

Ed^d (1915) Department.

Mis. SERIES.

G.O. No. 670.

DATED 21-6-1915

22

[Despatch Abstract.]

Accounts:

Declining to address the Government of India in regard to the system of account-keeping proposed by the Director of Industries for industrial experiments and demonstrations.

Noted AS
9/4/15

Col No 1157

O.F.—29.

DEPARTMENT.



Registered 26/3 1915.

Subject.

SUBMITTING PROPOSALS WITH REGARD TO THE CONDUCT
OF EXPERIMENTS AND DEMONSTRATIONS IN THE DEPART-
MENT OF INDUSTRIES.

ENCLOSURES
No.
Spare copies

No. 20

Station MADRAS, Dated the 25TH MARCH 1915

From (Name) K. T. B. TRESSLER ESQ.,
(Designation) AG. DIRECTOR OF INDUSTRIES.

To The Secretary to the Government of Madras,
EDUCATIONAL Department.

Sir,

I have the honour to observe that, according to
existing account rules, all receipts must be credited to Govern-
ment and all expenditure must be met from the grants sanctioned

2. In ordinary transactions such an arrangement is
no doubt quite sound; but I wish to draw the attention of
Government to the financial complications which it leads to
in the case of what I term "Demonstrations".

3. When Industrial work is undertaken in this
Department, as for instance sugar-cane crushing, the first
period consists of experiment. There is expenditure of
all kinds and the receipts bear no relation to the amount

Article 1,
C.A. Code.

2/

spent. They may in fact be regarded as negligible and the amount sanctioned for the preliminary stage of Industrial work (what I term the experimental stage) may therefore be taken to represent a dead charge to Government.

4. After a time the character and object of the work undergoes change. In the experimental stage we try to find out how to work a process to advantage: when this stage is over, the next step is to demonstrate that it can be worked to advantage. In the demonstration stage therefore the essential condition is that the work shall show a certain amount of profit, and when a work is declared as a demonstration, I take the responsibility that there shall at least be no loss in working expenses. A demonstration cannot therefore be a real charge to Government and may be a source of profit. In fact, in demonstration the question is one of turn-over, not expenditure.

5. When the demonstration stage is reached, it naturally becomes necessary to make the turn over as great in order to get the maximum profit. Under existing rules the turn over is limited by the grant made. It is impossible to anticipate what the turn over will be and the present procedure not only introduces all kinds of limitations which react detrimentally on the progress of work but necessitates repeated budget adjustments. I write therefore to enquire whether it will not be possible to differentiate between turn over in demonstration and ordinary expenditure and permit me in the former case to use receipts to meet expenditure.

6. The procedure I propose is this: that during the initial stages of a work an experimental grant is applied for and spent in the usual manner, such sale proceeds as may be being credited to Government in the regular way. When I am satisfied that the experiment has reached a self-supporting stage I would notify to Government that it had been declared a demonstration and after that would meet recurring charges from receipts without any further charge on Government except for capital expenditure. Separate accounts for recurring charges would be maintained

3 3/

and the excess of receipts over expenditure would be remitted as usual.

7. I make this proposal not only in order to enable me to push on demonstration more effectively but also in the interest of the efficiency. I now find that so long as the amount drawn for demonstration bears no relation to earnings the men in charge fail to recognise the necessity for making the work self-supporting. I find that I cannot make them run my plant with the maximum economy unless I put the knife to their throats and make them clearly realise that unless they can earn at least as much as they spend their pay will stop.

I request orders on this proposal.

I have the honour to be,

Sir,

Your most obedient servant,

R. M. S.
AG. DIRECTOR OF INDUSTRIES.

P.T.O.

See para 2 of
A.G.'s letter
on page 6 infra

See para 2 of
A.G.'s letter
at para 5-6
infra

4

Page No.

Ev - Department

CN 115-1.

Encl^t No. 1151-1 28
1.4.15

Referred to the Accountant
General for remarks.

8K
29.3.15

CA
28.3.15

EM
1.4.15

Spil4

To The A.G. (with encient
in original to be
returned.)

sent
29/4/15

P.T.O

1000-10-2-14.

