M.R.O. 1—77,000—9-6-37.

(1) Number of pages ____

(2) Date of repair ____

(3) Initials of the Reference ____

MADRAS RECORD OFFICE.

Government of Madras.

Public works DEPARTMENT.

G.O. No. 903 Press / Mis.
632-33
Dated 27-3- 1871

Not to be folded or roughly handled

No. 632. Read the following Proceedings of the Government of India, Public Works Department, (Account—Railway,) dated Fort William, 11th March 1871, No. 173-A. R. —

Government Accounts connected with the transactions of Guaranteed Railway Companies.

Read again —

Public Works Department Resolution, Nos. 1,009-15-A., dated 24th October 1866.
" " " " " 23-9-A. R., " 25th January 1870
" " " " " 29-54-A. R., " 6th February 1871.

Read also —

From the Secretary of State for India, to the Government of India, dated 4th November 1870, No. 357-F.

In order to render the accounts kept in this office relating to the several Railway Companies as complete and accurate as possible, a new set of accounts has been prepared for each Railway, and I forward herewith a copy of a memorandum explaining the nature of those accounts.

2. I also forward forms of a Monthly Abstract and of a Half-yearly Appropriation Statement of Cash Receipts and Payments, showing the information which it is necessary should be furnished promptly and regularly from India in regard to the transactions of each Railway, and I request that you will adopt such measures as may be necessary for the transmission to me, as soon as possible after the close of each month and each half-year, respectively, of statements regarding the transactions of each Railway Company in the forms now transmitted, the first Monthly Statement being for January 1871, and the first Appropriation Statement for the half-year ending the 30th June 1871.

3. You will make such communications on the subject as may be necessary to the Governments of Madras and Bombay.

Indian Guaranteed Railways.

Home Accounts.

Present Monthly Abstracts of Receipts and Payments exist from Home Treasury.

The Monthly Abstract Accounts of Receipts and Payments furnished by the several Governments in India in connection with the above Railways, do not enable the real position of the Capital and Revenue Accounts, respectively, of each Railway Company, at any given date, to be ascertained from the books of this office.

Issues in England no longer chargeable wholly to Capital.

The issues in this country to the several Companies, out of Capital paid into the Home Treasury, are principally for the purchase of stores, and so long as these were wholly required for the construction of the Railway, the payments were rightly charged against "Capital." This is not any longer the case, the stores now purchased are in great part required for the maintenance of the Railway, and the value of these, including the charges for freight, etc., becomes therefore chargeable against "Revenue."

An improved system of accounts has consequently become necessary. It is true that the present Monthly Abstracts of Receipts and Payments contain particulars of transfers from "Capital" to "Revenue" in adjustment of those respective accounts, but those entries do not suffice for showing, as is desirable, at certain fixed dates, the actual expenditure for the construction of the Railway, and the value of the stores remaining unissued

Improved system of accounts necessary

This is a defect which requires to be remedied, and it is considered this may be really effected if the several Governments in India are called upon to furnish *half-yearly*, in addition to *monthly*, Abstracts of Cash Receipts and Payments in India, an "Appropriation" Statement showing, distinct from the cash transactions, the transfers necessary for the adjustment of the "Capital" and "Revenue" Accounts of each Railway Company.

Appropriation Statement to be furnished half-yearly

It might be useful if the several Governments in India were made acquainted with the nature of the accounts proposed to be kept in this office, which should of course embrace the whole of the cash transactions of each Railway Company both in England and India.

Description of the accounts to be kept in the Home Office

These accounts, seven in all, will be—

I.—Capital Account.
II.—Capital Advance Account.
III.—Stores Suspense Account.
IV.—Construction Account.
V.—Revenue Account.
VI.—Revenue Advance Account
VII.—Guaranteed Interest Account.

The following brief explanation of the entries which will appear under each of the above-mentioned accounts will serve to show the object of each account.—

Explanation of entries

I.—Capital Account.

To this account will be credited the capital of all descriptions raised by a Guaranteed Company, and paid either into the Home Treasury or to the Government in India. The account will be kept in columns for each description of Capital, and there will also be a column for Capital *not bearing interest*

The net premiums received on stocks or debentures sold above par will be credited to this account, in the column headed "not bearing interest."

