost economy in production possible. The waste that needs to be searched for is not only waste of fuel or undue usage of materials, but, equally, avoidable expenditure and the provision of unnecessary statistics.

In the U.S. a far better understanding exists between cost accountants on the one hand and shop managers and foremen on the other; in the light of it they are the better able to co-operate. An extreme example of this was found in one of the plants visited where the factory manager and the cost accountant were interchangeable and each could take the other's place when one was absent. In another factory we found that the costing staff were all given as long as six months' training in the works in order that they should develop an understanding of the factory outlook. Such training had very beneficial results and could well be applied more extensively in the U.K.

The main purpose of a standard cost system is to establish a yardstick against which to measure costs and facilitate their control, to stimulate the cost-consciousness of all executives and to encourage individual action to reduce costs and increase output.

The American executive is not so much interested in knowing the final costs of products as in controlling efficiency; attention is, therefore, directed towards finding out the causes of deviations from standard conditions or performance in the departments responsible. By observing the amount of these deviations at their sources the control is directed to those places where management is close enough to the job to determine:—

(a) whether or not the deviations are justified under working conditions;

(b) how deviations showing extra cost could be avoided in the future;

(c) whether a more thorough study of the methods of working might lead to improved performance.

The universal demand for cost figures in the U.S. has led to a parallel demand that these figures should be issued very promptly and supplied to all levels of management—*promptitude being regarded as more necessary than complete accuracy*. In some establishments visited, daily labour cost figures were supplied to the foremen and daily overall figures to the management. The demands made for cost control figures have frequently led to a greater degree of mechanisation of figure work than is normal in Britain, and in some plants punched card equipment is run at night in order to offer full information first thing the following morning. Thus there are provided for each foreman full details of the previous day's production and labour efficiency and for the sales manager complete records of the previous day's orders and invoices.

The American is never satisfied that a cost cannot be reduced."

#### Financial Economies in Marshalling Yards

A revolutionary British automatic system of handling trains of wagons in marshalling yards has been developed which, it is claimed, reduces the cost of installation to one-third and makes running costs very much lower. The first installation of its kind in Britain—and, it is believed, in the world—was recently set up at the British Electricity Authority's power station at Leicester by the manufacturing company which designed it. A similar installation has been laid out at the National Coal Board's plant at Dalkeith, Scotland, for coal preparation. Mr. F. G. Mitchell, Chairman of the Company, originally thought of the idea during the war, when he was

grappling with the problem of handling wagons in the black-out. Since then, his company has developed the system to handle coal at 1,000 tons or more an hour—a rate of delivery needed by the big power stations now being planned, and virtually unattainable by the use of conventional man-handling methods. There is no limit to the size or capacity of this system, which can be designed for factories, steel works, mines, power stations, dockyards—in fact, anywhere

there are marshalling yards or incoming trainloads of wagons. The main advantages claimed for the new system are: it can cut by half the site area required, thus reducing the cost of sidings and their maintenance, and reducing the length of track required; it eliminates man-handling, and can be operated 24 hours a day in all weathers; and it saves manpower.

(From *Commerce* dated 23-10-'54)

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The new type of locomotive used in the United States for pushing trains from the side instead of from the rear. It operates on a narrow gauge track between two running tracks. Two strings of goods wagons on the two lines can be moved simultaneously, if necessary.

#### An Important Court Ruling

Appeal preferred by Muir Mills of Kanpur against the Judgment of the Labour Appellate Tribunal of India

The Supreme Court unanimously held that the employees could not claim Bonus as of right for any particular year in

which a concern had suffered a trading loss.

After examining the meaning of the word "Bonus" given to it in the Dictionary and various other judicial decisions, Mr. Justice Bhagwati, in allowing the appeal, stated that the claim for Bonus

could be made by employees only if, as a result of the joint contribution of capital and labour, the Industrial concern had earned profits. If in any particular years, the working of the Industrial concern had resulted in loss, there was no basis nor justification to demand for bonus. Bonus was not a *deferred wage*. Because if it were so, it would necessarily rank for precedence before dividends.

His Lordship stated that dividend could only be paid out of profits and unless and until profits were made, no action or question, would arise for distribution of any bonus among the employees. If the industrial concern had resulted in a trading loss, there would be no profits for the particular year available for distribution of dividends, much less for payment of bonus.

x x x  
Only the share-holders were entitled to receive the benefit out of reserve funds and undistributed profits of the Company and the mere fact that dividends were declared and paid to shareholders out of such reserves and undistributed profits would not entitle the workers to demand bonus when in fact the working of the industrial concern during the year had shown a loss.

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#### Can Accountants hold Managerial Posts?

"Many accountants are to-day being promoted to positions of General Manager and Managing Director, not, of course, because they are good accountants but because they are considered good managers. It is an indication of the high regard in which accountants are held by Boards of Directors that it is

almost as likely that an accountant would be promoted to the highest post in the company as a member of any of the other functions. There is now no senior post in industry to which the ambitious young accountant cannot aspire. The managing directors' pen is within the grasp of every apprentice", so declared Mr. Ian T. Morrow, C.A., F.C.W.A., Deputy Managing Director of The Brush Group Ltd., and one of the Vice-Presidents of the Institute of Cost and Works Accountants (London), in his paper on "*The Accountant in Modern Society*" read by him recently on the occasion of the Centenary Celebrations of the Institute of Chartered Accountants of Scotland. We dare say that these sentiments are no less true in the case of the Railway Accountancy Profession in India. Indeed, there are two top-ranking members of the Indian Railway Accounts Service holding managerial posts. One is Mr. K. Sadagopan, M.A., I.R.A.S., who is now the Chief Administrative Officer, Integral Coach Factory, Perambur, Madras; the other is Mr. C.T. Venugopal, also of the I.R.A.S., who is at present holding the post of Senior Deputy General Manager of the North Eastern Railway. The peculiar position in which the Railway Accountant is placed, by which he is able to get in touch with the several aspects of Railway Transportation Management both in its administrative aspect as well as its technical side, eminently fits him to hold managerial posts where a balanced view with a background of quasi-technical knowledge and financial perspective is of utmost importance.

