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MANUAL
OF THE
COMMERCIAL AUDIT BRANCH
OF THE
INDIAN AUDIT DEPARTMENT

PARTS I & II

Issued under the authority of the Auditor General in India



CALCUTTA: GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH
1930

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PREFACE.

This Manual, which is intended to be a guide for the officers and staff of the Commercial Audit Branch of the Indian Audit Department, has been issued with the approval of the Auditor General in India. It consists of three parts. Part I deals with the origin, constitution and duties of the Branch and with general accounting and auditing questions. Part II deals with departmental regulations, general office procedure and budget questions. Part III, which will be issued at a later date, will deal with special accounting and auditing subjects and will include suitable forms of account for use at different classes of commercial concerns.

This Manual is not intended to serve as a substitute for the many recognised text-books on commercial accounting and auditing. It is a convenient record of orders issued by the Government of India, the Auditor General in India and the Director of Commercial Audit on matters relating to accounting and auditing at concerns under the audit of the Commercial Audit Branch and on matters incidental to the work and administration of the Branch. The subject of commercial accounting and auditing is so vast that it is only possible to deal with general principles and this Manual must therefore be read in conjunction with the text-books which are supplied to circle offices of the Commercial Audit Branch, the rules, codes and orders issued by the Auditor General, and commercial audit instructions issued, from time to time, by the Director of Commercial Audit.

The Manual will be maintained at the headquarters of the Commercial Audit Branch but it cannot be complete and accurate in all respects without the co-operation of officers and staff actually engaged on commercial audits and accounting investigations. Suggestions for the improvement of the Manual from officers and staff of the Branch and others using the Manual will be appreciated. The Director of Commercial Audit will obtain the approval of the Auditor General to the corrections to the Manual where necessary.

NEW DELHI :
17th March 1929.

D. COLIN CAMPBELL,
Director of Commercial Audit.

MANUAL OF THE COMMERCIAL AUDIT BRANCH.

PART I.

CHAPTER 1.

THE ORIGIN OF THE COMMERCIAL AUDIT BRANCH.

1. For some years it has been recognised that the Government system of accounts is unsuitable for recording and controlling the transactions, and presenting at any time the true state of affairs, of Government commercial undertakings. In order to investigate the possibilities of improvement in the systems of accounts in commercial and quasi-commercial undertakings, representatives of Messrs. Price, Waterhouse and Company, Chartered Accountants, London, came to India in December 1920 at the request of the Government of India. They made valuable suggestions as to the desirability of introducing certain reforms in accounting systems. The advisory work relating to the introduction of commercial systems of account and of auditing these accounts was, at the outset, entrusted to a few officers of the Indian Audit and Accounts Service with commercial accounting knowledge and to firms of Chartered Accountants in India and Burma with the previous sanction, where necessary, of the Auditor General in India, the statutory authority responsible for the efficiency of the audit of expenditure in India from the revenues of India. As the work increased it was considered desirable, to enable the Auditor General in India to discharge more adequately his statutory responsibility in regard to audit, to obtain the services of an experienced Chartered Accountant to supervise on his behalf the whole of such work and to train a certain number of officers of the Indian Audit and Accounts Service and the subordinate staff in commercial accounting and auditing. For that purpose, the Government of India in 1924, at the instance of the Auditor General, requested the Secretary of State for India to select a Chartered Accountant. The Accountant who was appointed reported for duty in India in January 1925 and was designated Director of Commercial Audit. He and his staff were attached to the Auditor General's office till the 1st of March 1928 when the section was separated from that office and constituted as a separate Commercial Audit Branch of the Indian Audit Department. The branch was placed on a permanent footing on 1st January 1929.

CHAPTER 2.**FUNCTIONS.**

2. The following is a summary of the functions of the Commercial Audit Branch :—

The preparation of accounting systems on commercial lines for concerns controlled by the Government of India and Provincial Governments.

The introduction of commercial systems of accounting.

The audit of the accounts of commercial concerns and the preparation of audit reports.

Advisory work connected with miscellaneous references relating to accounting or finance received from departments of the Government of India and Provincial Governments, the Auditor General, Accountants General and Directors of Audit.

The collection of material for inclusion in Executive Reports and Reports on Appropriation Accounts.

The training of Officers of the Indian Audit and Accounts Service, Accountants and Clerks in the various branches of commercial accounting and auditing.

(For a general description of the duties of the Branch as a whole see Chapter 5.)

CHAPTER 3. ORGANISATION.

Headquarters.

3. The Commercial Audit Branch is an integral part of the Indian Audit Department and is a service department. The head of the branch is the "Director of Commercial Audit" with headquarters at New Delhi. At headquarters he is assisted by an Assistant Audit Officer and a small staff of accountants and clerks.

Circles.

4. In addition to the headquarters office there are seven circles each with its own headquarters fixed with a view to convenience of work and economy. The seven circles, with their headquarters, are as follows :—

(1) Calcutta	..	..	..	..	..	Calcutta.
(2) Calcutta (Port Trust)	..	..	..	..	..	Calcutta.
(3) Madras	..	..	..	..	..	Madras.
(4) Bombay	..	..	..	..	..	Nasik Road.
(5) Northern India.	..	..	..	..	..	New Delhi.
(6) Burma	..	..	..	..	..	Rangoon.
(7) Army Factory Test Audit—						
(a) Eastern Group	..	..	..	..	..	Cossipore.
(b) Western Group	..	..	..	..	..	Cawnpore.

Distribution of work.

5. The Calcutta circle conducts commercial accounting investigations and audits in Bengal [except those mentioned under Calcutta (Port Trust) circle] Assam, Bihar and Orissa and in a part of the United Provinces.

The Calcutta (Port Trust) circle conducts the audit of the Calcutta Port Trust, the Bengal Pilot Service and one district of the Indian Lighthouse Administration.

The Madras circle conducts accounting investigations and audits in Madras.

The Bombay circle conducts accounting investigations and audits in Bombay and the Central Provinces.