Cash payments upon the extinction of debt will be debited to this account, which will also be affected by cross entries arising out of changes in the description of the capital of the Company, by conversion of debentures either into share capital or debenture stock, the "Debenture" column being made debtor to the "Share Capital" or "Debenture Stock" column, as the case may be, for the amount of the debentures converted

Cross entries upon this account will also be necessary whenever stock or debentures are issued *at a discount*. The column headed "not bearing interest" will, in such cases, be debited with the discount, and an equal amount will be credited to the column provided for the description of Capital sold, in order that the total of the latter column, to which the cash received will have been credited, may agree with the amount on which interest is payable.

Any payments to brokers, by way of commission on sales of stock or debentures, will also be debited to this account, under the column "not bearing interest," so that all transactions relating to subscribed Capital may appear under this account.

II.—Capital Advance Account.

All issues to the Company out of Capital, both in England and India, will be debited in the first instance to this account, which in like manner will be credited with all cash receipts in England and India, except those carried directly to "Capital" or "Revenue," as explained under those respective heads of account. The other debits and credits will consist of transfers to either "Stores Suspense Account," "Construction Account," or "Revenue Account," as explained under those respective heads of account. The balance will be carried on from year to year.

III.—Stores Suspense Account

No cash receipts or payments will be carried direct to this account.

The debits will be raised by transfers from "Capital Advance Account" in respect of all payments, both in England and India, on account of "Stores."

The credits will consist of transfers from "Capital Advance Account" in respect of cash receipts, such as recoveries from underwriters of value of stores debited to this account, but lost *en route*, and of transfers to "Construction" and "Revenue" Account, for the value of the stores issued on each of those respective accounts during the half-years ending the 30th June and 31st December, respectively. The balance will be carried forward to the succeeding year.

IV.—Construction Account.

The debits upon this account will be raised by transfers from the "Capital Advance Account" and the "Stores Suspense Account," for the amount of expenditure allowed and the value of stores issued during the half-years ending, respectively, on the 30th June and 31st December.

The credits will consist of transfers from the "Capital Advance Account" of cash receipts applicable to this account.

No receipts or payments will be carried direct to this account

The balance to the debit of this account will continue to be carried forward from year to year until the undertaking is completed.

V.—Revenue Account

This account will be credited with the gross traffic earnings paid into the Government Treasuries, and with other final receipts which may properly be taken in aid of revenue; among these latter will be the interest allowed to the Company on the revenue balances in the Government Treasuries in India

The debits will consist of transfers from the "Revenue Advance Account," for the working expenses allowed, and from "Stores Suspense Account," for the value of stores issued during each half-year ending, respectively, the 30th June and the 31st December.

It will also be debited by transfer from "Capital Advance Account" with any payments in England, charged, in the first instance, to that account, which are found to relate to "Revenue," and are not payments for stores.

This account will further be debited with the declared profit, or net revenue, of the half-year when the same has been audited and allowed by the proper authority in India, and reported to this office; a corresponding credit being given upon the "Guaranteed Interest Account" (VII).

The balance upon this account will be carried forward from year to year.

VI.—Revenue Advance Account.

This account, like the "Capital Advance Account," is simply an intermediate account. It will be debited, in the first instance, with all issues on "Revenue" Account, and will be credited, by transfers to "Revenue Account," with the amount of the working expenses during each half-year ending, respectively, the 30th June and the 31st December, admitted by the Consulting Engineer.

The balance will be carried on from year to year.

VII —Guaranteed Interest Account

This account will be debited with all payments on account of Guaranteed interest, and will be credited, by transfer from "Revenue Account," (V.) with the net revenue for each half-year. It will further be debited with the payment, if any, to the Company of *surplus* net revenue for the half-year.

The foregoing accounts will, it is believed, provide sufficiently for showing upon the Home books the financial position of each of the Guaranteed Companies.

Remarks on statements to be furnished from India.

It may be desirable to add a few remarks with respect to the statements required to be furnished to this office by the respective Governments in India in connection with the system of accounts explained above. Two descriptions of statements will be needed

I.—A Monthly Cash Statement.
II —A Half-yearly Appropriation Statement

I —The Monthly Cash Statement.