Malaya's "Frog War" which raged for four days in the 4th week of November in Bakar Arang, Central Kedah, has spread to Selama, border town between Perak and South Kedah (says a Singapore message). Hundreds of frogs there battled for three hours on Novembers 26 leaving countless dead and wounded in a pond. The battle, between black and brown frogs is regarded by many villagers as an evil portent. They have sacrificed pigs and chickens to appease the spirits.

## News & Notes

### Press Conference on the Southern Railway

Sri K. B. Mathur, Member (Transportation), Railway Board, held a Press Conference in Madras on the 18th November 1954, when he reviewed among other things, the catering arrangements on the Southern Railway; measures to increase the operating capacity of the Southern Railway for handling traffic in the shape of extension of loops, remodelling of yards, new crossing stations and separation of mixed gauge. He also dealt with the opening up of new stations, introduction of air-conditioned coach services, acceleration of trains introduction of additional trains, use of more through carriages, extension of trains, provision of sleeping accommodation in third class coaches, etc.

In respect of conversion of the Metre Gauge line from Renigunta to Gudur into Broad gauge, Mr. Mathur pointed out that it involved remodelling of the junction stations at Renigunta and Gudur and that the work would take two years for completion. He stated that the difficult engineering survey of the Mangalore-Hassan Railway (129 miles of metre gauge) had already been started and that on a preliminary investigation, the line would cost about Rs. 6 crores. He also surveyed the progress in the various works connected with the Integral Coach Factory at Perambur.

### Locos from Japan

The Kawasaki Rolling Stock Company, Kobe, is scheduled to despatch to India, on the 17th December 1954, ten locomotives for use on branch lines of Indian Railways.

### Wagon Supplies

During September 1954, the Indian Railways received 1,182 new goods wagons, making up the total of over

4,300 wagons for the Financial year commencing from 1-4-1954. About 76% of the wagons delivered during September 1954 were manufactured in India and the balance came from Europe.

### New Railway Links

The Governments of Andhra, Mysore and Madras are considering the recommendations of the following proposals for new Railway Links under the second Five Year Plan:

*Broad Gauge* between Ongole and Bangalore via Podili, Kanigiri, Udaigiri, Badvel, Cuddapah, Rayachoti, Hoskote and Krishnarajapuram.

*Metre Gauge* between Katpadi and Chitaldrug.

### Development of Tourism

As part of the Government of India scheme to provide extra amenities for Foreign and Indian Tourists, a course for training Tourist Guides was held in Bombay from July to December this year and a second two-month course was inaugurated in New Delhi on the 15th November 1954. In doing so, Mr. Alagesan, Union Deputy Minister for Transport and Railways, stated that since India had not only ancient monuments to show, but also modern achievements since Independence, many tourists would like to see New India in action. The Transport Ministry had taken various measures to develop tourism and provide facilities for Tourists by opening at important Centres Regional Tourists Offices and Tourists Information Offices for the benefit of the Tourists.

The Course inaugurated for 40 students would include lectures twice or thrice a week on subjects like Geography, Indian History, Art and Architecture, Local customs and festivals, entertainment, rules and regulations affecting foreign

tourists, India's progress since Independence and the Five Year Plan.

### Railway Services (Safeguarding of National Security) Rules

The Home Minister, Dr. Katju, stated in Parliament, in defending the above Rules, that the Government were doing everything possible to give security of tenure consistent with the need for fresh recruitment every year and avoidance of wide gaps between different age groups. But such guarantee would however involve a reserve in respect of people "engaged in subversive activities".

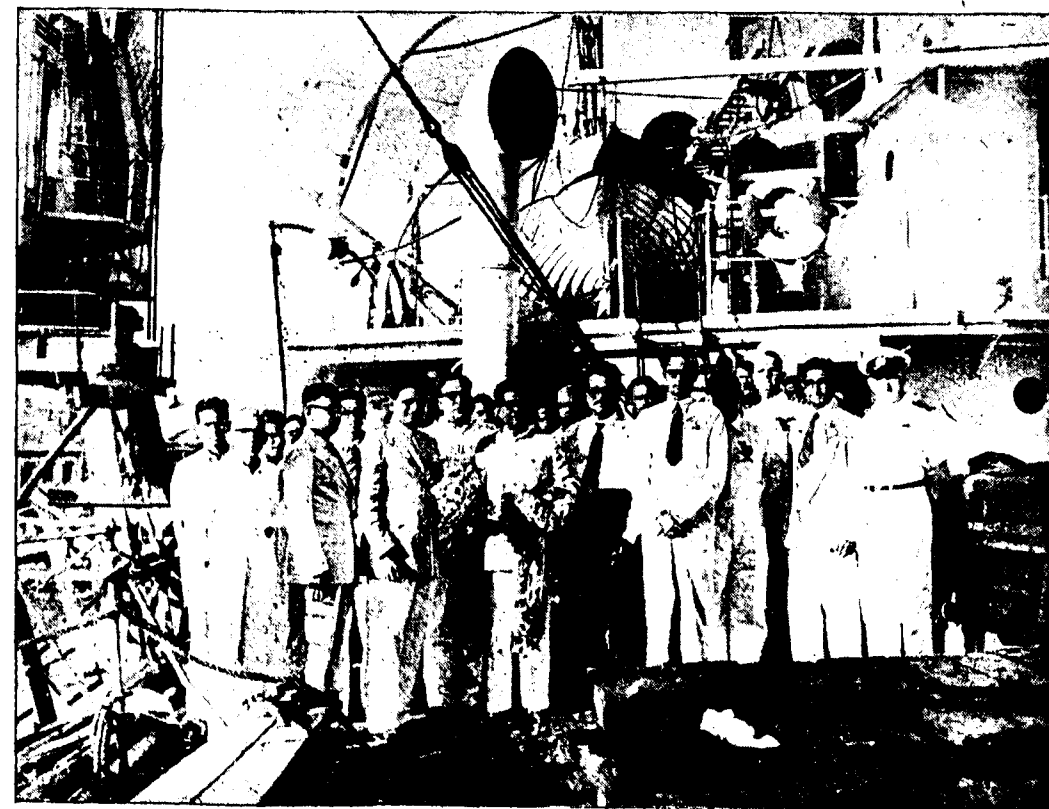
The Deputy Railway Minister, Mr. O. V. Alagesan, stated that the Security Rules were applied without any political bias and that the number of persons against whom action was taken was very small.