The Northern India circle conducts accounting investigations and audits in the Punjab, Delhi Province and a part of the United Provinces.

The Burma circle conducts accounting investigations and audits in Burma and in the Andaman Islands.

The Army Factory Test Audit circle test audits the accounts of Army Factories situated throughout India.

Officers in charge of circles.

6. Assistant Directors of Commercial Audit are in charge of the Calcutta, Calcutta (Port Trust), Madras and Bombay circles. Assistant Audit Officers are in charge of the other circles.

CHAPTER 4.

STAFF.

Assistant Directors of Commercial Audit.

7. The Assistant Directors of Commercial Audit are officers of the Indian Audit and Accounts Service (Class II). The three existing incumbents of the posts of Assistant Directors as on 15th November 1928 are entitled to a special pay of Rs. 200 per month whenever holding one of the four sanctioned posts of Assistant Director (Government of India, Finance Department No. F./44/III/R. II of 15th November 1928 to the Auditor General).

Assistant Audit Officers.

8. The Assistant Audit Officers appointed before the 1st of July 1928 draw pay on the scale Rs. 660—40—900. Under letter D.-3521-R. II, dated the 21st August 1928 from the Government of India in the Finance Department, Assistant Audit Officers appointed on or after the 1st July 1928 draw pay at Rs. 500—35—850 but this order does not take effect, in so far as it concerns posts, the reduction of pay of which is approved, until the first occasion in which the incumbents of the posts are changed after July 1st, 1928, initial pay being fixed under Fundamental Rules 22 and 23. (Government of India, Finance Department letter No. F./54/II/R. II, dated the 20th September 1928.) Under the same letter dated the 21st August 1928 the Assistant Audit Officer at Headquarters draws a special pay of Rs. 50 in consideration of the onerous and responsible nature of his duties.

Recruitment of Gazetted staff.

9. The Gazetted Staff of the Branch consists of—

- 1 Director ;
- 4 Assistant Directors ; and
- 4 Assistant Audit Officers.

Appointments to the posts of Director and Assistant Directors are made from among the officers of the Indian Audit and Accounts Service, who have undergone training in Commercial Accounting and Auditing, and from Chartered or Incorporated Accountants recruited direct to the Indian Audit and Accounts Service, in accordance with the orders contained in the Government of India, Finance Department letter No. F./44/IV/R. II of 1928, dated the 7th June 1928.

Appointments to the posts of Assistant Audit Officers are made by direct recruitment of Chartered or Incorporated Accountants and by promotion of subordinates in the Indian Audit Department who have undergone training in Commercial Accounting and Auditing.

Recruitment of non-gazetted staff.

10. (a) *Clerks*.—The recruitment of clerks is made by the Director. In addition to the clerks recruited direct to the Branch, the Director has the option of retaining, for service in the Branch, clerks deputed from Civil Accounts Offices for training. About one-third of the men selected from outside Government service should have passed the Government Accountancy Diploma or other equivalent examination and have had practical experience of commercial accounting and auditing. In recruiting clerks to the Branch the rules prescribed by the Government of India for the appointment of men from minority communities have to be carefully observed.

(b) *Subordinate Accounts Service*.—No one can be confirmed as a Superintendent in the Commercial Audit Branch until he has passed the Subordinate Accounts Service (Commercial) Examination or has been exempted from passing this examination. The Director should ordinarily follow the principle enunciated in Article 52 of the Audit Code in making appointments to the Subordinate Accounts Service cadre of his Branch, it being understood that under the present conditions clauses (c) and (d) of the Article should have more weight than clause (b). (Auditor General's letter No. 1593-N.G.E./296-28 of 6th September 1928, File No. 101-Com./27.) Officiating appointments of men who have passed the Ordinary or Local Subordinate Accounts Service examinations are permissible.

Seniority among recruited clerks.

11. The seniority among clerks will be determined by the Director, taking into consideration all the circumstances of the case, for example, total length of service, pay, age and efficiency. If a clerk has passed a Subordinate Accounts Service Examination that will also be taken into consideration.

Promotion from clerks to Subordinate Accounts Service.

12. When vacancies arise in the Subordinate Accounts Service cadre they will be filled, as far as possible, by clerks who have passed the Subordinate Accounts Service Examination.

Seniority in the Subordinate Accounts Service.

13. The Director has been delegated the power to fix the relative seniority of Senior Accountants and Accountants in accordance with the principles accepted by the Auditor General.

Recruitment of Inferior Servants.

14. The gazetted officers of the Branch have power to appoint inferior servants to sanctioned posts.

CHAPTER 5.

GENERAL DESCRIPTION OF THE DUTIES OF THE BRANCH AS A WHOLE.

The preparation of accounting systems on commercial lines for concerns controlled by the Government of India, and Provincial Governments.

15. Article 144 of the Audit Code lays down that when an Accountant General becomes aware of the existence of a commercial undertaking in any department, or finds that funds are provided for it in the estimates, he should ascertain from the local Government the exact nature and scope of the activities of the undertaking with a view to determining, in consultation with the Director of Commercial Audit, whether it is essential or advisable to maintain suitable subsidiary and *pro forma* accounts. If he and the Director of Commercial Audit decide that the maintenance of these accounts is desirable, the Accountant General is required to address the local Government urging it to pass orders agreeing to or requiring the maintenance of such accounts.

If the local Government agrees to consider the question it may entrust the preparation of a system of accounts to one of its own officers or to the Director of Commercial Audit. If the local Government adopts the former course, the Accountant General should urge upon the local Government the desirability of :—

- (a) requiring the officer entrusted with the work, to devise not merely a system of accounts, but also a set of standing orders to regulate the working of the concern, and a schedule of the powers entrusted by Government to authorities subordinate to it with regard to the control and management of the concern, and
- (b) the submission to the Director of Commercial Audit, for expert scrutiny, of the complete system, together with the account forms, the standing orders relating to the working of the concern and the schedule of powers of the officers controlling and managing the concern.