This statement is to be rendered under heads corresponding with the heads of accounts, embraced in the system of accounts hereinbefore explained, *and the entries are to be strictly confined to the cash receipts and payments in India.*

a — Capital Account.

Receipts only.

The receipts under this head will consist of sums subscribed in India on account of Capital, full particulars of the nature of the Capital and the rate of interest guaranteed thereon, should be furnished

The premium, if any, received on the sale of shares above par, should also be included, but entered separately, and noted as *not* bearing interest

The total amount might continue to be carried on from month to month as a check.

b —Capital Advance Account.

Receipts and payments

There will be both receipts and payments under this head. The receipts will comprise all sums received in India on "Capital" Account, not being subscribed Capital, returned under the preceding head.

The payments will, in the same way, comprise all issues on account of the Railway Company made out of Capital, whether made to the Agents of the Company, or otherwise, and for whatever purpose.

c.—Revenue Account.

Receipts only.

The entries under this head will consist principally of the gross earnings of the Company paid into the Government Treasuries; other receipts should be entered separately.

d.—Revenue Advance Account.

Payments only

The cash transactions under this head will consist of payments only.

e.—Guaranteed Interest Account.

This will also be a statement of payments only. Any payment to a Guaranteed Company in respect of *surplus* net revenue for a half-year should be entered under this head, *vide* "Guaranteed Interest Account," *ante*.

Payments only.

Proceedings of the Madras Government, Public Works Department,
27th March 1871.

Form of account

A form of Monthly Cash Statement, embracing the five foregoing heads of account, is annexed

Entries to be restricted to cash transactions

By restricting, in the manner explained, the entries in the Monthly Cash Statement to actual cash transactions, the entries therein should agree in the aggregate with the debits and credits passed through the "Account Current with London"

II —The Appropriation Statement

Transactions to be included

This statement is to be made up half-yearly, to the 30th June and 31st December, respectively, and is to include all cash transactions, *both in England and India*, not carried monthly to "Capital" or "Revenue" Accounts

Period of account

These periods are adopted as being those for which the half-yearly Revenue Accounts are made up by the several Companies

Accounts to appear in statement

The following are the accounts which will appear in the Appropriation Statement, namely —

A —Capital Advance Account
B —Stores Suspense Account
C —Revenue Advance Account

Each of the above mentioned accounts has been so fully explained in the previous part of this paper, that it is unnecessary to add any further remarks in regard to them

Form of statement

A form of the statement is annexed, which will show the nature of the entries under each head of account

Statement to be sent out to India from time to time

The particulars of the receipts and payments in *England* to be included in the Appropriation Statement will be shown in the half-yearly classified statements transmitted from this country to India, and the Appropriation Statement might be sent to India from this office having these receipts and payments entered therein.

To be completed in India

By the time the statement reaches India, or very soon afterwards, the Account Departments there would probably be in a position to complete the statement by the insertion of the Indian cash transactions, and the further requisite adjustment of the several accounts by transfer entries.

To be returned to this office

It is important that the statement should be returned to this office completed at the earliest possible date

(Signed) W G GOODLIFFE,
Accountant-General

India Office,
October 1870

Resolution.—It is necessary, under the instructions received from the Secretary of State, that, with effect from the beginning of the current calendar year, the following modifications should be made in the existing rules and procedure connected with the Government accounts of Guaranteed Railways

2. In supersession of the orders now in force, all adjustments between the several heads of account must in future be carried out by means of *transfer entries*, the Provincial Accountant-General being duly advised from time to time by the Consulting Engineer of the adjustments effected in the books of the Railway Company, and the periods to which all such adjustments relate.

3. Three new heads of account will have to be opened in the Railway books kept by Consulting Engineers —

(1) —Capital Account
(2). —Stores Suspense Account.
(3) —Construction Account.

4. To the new Capital Account will be credited all sums subscribed in India on account of Capital, and the premium, if any, received on the sale of shares above par.

5. The present "Capital Advance Account" will in future be credited with all receipts on Capital Account, except those to be credited under the last paragraph to the "Capital Account," and will be debited with all issues on Capital Account whether made to the Agent of the Company or otherwise, and for whatever purpose.