The Dy. Home Minister, Mr. B. N. Datar, stated further that Government Policy was to confirm as many temporary Government Servants as possible. Many had been declared as quasi permanent which was almost as good a permanent employees, while many other had been put on the regular temporary establishment list. Whenever any vacancy arose for confirmation, employees from this list were confirmed.

Regarding dismissals under the Security Rules, Mr. Datar stated that every case was gone into personally by the Minister concerned before action was taken.

### Integral Coach Factory, Perambur

The Foundation Stone of the Apprentices' Hostel of the Integral Coach Factory Perambur was laid by Shri Sri Prakasa Governor of Madras, on the 3rd Decem



The first consignment of machinery for the I. C. F. being unloaded at Madras Harbour

ber 1954. The Hostel, which will be attached to the Factory's Technical School, is to be built at an estimated cost of Rs. 8.4 lakhs and will provide accommodation for about 250 persons.

Mr. Sadagopan, Chief Administrative Officer of the Factory, stated that it was their aim to make the factory a model one and in fulfilment of which not only the Technical School, but also the Hostel were very essential. He pointed out that all the boys of the Technical School were Members of the Auxiliary Cadet Corps and it was intended to start a Junior Wing of the N. C. C.

Mr. P. C. Mukherjee, Member, Railway Board, who was present on the occasion, said that technical education had been given certain prominence on Railways and that throughout the workshops, a large number of men had been given training.

The Governor, in his speech after laying the Foundation Stone, stated that the lakhs of Railway Workers should be told that they were taking a great part in Nation-building and not merely working to get a living.

Mr. Kamaraj, Chief Minister of Madras, who presided on the occasion, stated that factories of this sort would result in growing industrial development and thus in providing greater employment.

#### Development Projects

In response to Prime Minister Nehru's appeal to the covenanting Rulers of Saurashtra to come forward and render any assistance they can during the present emergency for the upliftment of the people of their erstwhile States and the development of the country as a whole, the Rulers met on the 15th November and spontaneously decided to honour the appeal whole-heartedly in every way to the best of their abilities.

#### Taxation Enquiry Commission

A Commission was appointed by the Government of India under resolution

dated the 1st April 1953 with Dr. John Mathai as Chairman to conduct a comprehensive enquiry into the system of taxation in India as a whole, and the various Central and local taxes and inter-Governmental coordination in matters relating to taxation. The terms of reference were as under:

To examine the incidence of Central, State and Local taxation on the various classes of people and in different States.

To examine the suitability of the present system of taxation—Central, State and Local—with reference to (A) the development programme of the country and the resources required for it; (B) the objective of reducing inequalities of income and wealth;

To examine the effects of the structure and level of taxation of income on capital formation and maintenance and development of productive enterprise;

To examine the use of taxation as a fiscal instrument in dealing with inflationary or deflationary situations;

To consider other relevant matters; and

To make recommendations, in particular, with regard to (A) modifications required in the present system of taxation, and (B) fresh avenues of taxation.

The Commission is reported to have signed its Report at Bombay on the 30th November 1954 and the report will be sent to the Government of India shortly.

#### Industrial Credit and Investment Corporation of India Ltd.

##### Steering Committee:

Dr. A. Ramaswamy Mudaliar  
—Chairman.

Mr. A. D. Shroff, Mr. Kasturbhai Lalbhai, Mr. G. D. Birla, Sir Biren Mukherjee.  
—Members.

The Industrial and Investment Corporation of India Ltd., was formed on the 15th November 1954 at Calcutta with an initial Capital of Rs. 17½ crores, to augment the country's industrial development in the private sector.

The Corporation would grant loans for starting new industrial concerns and for the expansion and rehabilitation of the existing ones. The Financial Corporation would be composed of the counter-part fund of the Dollar Assistance from the F.A.O. given to the Indian Government. The Government had agreed to place at the disposal of the Corporation 7-1/2 crores of rupees by way of interest-free deposit for 15 years. At the end of this period, the Corporation would pay back in 15 annual instalments the loans advanced by Government.

The Corporation expected to raise a share-capital of Rs. 5 crores by Indian, British and American share-holders at 3½, 1 and ½ crores respectively. All these amounts would be contributed by private interests. The World Bank Management were also requested to grant a loan of 10 million dollars (roughly Rs. 5 crores) to be availed of by the Corporation, as and when necessary. Thus, the finance at the disposal of the Corporation would be about 17-1/2 crores of rupees.

The unique feature of this Corporation was that Foreign interests—American and British—having contributed to the fund, would take interest in the corporation. Apart from the money lent, foreign investors might also play an important part in lending their co-operation.

Another aspect of the Corporation was that it should take direct interest in securing the technical "know how" of various concerns and getting experts to examine the concerns which required loans.

The Corporation would deal exclusively with the private sector of the Industry. It was hoped that there would be ready reference from each section of the public for building an institution promising great hopes for industrial expansion in the private sector.

Subscribers to the above Corporation in U.K. will include the principal Insurance Companies together with the

Eastern Exchange Banks and certain industrial organisations with interests in India. Similarly, the subscribers in the U.S. will consist of the Bank of America, the Rockefeller Brothers, the Westinghouse Electric International Company and the Olin Mathieson Chemical Corporation. As previously announced the U.K. contributes one crore to the capital and the American investors half a crore.

Mr. P. S. Beale, Chief Cashier of the Bank of England has been appointed as the first General Manager of the Corporation, subject to the formal confirmation by the Board of Directors when appointed.

#### Approximate Earnings of Government Railways.

The following information is obtained from the Monthly Railway Statistics for May 1954, which is published by the Ministry of Railways.

The Gross earnings from 1-4-1954 to end of June 1954 are Rs. 71.04 lakhs, as against 67.79 lakhs for the quarter ending June 1953.