The procedure for subjecting the actual transactions to the necessary audit check, local and central, should be settled by the Accountant General in consultation with the Director of Commercial Audit.

16. The main points of the scrutiny to be applied to an accounting system are :—

- (1) Is the system so worded that it can be understood by persons who may not have had experience of commercial book-keeping ?
- (2) Are the suggested Capital and Revenue heads of account suitable for the particular concern ?
- (3) If the system is on " double entry " principles, is it self-contained and complete ?

- (4) If the system is on "single entry" principles, is the Cash Book in columnar form or have other means been proposed for analysing revenue and expenditure periodically under suitable heads for inclusion in half-yearly or annual Trading and Profit and Loss Accounts ?
- (5) Does the system provide adequate control over cash, receipt books and cheque books ?
- (6) If the concern is to work under the rules in Chapter 2 of the Account Code, has a figure been suggested for working capital required, and on what basis has it been arrived at ?
- (7) Has a safe system of stores control been drawn up ?
- (8) What methods have been recommended for fixing stores issue rates and for pricing manufactured articles for sale ?
- (9) Is the work of preparing and checking workers' time cards, gatekeeper's records and wages sheets and the actual payment of the workers spread over as many persons as possible ?
- (10) Have account rules been prepared showing how entries relating to depreciation on fixed assets and the replacement of an asset should be recorded in the books ?
- (11) Has the recruitment of an accountant, experienced in commercial accounts, been recommended ?

17. The main points of the scrutiny to be applied to standing orders and schedule of powers are :—

- (1) Who is authorised to make purchases and up to what limit ? It is undesirable to place the purchasing of stores in the hands of an official who is to be responsible for the quantity and quality of stores received.
- (2) Has a system of calling for tenders been proposed ?
- (3) Have definite orders been laid down in regard to the maximum quantity of various items of stores which may be held ?
- (4) What arrangements have been made for stock verification ?
- (5) What is the measure of control by the Superintendent over the appointment, promotion and discharge of technical assistants, office staff and labourers ?
- (6) Have definite scales of pay been laid down for the various classes of employees ?
- (7) Is the Superintendent of a Chapter 2 concern free to incur ordinary running expenses from working capital subject to the condition that funds are available or are his powers in this connection limited ?
- (8) If a Personal Ledger Account is to be opened in the name of the head of the Department controlling a Chapter 2 concern in addition to

the Superintendent's Personal Ledger Account has a maximum balance which may be held at the credit of the latter account been fixed ?

(9) Has it been decided which Department of Government will control the concern ?

18. The relaxation of budget control contemplated by Chapter 2 of the Account Code places the revenue receipts and expenditure of the concern outside the direct control of the legislature, and, to a great extent, of Government. If suitable financial rules in the form of standing orders and schedules of powers do not exist the manager of a concern will be given an unduly large freedom in the management of a business in which he, personally, has no financial interest. The standing orders framed for concerns proposed to be brought under Chapter 2 of the Account Code have to be scrutinised by the Commercial Audit Branch before their submission to the Auditor-General in India for approval, with a view to seeing that provision is made for the maintenance of proper accounts and control and to see that adequate safeguards exist to ensure the proper running of the concerns and to safeguard against extravagant management. Standing orders, must, of course, exist whether the concern be a Chapter 2 concern or not, but they should be more stringent in the case of Chapter 2 concerns.

19. If Government entrust the preparation of the system to the Director of Commercial Audit, that officer will, as soon as possible, depute an officer to the concern for the purpose of examining local conditions and drawing up a suitable system. The Director of Commercial Audit should himself visit important concerns at the earliest opportunity. Before taking up the preparation of a new system of accounting for any concern the Director of Commercial Audit will submit the case to the Auditor General in India for his approval. The Director of Commercial Audit will notify Government of the date when he or his staff will attend at the office of the concern. Copies of all correspondence connected with the investigation will be forwarded to the Accountant General concerned. At this stage no change will take place in the existing audit, either local or otherwise, conducted by the staff of the Accountant General.

20. When the commercial audit staff arrive at a concern, the Officer in charge of the investigation will report to the Superintendent or other senior official in charge and indicate to him the procedure he will follow in the investigation. He will arrange for an introduction to the heads of departments, *e.g.*, Works Manager, Chief Accountant and Storekeeper. He will then make a general tour of the factory to get the atmosphere of the place, carefully noting any points that occur to him. He should begin at the stores or labour office and then make a complete tour round the workshops. He should make a point of following the progress of raw material from the time of entering the factory until it leaves the stores for the workshops and also the progress of goods in manufacture passed from one workshop to another until they are in the form of completely manufactured articles. He should obtain from the official in charge a chart of the organisation and, if no chart exists, he should have one drawn up showing departments including offices and officials in charge. It will also be useful if he obtains a list of all the articles manufactured.

21. The Officer in charge of the investigation should then take up in detail the preparation of the accounting system and for convenience the accounts may be considered in the following order :—

- (1) Financial records including all subsidiary labour records and the block account.
- (2) Stores records.
- (3) Costing records.
- (4) Miscellaneous Departments—
 - (a) Purchase and Sales Departments.
 - (b) Traffic Department.
 - (c) Planning and Progress Department.
 - (d) General Office.

A general commercial system of accounting for Government manufacturing concerns is given in Chapter 9 and a questionnaire for guidance when investigating accounting systems is given in Chapter 11.

22. An important point which must be considered during the early part of the investigation, if not already settled, is whether the new accounting system should be drawn up to comply with the rules of the Chapter 2 of the Account Code or whether the commercial accounts are to be maintained in addition to the Government accounts. The system of book-keeping will be the same whichever method is adopted, but as Chapter 2 of the Account Code eliminates, to a considerable extent, budgetary control and increases the powers of the management, it is desirable from an internal control standpoint that a decision should be reached on this point before drawing up a new system. Unless the local Government concerned has requested the Auditor General in India to accord his sanction to the working of the concern under the Chapter 2 rules, it is the duty of the Director of Commercial Audit to address Government on the point and ask for a very early decision, explaining the main questions involved and the reason which render an early decision desirable. After the Director of Commercial Audit has examined the proposed commercial accounting system, the standing orders for the concern and the schedule of powers of the management, he will submit the case, with any comments he has to offer thereon, to the Auditor General in India. Systems for small non-chapter 2 concerns need not, however, be submitted to the Auditor General.