6. The debits to the "Stores Suspense Account" will, for the present, consist of transfers from the "Capital Advance Account" in respect of payments made on account of stores, and the credits of (1) transfers to the "Construction" and "Revenue" Accounts for the value of stores issued on each of those accounts, respectively; and (2) transfers to "Capital Advance Account" in respect of cash receipts, such as recoveries from under-writers of the value of stores debited to this account, but lost *en route*.

7. The debits to the Construction Account will be raised by transfers from the "Capital Advance Account" and the "Stores Suspense Account" for the amount of expenditure allowed, and the value of stores issued. The credits will consist of transfers of cash receipts to the Capital Advance Account.

8. The treatment of the Revenue and Treasury Accounts needs no special explanation. It may be added, however, in respect to the "Guaranteed Interest Account," that, in future, any payment to a Guaranteed Company in respect of *surplus* net profits for a half-year should be entered under this head.

9. Steps should at once be taken to ensure a punctual settlement of the value of stores actually consumed each month on Capital and Revenue Account, and the advice of the value of the consumption in each period should be sent forward to the Civil Accountant-General and to the Accountant-General in this department within two months after its close.

10. The balances of the "Capital Advance," "Store Suspense," and "Construction Accounts," will be carried forward from year to year.

11. Instructions have already been given in Public Works Department Resolution, Nos. 49—54-R., of the 6th ultimo, for obtaining the opening balances of these several accounts; these should be carefully attended to.

12. A revised set of the rules and forms for Guaranteed Railway Accounts (circulated with Public Works Department Resolution, Nos. 23—9-A. R., of the 25th January 1870), duly modified in accordance with the foregoing instructions, will shortly be prepared for the guidance of the officers concerned.

ORDER.—Ordered that this Resolution be communicated to the Local Governments and Administrations marginally noted, for information and guidance, and to the Financial Department for information.

Governments of Madras, Bombay, Bengal and Punjab, and the Chief Commissioner of Oudh.

(Signed.) J. J. McLEOD INNES,
Depy. Secy. to the Govt. of India.

Proceedings of the Madras Government, Public Works Department, 27th March 1871.

MONTHLY CASH STATEMENT.

ABSTRACT OF CASH RECEIPTS AND PAYMENTS

ON ACCOUNT OF THE

RAILWAY COMPANY,

In the Month of _____ 187 .

_____ Railway Company.

ABSTRACT OF CASH RECEIPTS AND PAYMENTS on account of the above-mentioned Railway Company in the Month of _____ 187 .

CAPITAL ACCOUNT.

	Amount of Stock issued	Amount received		
	Rs.	Rs	A	P.
Amount brought from preceding Abstract				
Add—Cash Receipts this month on account of Capital, namely —				
The description of Capital subscribed for should be here stated, namely, whether shares, debenture stock, or debentures, and the rate of interest. If debentures, the period for which issued should likewise be stated				

CAPITAL ADVANCE ACCOUNT.

I.—Issues.

	Rs.	A.	P.
Amount advanced in the month on account of works, purchase of stores, etc			
Payments on account of the Railway not made through the Company's Officers			

II.—Receipts.

	Rs	A.	P.
Refunds			
Sales of Stores			

Proceedings of the Madras Government, Public Works Department,
27th March 1871.

_____ Railway Company.

ABSTRACT OF CASH RECEIPTS AND PAYMENTS—*(Continued.)*

REVENUE ACCOUNT.

	Rs	A	P.
Gross Traffic Earnings paid into the Government Treasury this month			
Other Cash Receipts in the month, namely :—			

REVENUE ADVANCE ACCOUNT.

	Rs	A.	P.
Cash advances this month out of Revenue Funds			

GUARANTEED INTEREST ACCOUNT.

Payments this month, as under —

Guaranteed Interest

Date of payment	Amount on which interest is calculated.	Period From	Period To	Number of days	Rate per cent	Rs	A	P.

Surplus Net Revenue paid to Company.

Note —The declared Surplus Net Revenue for the half-year ended _____ was Rs _____

Place _____ Signature _____

Date _____ Office _____

APPROPRIATION STATEMENT.

RAILWAY COMPANY,

Half-year ended _____ 187 .

Proceedings of the Madras Government, Public Works Department, 27th March 1871.