Similarly, passenger earnings for the same periods are 28.05 and 26.38 lakhs respectively; & goods earnings 37.71 and 36.24 lakhs respectively. The major portion of the increase in passenger earnings has been derived from third class passengers. In regard to the Passenger earnings from the 1st, 2nd and inter classes, the deficiency in first class traffic has been made good by the increase in second and inter class traffic during this period.

#### Passenger Amenities

##### Retiring Rooms

The Railway Board have instructed all Railways in India to abolish with immediate effect classification of retiring rooms and permit their occupation by all classes of passengers, who may wish to pay for them.

Whether a similar order will be issued in respect of waiting rooms which have been specially allotted for various classes, remains to be seen.

\* \* \*

#### Dining Car Facilities for 3rd Class Passengers.

With the introduction of the amenity of allowing 3rd class Railway passengers to get into any Dining Car or other catering Establishment at present attached to trains on the Indian Railways, the Indian Railways have fallen in line with the practice in some of the advanced Western Countries, where the use of the Dining Car is available to the lowest class passengers. To prevent abuse, such travel is permitted only during specified meal hours.

Such a recommendation was made by the Vasist Delegation after its tour of the Russian and the other European Railways.

\* \* \*

#### Catering on Railways—Recommendations by Committee.

*The Committee was composed of*

Mr. O.V. Alagesan, Dy. Minister for Railways —Chairman.

Mr. Shah Nawaz Khan, Parliamentary Secretary to the Minister of Railways.

Mr. K. B. Mathur Member. Railway Board; Mr. P. C. Bhattacharyya, Financial Commissioner of Railways.

—Members.

Mr. S. K. Guha, Ex. Director, Traffic, Railway Board. —Secretary

The Committee has expressed itself in favour of Departmental catering as set-

ting a standard and serving as a model to contractors. They feel that Departmental catering should be capable of being run on a "no-loss-no-profit" basis if certain measures are adopted for reducing expenditure. In regard to improving of services through contractors, the Committee has recommended that the Contractors' holdings should be compact and of a manageable size and the existing large holdings, which had resulted in unsatisfactory service, should be reduced. The Committee has laid down certain directive principles for awarding Contracts.

The Committee has also recommended surprise inspections by Railway Officers, levy of deterrent fines and a more effective implementation of the existing instructions on the subject of Departmental catering.

Two of the recommendations of the Committee have already been implemented:

(1) Introduction of standard menus at Standard prices for Indian style meals with effect from the 1st September, 1954.

(2) Throwing open of Restaurants and Dining Cars to all classes of passengers.

It has also recommended certain improved designs of dining cars for service of Indian style meals and standard design of containers for general use in all dining cars for serving Indian style food.

*Note: An article recommending Departmental Catering appeared at pages 19 & 20 of this Journal—Issue for April, 1954.*

*Mg. Ed.*

### Personnel

Shri D. U. Rao, is now Joint Director, Finance (Budget), Railway Board.

## Readers' Forum

It is seen that advantage is not taken of this section of the Journal by readers. There is no doubt whatever that there are many aspects engaging the attention of the staff and creating in their minds many doubts upon which clarification would be welcome. The Readers' Forum section of the Journal affords a suitable opportunity for indicating all such doubts, difficulties, intricate points and with a view to elicit replies, explanations, clarifications etc. It is anticipated that readers and subscribers of the Journal will make good use of the Journal in this respect.

*Mg. Editor.*

#### Salary Recovery Statements.

Para 2411 of the Railway Code for the Traffic Department lays down that deduction lists in form T 2411 should be prepared in quadruplicate by the Stations and sent to the Divisional Office, which will return one copy to the Station with the amounts recovered noted thereon, to enable it to take credit in the Station Balance Sheet. One of these copies would also be sent by the Divisional Office to the Traffic Accounts Office.

Obviously, the above procedure would be applicable only where the Divisional system is in force; but where the orga-

nisation is on a District basis, the procedure to be adopted has not been stated.

On some Railways, where the Divisional system does not exist, Credit Advices are sent to the Stations indicating particulars of error sheets for which credit can be taken by the Stations

In these circumstances, the para of the Code requires elaboration and completion. Meanwhile, will all Railways please communicate the procedure in force thereon in regard to this subject of recovery from salary bills and credit therefor?

*"One-in-doubt"*

## Students' Corner

Topical problems which require elucidation etc., and points requiring discussion may be communicated by Readers and Subscribers to the Managing Editor for necessary action, so as to give their full benefit to all the Students interested in them.

*Mg. Editor.*

#### Railway Statistics

The Indian Railway Enquiry Committee 1947, while dealing with statistics, indicated the following important points in connection therewith.

- (i) Reviewing the existing statistics to increase their usefulness and reduce the cost of compilation.
- (ii) Periodical conferences of Statistical Officers.
- (iii) Strengthening of the Statistical Organisations.
- (iv) Early publication of Statistical results.
- (v) Utilisation of day to day statistics available in the Traffic Control Offices.

- (vi) Systematic review of the statistics compiled to eliminate those which are not used and to add those which are necessary.
- (vii) Early publication of comparative abstracts of Statistical figures of all Railways for each year.
- (viii) Exchange between Railways of published domestic statistics.
- (ix) Introducing a course of training in the use of statistics for Transportation (Traffic) and Power and Commercial Department Officers.
- (x) Publication by each Railway of a Manual for Statistics describing the various units used therein, methods of their compilation and the use they are put to.

Some Railways have yet to compile their Manual; possibly because of the integration of Railways and the need to co-ordinate the procedures on the component smaller Railways. The swift changes in the accounting processes and ideas during the last two or three years may also have delayed the compilation. In any case, it is very essential that without further loss of time, Manuals should be compiled and kept current by correction slips where necessary.

Another aspect noticed is the abnormal delay in the publication of the Monthly Railway Statistics of the entire Railway system in India. This publication for March '54 was received only at the end of September '54, and those for April and May '54 a few days ago; and thus the effective utilisation of these results for scrutiny of operating data and to improve them is retarded considerably. Speed is a very necessary element in regulating operating costs and operating efficiency. Statistics must be capable of concurrent use to be really helpful.

Further, as a consequence of the integration of Railways, the entire basis of statistics should be reviewed and the time-honoured statements revised in the light of the present set up.