EDUCATIONAL

DEPARTMENT.

CURRENT No. 1383 *202*

Received *Ca* 191 Registered *19.4* 1915.



Subject.

ENCLOSURES.

No. *One*

Spare copies

No. T.M. 23 *985*

Dated the 17th A.P.R.I.L. 1915.

FROM

K.L.DATTA, Esqr., B.A., F.S.S. F.R.E.S.,

ACCOUNTANT-GENERAL, MADRAS,

To

THE SECRETARY TO THE GOVERNMENT OF MADRAS,

Educational Department.

SIR,

pages 1-3 ante

I have the honour to return herewith the letter from the Director of Industries No.20 dated 25th March 1915 forwarded for remarks with Madras Government endorsement

page 4 ante

No.1151-1 Edl. dated 1st April 1915 and to state that the Director's proposals are opposed to the first principles governing the treatment of receipts by Government Officers and should not be accepted.

At 1 of the Civil Account Code.

2. There is no reason why, if additional funds are required for experimental purposes, they should be obtained by the appropriation of receipts instead of from additional grants duly

6/6
sanctioned. The incentive proposed to be offered to working men in para 7 of the Director's letter could well be given by the Director keeping a pro-forma account for any "demonstration" and compelling the men to work without loss. It is not necessary for this purpose that he should be allowed to utilise the receipts.

I have the honour to be,

Sir,

Your most obedient servant,

K. L. Datta

Accountant-General.

page 3 auto

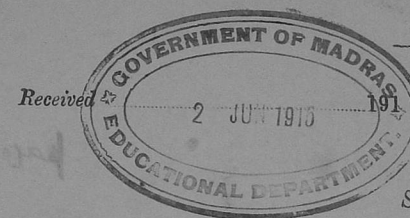
CM 1383
filed 24/5

7

CM 1933 Sol

C.F.-29.

DEPARTMENT.



Registered 2/6/ 1915.

Subject.

REQUESTING EARLY ORDERS ON THIS OFFICE

NO. 20 DATED 25TH MARCH '15.

REGARDING THE CONDUCT OF EXPERIMENTS AND
DEMONSTRATIONS.

ENCLOS RES.

No.

No. 20.

Spare copies:

Station MADRAS, Dated the 31ST MAY 1915.

From (Name) K. T. B. TRESLER ESQ.,
(Designation) DIRECTOR OF INDUSTRIES.

To The Secretary to the Government of Madras,
EDUCATIONAL Department.

Sir,

I have the honour to invite the attention of Government to my letter No. 20 dated 25th March 1915 and to request early orders on the proposals submitted therein.

I have the honour to be,

Sir,

Your most obedient servant,

[Signature]
Director of Industries.

[Handwritten note: File has been sent to Mr. for remarks]

[Handwritten initials: SK]

Again G.O., No. , dated 190
Current No. from the , No. , dated 191
Current No. 1157 from the D. J. , No. 20 , dated 28.3.1915.
1. 1383 " A. G. " 23 " 17.4.15

SUBJECT.

Regarding the proposal to utilize receipts to meet charges in industrial demonstrations.

The Director of Industries requests that in the 'demonstration' stage of an industry he may be permitted to utilize receipts to meet charges. His reasons for this proposal are

para
para 5, page 2 of 1.

(i) that, under existing rules, the turn over of work is limited by the provision made in the Budget for the expenditure on the particular industry ^{last} & if the restriction is removed the work will progress more quickly; and

para 7, page 3 of 1.

(ii) that so long as the amount drawn for demonstrations bears no relation to earnings the men in charge fail to recognize the necessity for making the work self-supporting & that, therefore, the charges relating to a particular work should be ~~made to~~ be

pages of cf.

Art. 1 of the Civil
Account Code.

be met from its receipts.