_____ Railway Company.

APPROPRIATION STATEMENT showing the Debits and Credits in connection with the CAPITAL ADVANCE ACCOUNT of the above-mentioned Railway Company.

Half-year ended _____ 187 .

	Rs	A	P
Balance brought from preceding statement			
CASH TRANSACTIONS			
Add—Payments in half-year ended as above, namely—			
In England (as per statement from London) £ _____			
In India as per Monthly Cash Statements, namely*			
_____			
_____			
_____			
_____			
_____			
Deduct—Receipts in same period, namely—			
In England (as per statement from London) £ _____			
In India as per Monthly Cash Statements, namely†—			
_____			
_____			
_____			
_____			
_____			
Total			
TRANSFERS			
Deduct—Debits—			
To Construction Account			
To Revenue Account			
To Stores Suspense Account			
Less—Credits—			
To Construction Account ..			
To Revenue Account			
To Stores Suspense Account			
Balance on‡ _____			

* Amount of payments in each month to be stated.

† Amount of receipts in each month to be stated.

‡ 30th June or 31st December.

_____ Railway Company.

Similar APPROPRIATION STATEMENT in connection with the STORES SUSPENSE ACCOUNT.

Half-year ended _____ 187 .

	Rs.	A.	P.
Balance brought from preceding statement			
TRANSFERS.			
Add—Debit from Capital Advance Account—			
For Cash Payments in the half-year, namely —	Rs. A P	Rs. A P	
In England (£) ...			
In India			
Less—Credit from same Account—			
For Cash Receipts in the half-year, namely —	Rs. A P		
In England (£) ...			
In India ...			
Deduct—Debits—		Rs. A P.	
To Construction Account			
To Revenue Account			
For value of Stores issued on "Capital" and "Revenue" Account, respectively, during half-year ended as above.			
Balance on*			

*30th June or 31st December.

_____ Railway Company.

Similar APPROPRIATION STATEMENT in connection with the REVENUE ADVANCE ACCOUNT.

Half-year ended _____ 187 .

	Rs.	A.	P.
Balance brought from preceding statement			
Add—Cash Advances during half year ended above, as per Monthly Cash Statements, namely* —	Rs. A. P.		
Deduct—Expenditure during same period allowed by Consulting Engineer, and charged to "Revenue" Account			
Balance on†			

*Amount of advances on each month to be stated.

†30th June or 31st December.

(Signature)_____

Place _____

Office_____

Date _____

Proceedings of the Madras Government, Public Works Department, 27th March 1871.

No. 633. ORDER THEREON, 27th March 1871, No. 903.

RAILWAY, No. 58.

COMMUNICATED to the Consulting Engineer for Railways with a view to his taking the necessary steps for giving effect, from the commencement of the current calendar year, to the changes ordered to be adopted in the rules and forms of Government accounts in connection with Guaranteed Railways.

(True Extract.)

(Signed) CHARLES A. ORR, Colonel, R.E.,
Secretary to Government.

To the Acting Consulting Engineer for Railways.

Esd. E. C. Shuckr.

No. 903. P.W.D. 15 VI

Proceedings of the Madras Government under date the 27th March 1871 Read the following

From

The Govt. of India
P.W.D. (H. L. No. 173 R.R. dated 11th March 1871)

Communicated to the Consulting Engineer for Railways with a view to his taking the necessary steps for giving effect from the commencement of the current calendar year to the changes ordered to be adopted in the rules and forms of Government accounts in connection with Guaranteed Railways.

To

The Consulting Engineer for Railways

No. 8. dated 27th March 1871 with a view to his taking the necessary steps for giving effect from the commencement of the current calendar year to the changes ordered to be adopted in the rules and forms of Government accounts in connection with Guaranteed Railways.

3/7340

Govt of Madras.

PUBLIC WORKS.

To Sheedy Consulting Engr
for Railways.

1895

27 March 1903.

Nos. 632-633

Recommend Railways Dept of the Govt of India passing Orders of Resolution ~~Government~~ Certain changes ~~also~~ in the Rules & Forms of Govt Agreement in Connection with guaranteed Railways, & ~~the~~ Govt Engineer Corresponding with Instructions.