\* \* \*

### Precis & Drafting

(Contd. from Page 219)

A very important essential in the correct making out of a Precis is a careful study of the passage set; and for this purpose, sufficient time should be allotted for initially reading through such passage very carefully and from end to end. Even in the course of such first reading, whatever points or passages strike the candidate as important or relevant, should be marked and, if necessary, marginal outlines noted. At the end of such reading, the candidate would be in a position generally to know the subject-matter and what heading he could give to the Precis. He would then ascertain whether the passage

deals with only one aspect or with more than one; in the latter case, which is the important one and which others secondary ones. The candidate must then give a second reading to the passage noting during this process all portions that affect each of the themes—primary and secondary. At the end of such reading, therefore, a clear idea would have been formed in the candidate's mind as to the lines upon which he should proceed to make out the required precis. If, even after such a second reading, there are still some points requiring a further clarification before a clear precis could be made out, a third reading should be given but only to the extent required of the portions relating to such points of doubt. The time that should be allotted for such readings of the passage depends upon the length of the passage and its difficulties, apart from the capability of the candidate to clearly understand the passage as quickly as possible. In any case, not more than an hour should be spent in all such readings in a paper of three hours duration (for Precis and Drafting together).

The next half an hour should be devoted to making out a draft of the precis; and if necessary, such a draft should be vetted to make it more presentable. The neat copying of the precis should be completed within the next half an hour; i.e., not more than 2 hours should be taken in all for completing the precis. If the passage set for the precis is small, the time should be relatively reduced; and especially so, if the matter for a draft letter is independent of the passage for precis, and such a passage has also to be read carefully for that purpose.

Summarising: the entire passage for the precis should be read, and re-read very carefully, slowly and understandingly. The time spent on this will be well repaid by the ease with which the precis can be made out. An initial desultory reading would mean waste of time later, when actually making out

the precis. On the other hand, a thorough reading makes later stages very easy. The first reading should be a rapid but understanding glance in order to locate ideas and to get at the whole picture; the second should be used for checking up portions previously marked out as relevant or important and adding to or taking away from them or even omitting them. The final reading should help the choice of the essentials and then tabulating them.

Oftentimes, the passage set contains opinions of various parties addressed by a Circular letter; and sometimes these replies also contain additional points raised by them initially. Where a circular letter elicits opinions of the addressees, a precis should take the form of presenting in the preamble the questions raised in the Circular, and in the subsequent paras the replies received in regard to each of these questions in separate paras, grouping together all replies of a confirmative nature, all replies of a negative nature and all replies of a neutral nature or omission to reply. For this purpose, the candidate may prepare a tabular statement as a result of his reading the passage, marking each addressee and tabulating his reply in each subject "yes", "no" or "neutral". This statement would help him in preparing a correct and complete precis of the replies. Very often, in such cases, one or the other of the letters will contain a summary of the Circular letter. In such a case, this summary would have to be checked up with the candidate's own idea of the summary and suitably vetted for inclusion in his precis.

In finalising a precis, the following further points should be carefully observed:

(i) *Order*: i.e., all ideas should be presented in correct sequence.

(ii) *Conciseness*: As few words as possible must be used; i.e., where a single word can adequately represent the meaning of a phrase, the former should be used; similarly, where a phrase will do, a clause

should not be used therefor; and so on. Each word less used will go a long way to reduce the length of the precis.

(iii) *Clarity*: The language used must be clear and lucid. It should express the ideas in a simple language and show the examiner that the passage has been clearly understood. Words, whose meanings are dubious or obscure, should not be used.

(iv) *Unity*: A precis must be an organic whole made out from the original but still independent of it and presented in a different order, if necessary. Separate paras must be used for each separate idea. But this must be suitably linked in order to give the connection of ideas. In fact, the reader must not feel that the paras are disjointed; but on the other hand, the whole precis should present a continuous picture.

(v) *Smoothness*: The sentences should be so constructed as not to make the reader feel any jerk. The precis must impress one by its smoothness and continuity, just as the flow of water from a fountain.

(vi) *Grammar*: A Precis should be in the past tense and in the third person. Direct speech should be avoided. Correct spelling should be used as also proper punctuation marks. The style should be simple and chronologically correct. Capitals should be used wherever necessary. Pointed attention may be drawn if necessary, to particular portions by using block letters or under lining etc.

(vii) *Abbreviations* should not be used, especially those that are not standard.

(viii) *Chronology*: The presentation should be in chronological order; i.e., in order of sequence of events in respect of every idea, so as to trace its history correctly.

(ix) Personal name contained in the original to be avoided in the precis; but only description of the Department or Province etc., used. If, however, the context requires the essential use of any particular distinction or name, it should not be omitted.

(x) *Length.* The length of a precis depends upon the capacity of the candidate to adequately condense the matter. Normally it should be possible to reduce a precis to about a third of the length of the original; but no hard and fast rule can be laid down for this purpose.

(xi) *Neatness and hand-writing.* Special attention to be paid to writing out the precis neatly and legibly. This aspect has a very great bearing on the impression created in the Examiner's mind and thus on the success of the candidate.

(xii) *Heading.* Last, but not least, is the heading to be given to the Precis. This is a very important aspect and supplies the necessary key to the material in the precis. Use of words for the heading should, therefore, be very carefully selected so as to present to the examiner the basis upon which the precis has been written. Very often, the heading is furnished in the passage itself. But how far such heading can be used for the precis or to what extent it requires

modification should be scrutinised by the candidate before adopting it.

The method of applying the above rules is also concisely described below:

(i) Always commence with a brief statement of the subject matter.

(ii) Use fresh paras whenever a new thought or point is to be dealt with, the paras being numbered.

(iii) A precis is a continuous narrative and not a reproduction letter by letter. Consequently, some letters may have to be ignored in the light of previous or subsequent correspondence. In the case of letters containing enclosures of an older date, the matter in the enclosure should be used in its proper chronological sequence.

(iv) Lastly, the Precis written should be carefully revised in order to verify that all necessary points have been observed, that it is compact and continuous and that there are no mistakes in spellings, punctuations, grammar, idioms etc.