23. A point which must be borne in mind by Commercial Audit Officers when preparing a system of commercial accounts for a concern which has been in existence for some time is that certain *pro forma* accounts and records are probably being maintained. This will apply particularly to records relating to fixed assets, stores, costing or labour payments. If any such accounts or records are suitable, there is no reason why they cannot be made to fit into the new system. The views of the management must be given full consideration and it must always be borne in mind that the job of the Commercial Audit Branch is to help and not to hinder.

24. The Commercial Audit Officer will prepare a detailed report together with all the necessary forms and send it to the Director of Commercial Audit. Except in the case of small non-chapter 2 concerns the Director of Commercial Audit will submit the report with his remarks to the Auditor General in India. The report will then be despatched to the Finance Department and the department of Government controlling the concern ; a copy being sent to the Accountant General and to the Superintendent of the concern. When the system has been finally approved by Government and the Auditor General in India (if submitted to him) arrangements will be made for its introduction.

25. The Commercial Audit Branch should endeavour to have the same systems of account installed in similar types of Government concerns under its audit in whatever Province the concerns may be situated so that useful comparisons may be made between the working of similar concerns. (See para. 101.)

The introduction of commercial systems of accounting.

26. The Commercial Audit Branch is not responsible for the introduction of a system of commercial accounts at any concern unless specially requested to undertake or supervise the work. The responsibility rests with the Superintendent of the concern working under the orders of the department of Government controlling the concern. This may be the Revenue, Commerce, Development, Industries, Public Works, Forest, Fisheries or other departments. In this connection see Devolution Rule 37 (e) with regard to the functions of Finance Departments of Provincial Governments. The importance of appointing a competent commercial accountant to be in charge of the books cannot be too strongly emphasised by Commercial Audit Officers in their reports and it is most desirable that Government should appoint an accountant before the commercial accounts are actually introduced. If an experienced accountant is not appointed at the outset the Commercial Audit Officer should recommend that an accountant of the Commercial Audit Branch should, if such an arrangement is possible, attend at the office of the concern for a certain period (two or three weeks should be sufficient) to supervise the opening of the books and to satisfy himself on behalf of the department controlling the concern and the Director of Commercial Audit that the system has been given a proper start. If this practice is encouraged considerable labour at the time of audit will be saved. From the date when the new commercial accounts are introduced it is the duty of the accountant in charge to see that the books for which he is responsible are always written up-to-date.

The audit of the accounts of commercial concerns and the preparation of audit reports.

27. Concerns, the accounts of which are audited or to be audited by the Commercial Audit Branch, are Government commercial "concerns" as distinct from commercial or *quasi*-commercial "Departments" such as the Posts

and Telegraphs, Irrigation and Railway Departments. They may be grouped under six headings :—

- (1) Concerns which work under the rules in Chapter 2 of the Account Code.
- (2) Concerns which do not work under the rules in Chapter 2 of the Account Code but which maintain some accounts of a commercial nature in addition to the Government accounts.
- (3) Concerns in which Government hold shares or debentures or by contract is partly interested.
- (4) Concerns where a partial audit is conducted for a specific purpose.
- (5) Army Factories.
- (6) Port Trusts.

(1) Concerns under Chapter 2 of the Account Code may maintain their accounts on either commercial double entry or single entry principles, the latter system being suitable for very small concerns. The large concerns working under these rules are Security Printing, India, the Cinchona Departments, and certain Forest Circles and Divisions, Distilleries and their Warehouses, Public Works Dredgers, Brickfields and Quarries. Smaller concerns under this group are Arts and Crafts Depots, Tanneries, Fisheries, Sawmills, Soap, Ink, Weaving and other factories.

(2) The principal non-chapter 2 concerns the accounts of which are audited by the Commercial Audit Branch are His Majesty's Mints, Agricultural Department Farms, Dairies, etc., Jails (Manufacturing sections), Public Works Department Workshops and Stores, Technical Institutes and a few Forests Circles and Divisions. Certain non-chapter 2 concerns maintain a complete system of commercial double entry book-keeping, others maintain a single entry system. There is a third class under this group which maintains practically no commercial records, *e.g.*, the Northern India Salt Revenue Department where the existing Government accounts records at headquarters are examined by the Commercial Audit Branch and annual Manufacturing and Trading and Profit and Loss accounts and Balance Sheets prepared from these records are checked and certified as correct.

(3) Where Government are in any way interested in a concern the Commercial Audit Branch may be instructed to audit the accounts on behalf of Government. Examples of audits under this group are the Delhi Joint Water Board and the Joint Hide Purchase Contract between the Director of Contracts, Army Department and a Limited Liability Company.

(4) The principal concern under this group is the Opium Factory, Ghazipur, where the Cost accounts are examined annually and a certificate furnished by the Director of Commercial Audit to the Government of India relating to the full cost of manufacture of certain classes of opium.

(5) The Commercial Audit Branch is responsible for a test audit of the accounts maintained at ten Army factories and in the Production Section of the office of the Controller of Army Factory Accounts in Calcutta. The audit

is applied to the records maintained in the offices of factory Superintendents as well as to the records in the offices of the Deputy Assistant Controllers of Army Factory Accounts.

(6) It has been decided by the Government of India that the Commercial Audit Branch will take over gradually from Accountants General the audit of the accounts of the major Port Trusts throughout India and Burma. The Director of Commercial Audit assumed responsibility for the audit of the Calcutta Port Trust Accounts beginning with the financial year 1928-29. A special audit staff will be employed at Port Trusts where a continuous audit is conducted.