The Accountant-General, to whom the Director's letter was referred for remarks, ^{states} ~~states~~ that the proposals are opposed to the first principles governing the treatment of receipts by Govt. officers. He meets the Director's ~~first~~ arguments by pointing ^{out} that funds required ⁱⁿ addition to what is provided for the ^(original) work should be obtained by additional allotments sanctioned for the purpose & that necessary incentive to workmen could be provided by keeping a pro. forme account & compelling the men to work without loss. It is submitted that, as regards the provision of additional allotments, ~~therefore~~ it will be easier for the Director if the receipts are utilized to meet the charges instead of ^{being forced} ~~being forced~~ to apply for disappropriations or for new grants on each occasion. But, as the rules do not permit of the proposal being accepted, it is for orders whether the Director may not be informed

that his proposal cannot be sanctioned ^{subject to approval} ~~subject to approval~~, a draft order is subd below.
20.4.15. *Al* If approved it may be sent to Rev. for acceptance.
21.4.15

Mr. J. B. think that the
Acch. for Comm. the whole
ground. The Department of
Industries is a somewhat
different footing from other
departments: and Mr. J. B.
see that there can be
pass any objection to our
receiving back and going
up to India to allow procedure
somewhat as lines indicated
by Mr. J. B. Will Mr. J. B.
please consider the matter?

Mr. J. B.

22/4/15.

CURRENT NO.
2709
FINANCIAL

* Regd 23-4-15

PTO



Col no 1383-1

23. 4. 15

Mr. Tressler's proposal is that in the case of industrial work (undertaken by his department) which is in the demonstration stage, he should be permitted to meet recurring charges from receipts and remit to the treasury only the excess amount over the expenditure.

Mr. Tressler mentions that his proposal will have the following advantages:—

- (1) the avoidance of frequent applications to the Government for additional allotments over and above the budget grant provided on the expenditure side; and
- (2) the efficiency of the staff - by making the men in charge of the demonstration realize the necessity for making the work self-supporting.

These proposals have, however, been effectively met by the Accountant-General. It is therefore respectfully submitted that there is no strong case to go up to the Government of India for a special exception being made in favour of the Industrial Department.

3. Instead of crediting only the net receipts in the Treasury account as proposed by Mr. Tressler, another possible alternative seems to be to take the receipts in abatement of charges and to show the net receipts as a minus entry on the expenditure side. According to this plan, the gross charges as well as the gross receipts will be shown in the Treasury accounts and the net profit will also be clearly exhibited in the Civil Budget estimate.

[Even here, the recoveries cannot be taken in abatement of charges as they do not represent a definite

para 6 of Mr. Tressler's letter on pages 2-3 C.F.

For example, date
Sugar cane station ... 12 (p. 123, C.B.)
Motor tractor ... 02 (p. 204 C.B.)
Oil refinery ... 03 (" ")

para 5 of Mr. Tressler's letter on page 2 C.F. *Shucis*
no force
in this
882

para 7 on page 3
I don't see what the men have to do with the question. They are there to work & these are authorities must see that they do that work
See that they do that work
pages 5-6 C.F. *882*

A
of para 39 C.B. (Count of work's table)
para 174 C.B. (Budgetary table)
I would deprecate any such innovation
882

share of the cost of a service, Vide paragraph 351 of the Accountant-General's Manual of Treasury Account Department and Accountant-General's note dated the 9th November 1914 on page 3 of notes to G.O., No. 128, Finl. D dated the 19th February 1915.

C Attention is also solicited to the notes and orders in G.O., No. 299, Financial, dated the 21st July 1909 in which it was decided in consultation with the Accountant-General that the procedure previously obtaining of exhibiting in the accounts, only the net expenditure on account of the improvement of cotton cultivation, should be discontinued and that the gross charges and the gross receipts should be shown separately on the expenditure side and on the receipts side of the accounts respectively.]

G.M.
29.4.15. I venture to advise against acceptance of the proposal which strikes at the basic principle of Govt ac. counting.

I find no great force in either of the arguments used by the Director.

C.S.
29.4.15

PTO

pp 7 and 8 of notes.

Para 4 on page 4 ante

Page 5-6 CF

(copy in brackets)

(The portion in brackets
are not go to the
H.G.)

Edwards

File no 2709-1
1-5-15



page 4 ante

I agree with the A.G. & A.S. & find no adequate reason for accepting a system which is opposed to general principles of budgeting.