(To be Continued)

### Book-Keeping — Elementary

[This question has been selected and answered primarily for the benefit of candidates for Appendix II Examination].

On 1st April 1941, the balances in the Books of H. Haridas were as under :

Stock of goods Rs. 9,210; Bills Receivable Rs. 6,930; Bills Payable Rs. 5,160; Cash in hand Rs. 260; Debtors: W. Shimoga Rs. 2,870; E. Mistry Rs. 750; C. Ibrahim Rs. 670; Creditors: D. Dayabhai Rs. 630; The Furniture Supply Co. Rs. 500; T. Colah Rs. 230; The Central Bank Ltd. (Bank Overdraft) Rs. 7,420 and Loan from P. Smith & Co. Rs. 3,000; Fixtures and Fittings Rs. 1,950.

The Transactions to end of June were as follows :

| 1941    |                                                                                                 | Rs.   |
|---------|-------------------------------------------------------------------------------------------------|-------|
| April 1 | Sold goods to S. Silly & Co.                                                                    | 1,490 |
| 4       | Payment for B. R. due to-day received by bank                                                   | 2,490 |
| 6       | Purchased goods from French & Co.                                                               | 800   |
| 7       | Received cheque from C. Ebrahim for and their acceptance at 2 months after date for the balance | 320   |
|         |                                                                                                 | 350   |
| 12      | Received sight draft from W. Shimoga on account                                                 | 650   |
| 13      | Sold goods to T. Talati for cash                                                                | 160   |

### STUDENTS' CORNER

|          |                                                                                                       | Rs.   |
|----------|-------------------------------------------------------------------------------------------------------|-------|
| April 14 | Paid for cash purchases by cheque                                                                     | 210   |
| 15       | Sold goods to F. Dadabhoy                                                                             | 1,340 |
| 16       | Discounted C. Ibrahim's bill with the bank and received                                               | 330   |
| 16       | Sight draft recived from W. Shimoga was returned dishonoured; Paid Notarial charges by cash           | 10    |
| 18       | Paid cheque to D. Dayabhai                                                                            | 600   |
|          | Discount                                                                                              | 30    |
|          |                                                                                                       | 630   |
| 19       | Returned to French & Co., goods damaged in transit                                                    | 300   |
| 20       | Bill Receivable due this date duly met                                                                | 2,100 |
| 21       | Bill Payable met by cheque                                                                            | 2,160 |
| 24       | Sold goods to T. David                                                                                | 1,730 |
| 24       | Sold goods to W. Banker                                                                               | 2,040 |
| 25       | Received cheque in settlement of E. Mistry's account being final dividend of 5 as. 4 ps. in the rupee | 250   |
| 27       | Received cheque from F. Dadabhoy                                                                      | 1,300 |
|          | Discount                                                                                              | 40    |
|          |                                                                                                       | 1,340 |
| 27       | Paid for advertising by cheque                                                                        | 225   |
|          | Paid Cash for Office Stationery                                                                       | 25    |
|          | Paid cheque for Office Salaries                                                                       | 400   |
|          | Paid cheque for Office Rent                                                                           | 125   |
| 28       | Paid Office wages by cash                                                                             | 45    |
| 30       | Paid cartage and clearing charges—Cash                                                                | 75    |
| May 1    | W. White duly honoured his acceptance due this day                                                    | 2,340 |
| 2        | Paid the Furniture Supply Co. by cheque                                                               | 500   |
| 5        | Bought goods from T. Colah                                                                            | 1,370 |
| 10       | Paid Sundry Expenses in Cash                                                                          | 30    |
| 12       | Sold Goods to C. Ebrahim                                                                              | 1,300 |
| 15       | Paid Telephone Bill by cheque for quarter ending 30th June 1941                                       | 40    |
| 17       | Paid carriage by cheque to G. W. Railway                                                              | 70    |
| 19       | Bought goods from D. Dayabhai                                                                         | 1,250 |
| 21       | Paid T. Colah, Cheque                                                                                 | 225   |
|          | Discount                                                                                              | 5     |
|          |                                                                                                       | 230   |
| 23       | Bill Payable due this day paid by Bank                                                                | 1,600 |
| 25       | Banked sight draft received from W. Shimoga in full settlement                                        | 2,880 |
| 27       | Accepted Bill drawn by French & Co. Payable one month after date                                      | 500   |
| 28       | Received from S. Silly & Co. cheque                                                                   | 1,450 |
|          | Discount                                                                                              | 40    |
|          |                                                                                                       | 1,490 |
| 30       | Bank honoured our Bill payable due this day                                                           | 1,400 |
| 31       | Paid Office Salaries by cheque                                                                        | 425   |
|          | Paid Office Rent by Cheque                                                                            | 125   |
|          | Paid Wages in cash                                                                                    | 40    |
|          | Paid Advertising by cash                                                                              | 35    |

|        |                                                                            | Rs.   |
|--------|----------------------------------------------------------------------------|-------|
| June 1 | Bought goods for cheque                                                    | 1,750 |
| 5      | Sold goods for cash                                                        | 2,400 |
| 10     | Sold goods to Smithson & Co.                                               | 1,200 |
| 12     | Sent Smithson & Co.'s acceptance at 2 months to our Bankers for collection | 1,200 |
| 15     | Bought goods from C. Charles                                               | 1,700 |
| 17     | Sold goods to Parekh who endorsed over his Bill Receivable to us           | 2,105 |
| 19     | Accepted Bill drawn by C. Charles                                          | 1,700 |
| 21     | Paid freight by cheque for goods inwards                                   | 125   |
| 25     | Paid for Cartage and cooly hire—Cash                                       | 12    |
| 30     | Drew cheque for personal use                                               | 750   |
| 30     | Drew cheque for salaries                                                   | 450   |
| 30     | Drew cheque for office rent                                                | 120   |
| 30     | Drew cheque for Advertising                                                | 75    |
| 30     | Paid Office wages by Cash                                                  | 40    |

You are required to enter the above transactions in the proper Subsidiary Books, post the same into the Ledger and draw up a Trial Balance. Prepare also a Profit and Loss Account and Balance Sheet as at 30th June and close all Ledger Accounts. All cheques are paid direct into the Bank and all payments are made by cheques except when otherwise stated.