General rules relating to the procedure to be adopted in audit are given in Chapter 11.

Advisory work connected with miscellaneous references received from the Government of India or Provincial Governments.

28. All important references from the Government of India, Provincial Governments, Accountants General and Directors of Audit will be submitted by the Director of Commercial Audit with his comments and draft reply to the Auditor General in India direct for orders. If they raise questions involving—

- (a) the interpretation of rules which do not apply solely to the work of the Branch, or
- (b) general Government accounts, or
- (c) work in other accounts offices, or
- (d) applications for the loan of officers of the Indian Audit and Accounts Service, or
- (e) changes in the form of accounts reproduced in Appropriation reports or the manner of their preparation,

the Director of Commercial Audit will consult the Auditor General's office.

29. If the reference relates to a particular concern, a copy thereof and the reply thereto will be sent to the Commercial Audit Officer in charge of the audit of the accounts of that concern.

30. Assistant Directors of Commercial Audit and Assistant Audit Officers in charge of commercial audit circles receive miscellaneous references from departments of Government controlling the concerns under their audit. Unimportant references will be dealt with by the Commercial Audit Officers. Important references will be forwarded to the Director of Commercial Audit together with the remarks of the Commercial Audit Officers in charge of the circles. If, however, an important reference is of a very urgent nature Commercial Audit Officers may reply direct stating, at the same time that the decision on the point is subject to the concurrence of the Auditor General in India and the Director of Commercial Audit.

Accountancy and auditing work relating to private concerns or limited companies in which Government is financially interested.

31. Government have adopted the policy of encouraging industries and the forms in which State-aid can be granted are laid down in the Acts passed by Local Legislatures. State-aid will be justified only if there is a probability of a concern being placed on a sound financial basis by financial assistance and of the advances being repaid according to agreement. The following are the most usual forms of State-aid :—

- (a) The grant of a loan,
- (b) The guarantee of a bank overdraft or fixed advance,
- (c) The taking up of shares or debentures,
- (d) The grant on favourable terms of land, raw material, water or other property of Government,
- (e) The payment of a subsidy for (1) the conduct of research or (2) the purchase of machinery.

32. The Acts usually provide that a concern in receipt of State-aid shall permit the inspection of its accounts by a Government auditor. The services of the Commercial Audit Branch may be called in either to investigate the trading possibilities of a concern or to audit the accounts.

33. The first document to be examined is the application for State-aid to ascertain why the assistance of Government is requested. If the reasons point to a bad state of trade the most important points leading up to such a situation should be carefully investigated. A careful examination of Balance Sheets and Trading and Profit and Loss Accounts for several years and other documents which disclose the results of past trading should be undertaken to ascertain whether the position of the concern is becoming better or worse.

34. When Government propose to acquire shares or debentures in a limited company it should be ascertained from an examination of the Memorandum and Articles of Association of the Company and Prospectus exactly what are the rights of various classes of shareholders or debenture holders as to Capital, participation in dividends and voting powers. If preference shares are to be acquired it depends upon the terms of the Articles whether these shares carry a preferential right as regards capital as well as a fixed dividend out of profits. If this is not stated they rank equally with the ordinary shares. If debentures are to be acquired it must be seen that the Articles give the directors power to borrow money in this way. The actual debentures should be examined in order that the exact terms of the issue may be ascertained. Government's representation on the Board of Directors, the powers of the Directors, the number, denomination and total value of different classes of shares and the conditions of their issue should be scrutinised to see that Government maintains those rights as to capital, dividends, and general control that the amount invested by it actually justifies.

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In all cases it should be ascertained that Government hold a fixed or floating charge on the capital assets of the concern or other security and that the statutory regulations regarding registration of debentures and other deeds have been properly complied with.

Where the return to Government is dependent on the net profit earned it should be expressly stated in writing how such profit is to be determined. Net profit is usually arrived at after providing for depreciation and all management expenses, manufacturing and trading charges and losses.

The collection of material for inclusion in Executive and Appropriation Reports.

35. Material for Executive and Appropriation Reports relating to Government Commercial concerns under the audit of the Commercial Audit Branch will be furnished by headquarters to the Accountants General concerned, except that the material for the Appropriation Accounts on the Central Government concerns will be compiled by this Branch into a separate Appendix to the Appropriation Accounts of the Central Government (Civil) and that the material relating to the Army Factories will be forwarded to the Director of Army Audit.

A memorandum showing what paragraphs in audit reports are considered important enough for eventual inclusion in the Executive and Appropriation Reports should accompany each audit report forwarded by circle Officers.

36. Registers should be maintained at headquarters and in the circle offices so as to ensure that matters selected for inclusion are included at the earliest opportunity in the Executive and Appropriation Reports and to watch the subsequent action taken thereon. The Register should be in the following form :—

Correspondence.					Reference to paragraph in the Executive or Appropriation Report.	P. A. C.'s recommendations.	Orders of Government.	Final disposal.
Name of concern.	Reference to Audit report.	Objec-tion.	Outward.	Inward.				

Separate sections of the register should be used to record paragraphs intended for each Accountant General.

The action taken on Executive and Appropriation Reports by Public Accounts Committees and the Governments should also be watched through the register.

37. The instructions contained in Appendix 16 to the Audit Code, "Instructions for the Preparation of Executive and Appropriation Reports" should be studied by circle Officers and their staff and followed in the drafting of paragraphs and accounts for the Executive and Appropriation Reports.

A few of the important rules to be observed are given in the following paragraphs of Appendix 16 to the Audit Code.

1. *Paragraph 9.*—The material should be submitted in duplicate and only one side of the paper should be written upon.

2. *Paragraph 12.*—The Executive and Appropriation Reports should be self-contained in respect of all matters contained therein and no reference to any correspondence with the Auditor General in India or the Government should be made in any of these reports except as indicated in paragraph 229 of Appendix 16 to the Audit Code.