By accepting the Director's proposal Govt. would lose to a great extent control over his expenditure. [This is what Mr. Tressler is probably aiming at.]

I would accept the Educ. office draft. Please mark for H.M. Fin.

MS
1/5

Educational Department

Submitted for orders, as to whether the advice of the Financial Department should be accepted.

CA
2-5-15

I quite agree with the Financial Department that Mr. Tressler's proposals as put by him are inadmissible. But may not some such procedure as that indicated in the first portion of para. 3 of the Financial note be adopted; i.e. the receipts may be shown on the expenditure side as a minus entry, thereby bringing out only the net expenditure? This

14
13

(Separate file)

M

would give the Department of Industries some elasticity in working. To take a concrete case, I have now before me a file in regard to soap experiments. For a small soap factory Sir Frederick Nicholson has asked for Rs.30,000 for current expenses. In regard to this he states that the whole of this sum will not be really expended and that there will be a continual drawing of small sums and a continual repaying of the sums drawn. He adds that, if the receipts are credited to the expending account, Rs.10,000 would suffice. By utilizing this sum of Rupees 10,000 thrice in the year he hopes to turn out work costing Rs.30,000. Thus, with a given allotment of funds, if the receipts are credited as a deduction from expenditure, it would be possible to turn out work costing many times the allotment. For a department like the Department of Industries, which has to deal with the experimental stage of manufactures, the change of account system proposed would help in facilitating experiments. The change will considerably facilitate work as the department grows and undertakes experiments larger in number and scale.

Further, besides the advantage of enabling the Government to provide a relatively small amount in the budget

15
19

budget and obtaining for it a relatively large outturn,
it will help in preventing an exaggeration of the operations
of the department by swelling figures on both sides of the
account. It is with some object like this that the
accounts of Railways were presumably altered by the
Government of India at the instance of the late Mr. Gokhale
in 1907. The earnings from Railways and the expenditure
on them, which had till then been shown separately under
the respective heads of receipts and expenditure, have
since been transferred to the receipts side, the expendi-
ture being shown as minus entries below the receipts. Will
Financial please consider the case further?

page 156 of the Bill that was passed
in 1907. The account proceeding
in 1907. That was passed in 1907.

April 15

[Signature]

[Signature] 22/5/15

CURRENT NO.
3322
FINANCIAL

Recd 25-5-15

Collected 383-2

25/5/15

CHIEF SECRETARY
25 MAY 1915
MADRAS GOVT

ASSISTANT SECRETARY
25 MAY 1915
MADRAS GOVT

P.T.O.

Submitted for orders whether a reference may be made to the Acctt-General as to whether he sees any objection to the suggestion in para: 3 of this department's office note on page 4 ante being given effect to by the Govt. As pointed out in the latter portion of that para: on pages 4-5 ante, it is very likely that the Acctt-General will insist on the sanction of the Govt of India being obtained to the proposal. If so, it is not clear whether a strong Case can be made out to the Govt of India, looking to the fact that the department of Industries is still in its infancy - (the amounts involved are very small unlike the earnings from the State Railways referred to in the Educational Secretary's note on page 8 ante).

bzk.

26.575.

P. T. O.

Personally I venture to doubt whether this department should accept the alternative suggested by the Secretary, Education.

2. The analogy drawn from what is done in the case of Railways is not quite complete. What is suggested by the Educational Secretary is what is commonly known among the Trades as the "turn-over" system. The oftener you "turn-over" your rupee with the profits derived therefrom, the greater your profits. But this is certainly not what is done in the case of Railways. So far as the spending of money goes, the receipts are kept distinct, and the system adopted in ^{the} Budget estimates has been devised in order to bring out clearly what the net revenue is. Thus though the total revenue from railways might be, say £29 millions, this enormous sum does not represent the actual addition to the revenues of India from Railways, the addition being only the net receipts - that is the gross receipts minus the working expenses etc. It was to show this net revenue clearly that the alteration was made.