The stock on hand on 30th June 1941 was Rs. 9,450/- Reserve 5 per cent for Doubtful Debts and depreciate Furniture and Fixtures by Rs. 150/-.

### NOTES

It will be seen from the above question that the major portion of the syllabus for Book-Keeping is covered and the transactions for three months are given and they have to be posted in the various subsidiary books to be opened for the purpose. They have to be posted into the Ledger and a Trial Balance has to be drawn up. Necessary depreciation has got to be provided and Profit and Loss Account will have to be worked out. Balance Sheet as at the end of the quarter will also have to be prepared. The Exercise, therefore, furnishes a very valuable test of the knowledge obtained by the Student.

The nature of business is not apparent from the transactions. But this is not very material as the items are simple. In regard to Bills receivable and payable, dishonour is also provided for in the transactions.

The first item is the opening of Subsidiary Books. We would require a Bought Book, Sold Book, Bills Receivable Register, Bills Payable Register, Cash Book and several Ledgers, both personal and impersonal. When the various accounts are opened and the Ledgers posted, preparation of the Trial Balance has to be taken up to verify the accuracy of the postings. When the accuracy is proved, preparation of the Profit and Loss Account and the Balance Sheet will be an easy matter. From the wording of the question, Trial Balances are to be Dr. totals and Cr. totals, since closing of the Ledger Account has been mentioned as a separate item of work to be done later. We can now proceed to work out the question.

### CASH BOOK

| Date               | Particulars                | L.F. | Dis-count | Cash | Bank  | Date               | Particulars                                 | L.F. | Dis-count | Cash | Bank  |
|--------------------|----------------------------|------|-----------|------|-------|--------------------|---------------------------------------------|------|-----------|------|-------|
| 1941               |                            |      |           |      |       | 1941               |                                             |      |           |      |       |
| April 1            | To Balance                 |      |           | 260  |       | April 1            | By Balance (overdraft)                      |      |           |      | 7420  |
| 4                  | „ B/R                      | 2    |           |      | 2490  | 14                 | „ Purchases goods                           | 1    |           | 210  |       |
| 7                  | „ C. Ebrahim               | 6    |           |      | 320   | 16                 | „ W. Shimoga (S. Draft returned discounted) | 4    |           | 650  |       |
| 12                 | „ W. Shimoga (Sight Draft) | 4    |           |      | 650   | 16                 | „ W. Shimoga for nominal charges            | 4    |           | 10   |       |
| 13                 | „ Sales goods              | 1    |           | 160  |       | 18                 | „ D. Dayabhai                               | 8    | 30        | 600  |       |
| 16                 | „ B/R                      | 2    | 20        |      | 330   | 21                 | „ B/P                                       | 3    |           | 2160 |       |
| 20                 | „ B/R                      | 2    |           |      | 2100  | 27                 | „ Advertisement                             | 21   |           | 225  |       |
| 25                 | „ E. Mistry                | 5    |           |      | 250   | 27                 | „ Stationery                                | 22   |           | 25   |       |
| 27                 | „ F. Dadabhoy              | 15   | 40        |      | 1300  | 27                 | „ Salaries                                  | 23   |           | 400  |       |
| May 1              | „ B/R                      | 2    |           |      | 2340  | 27                 | „ Rent                                      | 24   |           | 125  |       |
| 25                 | „ W. Shimoga               | 4    |           |      | 2880  | 28                 | „ Wages office                              | 25   |           | 45   |       |
| 28                 | „ S. Silly & Co.           | 14   | 40        |      | 1450  | 30                 | „ Cartage etc.                              | 26   |           | 75   |       |
| June 5             | „ Sales goods              | 1    |           | 2400 |       | May 2              | „ Furniture Supply Co.                      | 9    |           | 500  |       |
|                    |                            |      |           |      |       | 10                 | „ Sundry expenses a/c.                      | 27   |           | 30   |       |
|                    |                            |      |           |      |       | 15                 | „ Telephones charges                        | 28   |           | 40   |       |
|                    |                            |      |           |      |       | 17                 | „ Carriage Inwards                          | 29   |           | 70   |       |
|                    |                            |      |           |      |       | 21                 | „ T Colah                                   | 10   | 5         | 225  |       |
|                    |                            |      |           |      |       | 23                 | „ B/P                                       | 3    |           | 1600 |       |
|                    |                            |      |           |      |       | 30                 | „ B/P                                       | 3    |           | 1400 |       |
|                    |                            |      |           |      |       | 31                 | „ Salaries                                  | 3    |           | 425  |       |
|                    |                            |      |           |      |       | 31                 | „ Rent                                      | 24   |           | 125  |       |
|                    |                            |      |           |      |       | 31                 | „ Wages office                              | 25   |           | 40   |       |
|                    |                            |      |           |      |       | 31                 | „ Advertisement                             | 21   |           | 35   |       |
|                    |                            |      |           |      |       | June 1             | By Purchases goods                          | 1    |           | 1750 |       |
|                    |                            |      |           |      |       | 21                 | „ Carriage Inwards                          | 29   |           | 125  |       |
|                    |                            |      |           |      |       | 25                 | „ Cartage a/c                               | 26   |           | 12   |       |
|                    |                            |      |           |      |       | 30                 | „ Drawings                                  | 30   |           | 750  |       |
|                    |                            |      |           |      |       | 30                 | „ Salaries                                  | 23   |           | 450  |       |
|                    |                            |      |           |      |       | 30                 | „ Rent                                      | 24   |           | 125  |       |
|                    |                            |      |           |      |       | 30                 | „ Advertisement                             | 21   |           | 75   |       |
|                    |                            |      |           |      |       | 30                 | „ Wages office                              | 25   |           | 40   |       |
| Total              |                            | 31   | 100       | 2820 | 14110 | Total              |                                             | 31   | 35        | 312  | 19450 |
| To Closing Balance |                            |      |           |      | 5340  | By Closing Balance |                                             |      |           | 2508 |       |
| Grand Total        | ...                        |      |           | 2820 | 19450 | Grand Total        | ...                                         |      |           | 2820 | 19450 |