3. *Paragraph 13.*—The facts and figures in the draft paragraphs and accounts should be very carefully checked and the work should receive the personal attention of the Officers in charge of circles.

4. *Paragraph 87.*—This lays down that the forms of accounts to be appended to the Appropriation Accounts should be settled in consultation with the Finance Department of the Government concerned. (The approval of the Finance Department will be obtained by headquarters.)

5. *Paragraph 90.*—The accounts should bear the signatures (with designations) of (i) the officer in immediate charge of the undertaking, (ii) the accountant or other official responsible for the book-keeping and compilation of the accounts, and (iii) the officer responsible for their audit.

6. *Paragraph 91.*—An attempt should be made to give a general review of the accounts and such statistics as are likely to be of interest to the Public Accounts Committee.

7. *Paragraph 96.*—Store accounts in the form prescribed should be drawn up and signed by the officers responsible at the time of the annual audit of the concerns.

8. *Paragraphs 154 and 228.*—The Committee on Public Accounts has to rely mainly on the audit officer's examination of the accounts to direct its attention to any unusual features and irregularities which, in the discharge of its statutory responsibility with reference to the accounts, it should investigate. All such matters on which the orders of Government have been passed should be mentioned in the Report on Appropriation Accounts. In regard to matters on which the orders of Government have not been passed, it may be adopted as a general working rule that cases should not be mentioned unless and until the Government has had a reasonable opportunity of dealing with them. It may be held reasonable to depart from this general rule—

- (i) if the case is of such extreme importance that it would seem desirable to bring it to the notice of the Public Accounts Committee, at a very early date, and

(h) if there has been unreasonable delay on the part of a Government in dealing with an important case of irregularity which had been brought to its notice.

As the onus of departing from this rule lies on the Director, circle Officers should bring to the notice of the Director, in the covering letters on the draft paragraphs for the Report on Appropriation Accounts those matters which seem to them to merit inclusion in the Report under preparation though Government has not yet passed orders on them.

As an exception to the rule mentioned in the first sub-paragraph above, cases of irregularity may be mentioned in the Executive Report even if they have not been reported to the Government; or, if reported, the orders of the Government thereon have not been received.

9. *Paragraph 156.*—Comments relating to transactions brought to account within the Grant accounts should be arranged by grants, the number and the name of the grant being specified above the comments.

10. *Paragraph 159.*—Only cases of real importance should be mentioned.

11. *Paragraph 160* prescribes the procedure to be adopted when disciplinary or remedial action taken in connection with a financial irregularity is not considered adequate.

12. *Paragraphs 175 to 181* give instances of cases which may be commented upon.

13. *Paragraphs 184 to 194* lay down general instructions to be observed in making comments. All comments should be anonymous.

14. *Paragraph 217* gives a few hints regarding the presentation of materials for the report. Annas and pies should be omitted from all figures given in Appropriation Accounts from the explanatory footnotes thereon or the comments relating to financial irregularities.

15. Any matter remaining unsettled in the previous reports should be mentioned in a separate memorandum dealing with "Action taken on the previous reports" whether since settled or not.

38. As the Appropriation Accounts are published only once a year, the Balance Sheets submitted for inclusion in the Appropriation Accounts should show distinctly the additions and deductions relating to the *whole year* under the several heads on account of new Capital expenditure writes off, creation of reserves, depreciation, accrual of interest, etc.

The Manufacturing, Trading and Profit and Loss Accounts submitted for the Appropriation Accounts should relate to the whole year. In cases of concerns in which half-yearly accounts are submitted, it will be necessary to prepare an account relating to the whole year in addition to the two half-yearly accounts. In the annual accounts, annas and pies should be omitted.

39. In furnishing the material for the Appropriation Accounts in respect of commercial concerns the Profit and Loss Accounts and Balance Sheets

should give two years' figures as far as possible, *i.e.*, the figures of the year under review as well as the figures of the previous year.

Such remarks as are suggested by a comparison of the figures in the accounts for the year with the corresponding figures for the previous years should be included in the draft paragraphs relating to the concerns.

40. Full names with titles, if any, and designations of officials responsible for cases of financial irregularities that may be reported for inclusion in the Reports should be furnished to the Director of Commercial Audit in a confidential cover immediately after the transmission of the material for the reports.

41. The Director is required to furnish Accountants General with material for their Appropriation Accounts and Reports thereon by the 20th November and it is consequently essential that circle Officers should furnish their draft paragraphs and accounts for the Appropriation Accounts and Reports thereon by the 15th October. If any audits for the period ended 31st March have not, for any reason, been completed even by that date, special mention of this fact and the dates by which the draft paragraphs on these concerns will be forwarded should be made in the covering letters forwarding the draft paragraphs on the other concerns.

42. Materials for the Executive Reports should reach the office of the Director of Commercial Audit by the second week of June as it is essential that the Accountants General should be furnished with such material by the second week of July. The objects of the Executive Report and the subjects to be dealt with in it are given in paragraphs 219 and 220 of Appendix 16 to the Audit Code.

43. The Controller of Civil Accounts has directed Accountants General to endeavour to secure for circle Officers of the Commercial Audit Branch invitations to attend the meetings of the Public Accounts Committees when the accounts of the commercial concerns under the audit of the Commercial Audit Branch are taken up for discussion. Circle Officers should arrange to attend the meetings for which they have received invitations.

44. The Accountants General have been requested to supply the circle Officers of the Commercial Audit Branch conducting audits of commercial concerns in their Provinces with copies of Executive Reports and Appropriation Accounts and Reports thereon.

45. Copies of the reports of Public Accounts Committees and the orders of Government thereon will also be furnished to the circle Officers who should maintain a systematic record of the rulings contained thereon for guidance as required by paragraph 27 of Appendix 16 to the Audit Code.