3. It might be possible to meet the wishes of the Education Department by the following device. We might show in the budget (I am taking a hypothetical case only)

		Rs.
Expenditure	..	30,000
Receipts	..	25,000
Net charges		<u>5,000</u>

and allow the Director to incur as much expenditure as he likes, provided the net outstanding expenditure never exceeded Rs. 5,000. The result, however, would be to limit the Director to an expenditure

Rs. 5,000 to start off with and he would always have to be careful to see that this limit of expenditure over receipts is never exceeded. He would then have to keep a running account.

Under this system, however, it would be necessary to give the Director a fairly large balance to manipulate. Otherwise he might find himself very soon without any money to spend, especially if receipts do not come in as quickly as he anticipates. At present, he has a fixed sum which he can spend irrespective of what his receipts may be, and he can always come up for additional allotments. I don't think therefore that Financial should agree to any change in the present system, but if it is decided to make any alteration, it will be necessary to obtain the opinion of the Accountant-General ^{first}.

C.S.
26.5.15

I was not aware of the system adopted in the case of Railways. I see no objection to consulting the A.G. whether he has any serious objection to the course suggested at 'A' on p. 4 & 'B' on p. 10. Will the A.G. kindly advise us?

MJ
27/5

The A.G. u.o.

P.T.O.

File no 3322-1
28-5-15

of para 2 on page 10 ante



Please see para 9 and 11 ante

A.G. No 20

4.6.15

Handwritten signature

D. A. G.

To

The Ch. Secy., to Govt.,

Finl. Deptt., U.O.

Financial Dept.

Please see pages 9 + 11 ante

A.G. note above

Submitted that it does not seem necessary to make any change in the existing system (the sanction of the G.O.I. will be necessary for any such change). For orders whether the Educational Dept. may be informed accordingly.

b.k.

6.6.15.

The A. G. has not

answered the specific question put by the C. S.

I am doubtful whether

page 11 ante

The Govt of India will sanction any such innovation.

As I ventured to point out previously in the case of Railways & receipts & expenditure there are distinct.

Ch. [Signature] 7.6.15

I agree that no sufficient reason has been given for moving the Govt of India to sanction the introduction of a system which is opposed to the usual method of accounting & which deprives Govt, perhaps to an undesirable extent, of the opportunity of watching the Director's expenditure.

If, however, the Educ. Dept. are in favour of the Director's proposal, the paper should be marked for H.M. Fin?

[Signature] 8/6

Edw. [Signature]

Educational Dept

Submitted for orders.

Ch. [Signature] 9.6.15 H.E. and H.M. (Fin) 11.6.15

File no 3322-2 9.6.15



Recd. 11.6.15

I agree with the Chief Secy,

Hus

15.6.15

Let me have draft
for as at A on previous
page.

[Signature]
17.6.15

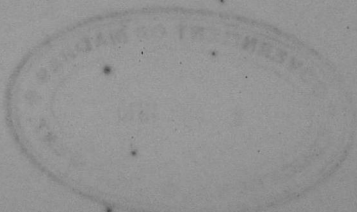
A draft order is submitted for
approval.

[Signature]
17.6.15

[Signature]

[Signature]
19.6.15

[Signature]
2/1/15



” ” ” ” ” 191

C. No. 1157, From the X-9, No. 20, dated 25, 3, 1915

” ” 1383 ” ” R. 9. ” ” J. N. 23. 9. 85 ” ” 17. 4. 1915

" " 1933, " " D. I., " " 20, " " 31. 5. 1915.

No. 6709, dated 21. 6. 1915

Miss

The Govt do not consider that sufficient reasons have been given for moving the Govt of India to sanction the introduction of the system of accounting proposed by the Director of Industries, which is ~~is~~ opposed to the usual method and which, if sanctioned, will deprive the Govt ^{to an extent} of the opportunity of watching the Director's expenditure.

17. 6. 185

The D. J. ~~Engels~~ papers
 Dec 20. (copy of H. G. letter
 to order)

When given for copying _____
 When copied _____
 When examined _____
 When signed _____

191 .

AD AGAIN G.O. No. _____
 191 .

DATED

PRESENT No. _____

FREE TO C. No. _____

OF GOVERNMENT

A A A A A A A

GOVERNMENT.

WITH DITTO.

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