| JOURNAL |                                                                                                                                      |              |             |             |
|---------|--------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------|-------------|
| Date    | Particulars                                                                                                                          | L.F.         | Dr.<br>Amt. | Cr.<br>Amt. |
| 1941    |                                                                                                                                      |              |             |             |
| April 1 | Op. Stock & Goods a/c Dr.                                                                                                            | 1            | 9210        |             |
|         | B/R a/c                                                                                                                              | 2            | 6930        |             |
|         | Cash on hand                                                                                                                         | Cash<br>Book | 260         |             |
|         | Debtors W. Shimoga                                                                                                                   | 4            | 2870        |             |
|         | „ E. Mistry                                                                                                                          | 5            | 750         |             |
|         | „ C. Ebrahim                                                                                                                         | 6            | 670         |             |
|         | Fixtures & Fittings                                                                                                                  | 7            | 1950        |             |
|         | To B/P                                                                                                                               | 3            |             | 5160        |
|         | „ Creditors Dhayabhai                                                                                                                | 8            |             | 630         |
|         | „ Furniture Suppl Co.                                                                                                                | 9            |             | 500         |
|         | „ T. Colah                                                                                                                           | 10           |             | 230         |
|         | „ Central Bank Ltd.<br>(O.D.)                                                                                                        | Cash<br>Book | 7420        |             |
|         | „ P. Smith & Co. loan                                                                                                                | 11           | 3000        |             |
|         | „ Capital a/c                                                                                                                        | 12           | 5700        |             |
| 19      | „ French & Co. a/c Dr.                                                                                                               | 13           | 300         |             |
|         | To Goods a/c<br>being the return of goods<br>damaged in transit                                                                      | 1            |             | 300         |
| „ 25    | Bad Debts. a/c Dr.                                                                                                                   | 1 (a)        | 500         |             |
|         | To E. Mistry's a/c<br>being the final dividend of<br>5 as. 4 ps. in the Re received<br>from the latter out of<br>Rs. 750 due by him. | 5            |             | 500         |
| June 12 | Bills Collection a/c Dr.                                                                                                             | 1 (b)        | 1200        |             |
|         | To B/R<br>being the acceptance of<br>Simthson & Co. at 2 mths.<br>sent to Bank for collection                                        | 2            |             | 1200        |
| Total   |                                                                                                                                      |              | 24640       | 24640       |

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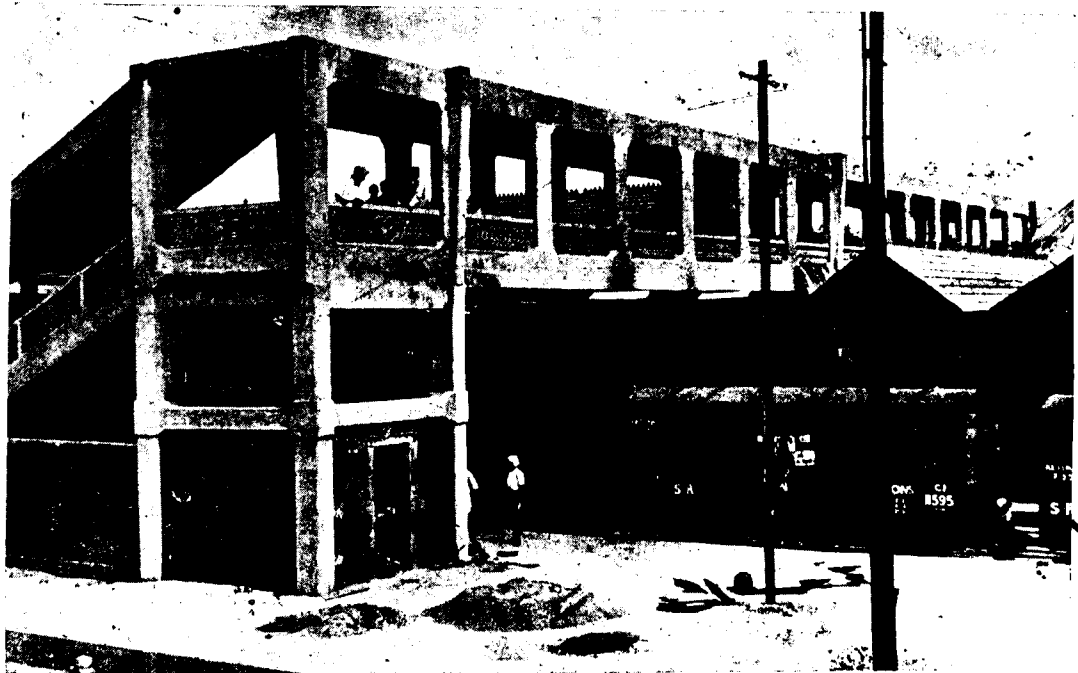
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|         |         |       |           |      |          |       | 1955     |        |     |    |    |    |
| January | October | April | September | June | February | March | November | August | May |    |    |    |
|         |         | July  | December  |      |          |       |          |        |     |    |    |    |
| SUN     | Sat     | Fri   | Thu       | Wed  | Tue      | Mon   | ..       | 2      | 9   | 16 | 23 | 30 |
| Mon     | SUN     | Sat   | Fri       | Thu  | Wed      | Tue   | ..       | 3      | 10  | 17 | 24 | 31 |
| Tue     | Mon     | SUN   | Sat       | Fri  | Thu      | Wed   | ..       | 4      | 11  | 18 | 25 | .. |
| Wed     | Tue     | Mon   | SUN       | Sat  | Fri      | Thu   | ..       | 5      | 12  | 19 | 26 | .. |
| Thu     | Wed     | Tue   | Mon       | SUN  | Sat      | Fri   | ..       | 6      | 13  | 20 | 27 | .. |
| Fri     | Thu     | Wed   | Tue       | Mon  | SUN      | Sat   | ..       | 7      | 14  | 21 | 28 | .. |
| Sat     | Fri     | Thu   | Wed       | Tue  | Mon      | SUN   | 1        | 8      | 15  | 22 | 29 | .. |