46. As soon as a copy of the Appropriation Accounts and the report of the Accountant General thereon is received at headquarters, the Accounts and the Report are subjected to scrutiny and any remarks the Director of Commercial Audit may have to offer thereon are submitted to the Auditor General in India direct for orders and incorporation if necessary in the Auditor General's letter forwarding the Appropriation Accounts and the Report of the Accountant General thereon to the Local Government or the Government of India as the case may be.

47. The Director of Commercial Audit submits to the Auditor General in India on or before the 1st May a general review of the working of the Commercial Audit Branch and such other general remarks as are, in his opinion, called for regarding the trading and financial results of the commercial concerns under his audit for inclusion in the Auditor General's letter to the Government of India forwarding the Appropriation Accounts and the Reports of the Accountants General thereon to the Secretary of State.

The training of officers of the Indian Audit and Accounts Service, accountants and clerks in the various branches of commercial accounting and auditing.

48. An important duty of the Officers of the Commercial Audit Branch is to train officers of the Indian Audit and Accounts Service, accountants and clerks in the various branches of commercial accounting and auditing.

49. The Director of Commercial Audit should inform the Deputy Auditor General (Personnel) when it is desirable that an officer should be deputed to the Commercial Audit Branch for training.

Officers of the Indian Audit and Accounts Service will undergo training in the Commercial Audit Branch for the undermentioned periods before they are placed in charge of a Commercial Audit Circle—

- (a) An Officer with under three years' service in an Accountant General's Office (including probationary period). Three years' training in the Commercial Audit Branch.
- (b) An Officer with over three but under five years' service in an Accountant General's Office (including probationary period). Two years' training in the Commercial Audit Branch.
- (c) An Officer with over five years' service in an Accountant General's Office (including probationary period). One year's training in the Commercial Audit Branch.

The Auditor General, however, expects the Director of Commercial Audit to reduce the period of training given above in the case of particular officers if the Director is satisfied that the Officers are fully qualified to be placed in charge of a Commercial Audit Circle before the expiry of the periods mentioned above. If, on the expiry of a term of training, an Officer is fit to take charge of a Circle but there is no post of Assistant Director of Commercial Audit vacant, an endeavour will be made by the Auditor General to post him to Posts and Telegraphs, Railways, or other Commercial Department where experience gained in the Commercial Audit Branch would be useful. For the present there should be at least two officers under training in the Commercial Audit Branch, so that trained officers may be available to take the place of officers going on leave or retiring and to be ready to take charge when new posts of Assistant Directors of Commercial Audit are created. (Auditor General's Orders in File No. 274-Com. of 1928.)

50. On or about 15th September every year a circular should be sent by the Director to all Accountants General requesting them to report the names of accountants and clerks, preferably with a knowledge of commercial book-keeping, who desire to be trained in commercial accounting and auditing, and whom they can confidently recommend for such training. The circular should state that work in the Commercial Audit Branch involves much touring and only those who are prepared to take up any kind of Government commercial accounting work when the training period expires should be selected for training. The men selected will undergo training either at the office of the Director of Commercial Audit at New Delhi or with the staff of a circle. During training they will draw their substantive and officiating pay permissible under F. R. 20 as modified by correction slip No. 16 of 20th August 1925. The period of training should not be less than one year.

CHAPTER 6.

SPECIAL DUTIES OF HEADQUARTERS OFFICE.

The examination of audit reports and accounts.

51. It is the duty of the staff at headquarters of the Commercial Audit Branch to examine and comment intelligently on all reports, statements of account and other documents received in the office. Paragraph 52 deals with the manner in which commercial audit reports should be disposed of at headquarters and paragraphs 237 to 240 deal with comments on commercial accounts.

Disposal of audit reports and accounts in the office of the Director of Commercial Audit.

52. When Audit Reports and Accounts are received in the office of the Director of Commercial Audit they will be dealt with in the following manner :—

1. One copy will be marked "Office Copy" in red ink on the outside cover. The date of receipt of the report will be noted in the Broad Sheet of Audit Reports.
2. All summations and calculations in the report and in the accounts will be checked and ticked, where correct, in red ink by the clerk responsible.
3. Figures appearing in the report will be checked with the figures in the accounts.
4. All figures carried forward from the accounts of the previous period will be compared with the opening figures in the new accounts.
5. A clerk will record in the note portion of the file that the work in 2, 3 and 4 above has been carried out, at the same time noting any errors for the information of the Director of Commercial Audit.
6. A large increase or decrease under any Receipt or Expenditure head or under Assets or Liabilities will be noted if an explanation has not been given in the report. An endeavour should be made to arrive at the cause of fluctuations.
7. The figures under every head in the accounts for at least the three previous trading periods should be compared with the figures in the accounts under review and to facilitate such a comparison statements in columnar form will be maintained in the office for every concern where the accounts are audited by the Commercial Audit Branch.
8. It should be seen that all points marked for consideration in the next audit in the headquarters files relating to previous reports have actually been considered and the necessary comments included in the report or in the audit officer's covering letter forwarding the report to the Director. Points intended for scrutiny in the next audit report should be marked with a cross in coloured pencil or red ink in the margin of the note portion of files.

9. Clerks dealing with audit reports must realise that the value of their work will be judged not necessarily by the length of their notes but by their notes being to the point and by their not overlooking any serious errors or important points on which comment is necessary.

10. Reports and accounts will be submitted to the Director of Commercial Audit without delay. Those not dealt with in the first instance by a Superintendent in charge of a section will be submitted through a Superintendent to the Director of Commercial Audit. The normal time fixed for the disposal of a report, from the date of its receipt to the date of its issue is a fortnight and only in exceptional cases should this period be exceeded.

11. Before a report is issued the clerk who dealt with it should satisfy himself that all corrections ordered by the Auditor General and the Director of Commercial Audit have been duly carried out, either by himself or by the typing section.

12. It must be borne in mind that the covering letter forwarding the reports to the Government department concerned should :—

(a) Call special attention to —

(1) Matters of most importance.

(2) Matters on which action has to be taken in the first place by Government or by the Accountant General concerned.

(3) Matters on which orders are required.

(b) Suggest action to be taken if such suggestion be deemed necessary.

(c) Amplify the report wherever deemed necessary.

(d) State exactly the opinion of the Director of Commercial Audit on those matters in which he does not agree with the report.

(e) Endorse the report subject to above comments.

(f) Draw general conclusions as necessary.

It is not necessary to restate in other words what the report already says.

See paragraph 433.

Government orders on commercial Audit reports and accounts.

53. When orders are received by the Director of Commercial Audit on an audit report, they will be scrutinised in his office and a copy forwarded with any comments which the Director of Commercial Audit has to offer to the Officer in charge of the circle which conducted the audit. A distinctive mark should be placed in the appropriate headquarters file where complete action has not been taken on any point and further orders are required. If there is unreasonable delay on the part of Government in passing orders on an audit report the covering letter forwarding the next report should contain a request that the orders of Government on the report may kindly be furnished at an early date. It should be pointed out that unreasonable delay in passing orders involves a great deal of additional work in audit as irregularities may have to be referred to over and over again and must postpone the date on which the financial and account arrangements can be placed on a satisfactory basis.

54. Important questions raised in an audit report on which orders have been received but where further correspondence is necessary should be dealt with by the Director of Commercial Audit after consulting the circle Officer, where necessary, without waiting for the next half-yearly or annual audit report.

55. The departments of Government of India and Local Governments have been requested to send their orders on Audit Reports in duplicate, so that a copy of the orders may, after scrutiny at headquarters, be forwarded to the Circle Offices.

Distribution of work at headquarters between the Director of Commercial Audit and the Assistant Audit Officer (Headquarters).

56. At headquarters, audit and investigation reports and cases relating to the technical side of the work of the Commercial Audit Branch should be submitted to the Director of Commercial Audit direct unless the Director or the Assistant Audit Officer order that certain cases should be submitted through the latter Officer. Files relating to the following matters should be submitted to the Director through the Assistant Audit Officer (Headquarters)

- (1) All questions relating to Establishment.
- (2) Cases involving Government accounts procedure.
- (3) Draft paragraphs and accounts for Executive and Appropriation reports.
- (4) Paragraphs for inclusion in Auditor General's covering letter forwarding appropriation accounts.

Broadsheet of audit reports.

57. A Broadsheet will be maintained at headquarters in the following form for watching the date of receipt and disposal of the audit or investigation reports received from the circles.

Circle.....

Period

Name of concern.	Date of completion of Audit.	Date of receipt of report.	Date of despatch of report.	Date of receipt of orders on report.	Final disposal.	Remarks.

The Broadsheet will be in the custody of the despatching clerk. About the 25th of every month, the despatching clerk will circulate the broadsheet to clerks concerned who will make the necessary entries and issue reminders when necessary. It will be submitted to the Director of Commercial Audit through the Assistant Audit Officer (Headquarters) on the first of every month.

Half-yearly arrear report to the Auditor General.

58. The report on arrears, prescribed in Article 99 of the Audit Code, should be submitted by the Director of Commercial Audit to the Auditor General half-yearly on the 15th October and 15th April. This report will be compiled on receipt of the reports from circles and in the form given on page 29.

Copies of correspondence to be sent to Circle Officers.

59. A copy of all the letters received at headquarters and the replies issuing from it relating to matters connected with the commercial concerns under the audit of the branch should invariably be sent to the officer responsible for the local audit of the concerns.

The preparation of examination papers.

60. The Director of Commercial Audit is responsible for the questions set in papers Nos. 4, 5 and 6 of the annual Commercial Subordinate Accounts Service Examination. He is also responsible for preparing the commercial accounting and auditing question paper in the Ordinary S. A. S. examination or other Indian Audit Department examinations when instructed to do so by the Auditor General. These papers do not necessarily have to be prepared by Director of Commercial Audit himself. He may direct one of his senior officers to do so but, prior to the papers being despatched to the Deputy Auditor General (Personnel) under confidential cover, they will be examined by the Director.

Control over progress of expenditure of Grant under 23—Audit.

61. With a view to securing greater control of expenditure against appropriations under "23—Audit", the Auditor General has decided that monthly statements of expenditure under each primary unit of appropriation should be submitted to him by each Accountant General (including the Director of Commercial Audit) by the middle of the month succeeding that to which they relate. The statements should be in Form 2 and 2A of the Audit Code and the instructions regarding their preparation are found in Article 88 Audit Code.

[Auditor General's letters No. 1559-E.—1152/26, dated 15th March 1927, and No. 885 G.B.E.—179/28, dated 28th February 1928. File No. 287 Com./28.]

62. The progress of expenditure of the Commercial Audit Branch will be watched by the Director of Commercial Audit through registers maintained in his office for the purpose and the monthly statements due for submission to the Auditor General under Article 88 of the Audit Code.

63. To enable the office of the Director of Commercial Audit to prepare the statements for the whole Commercial Audit Branch, all circle officers should forward their monthly statements of expenditure relating to Gazetted Officers and to office budget, not later than the 7th of each month, the date fixed in the Calendar of Returns. Expenditure against the grants for temporary establishments should be recorded and watched separately:

64. The pay of Government servants deputed for training in the Commercial Audit Branch from the various Accounts and Audit Offices is not debitable to the Grant of the Commercial Audit Branch and should not be included in the statements of the Branch. The travelling allowance of such Government servants is, however, debitable against the budget of the Commercial Audit Branch and should be included in these statements. Neither the pay nor the travelling allowance of Government servants of Departments other than the Indian Audit Department deputed for training in the Commercial Audit Branch is debitable against the Commercial Audit Branch budget.

65. The Director of Commercial Audit must estimate, and make a careful note of, the results of any cause which may operate to make the total expenditure in any month or months markedly different from the average monthly expenditure anticipated in the budget, and Circle Officers must supply him with any information necessary to enable him to make such an estimate.

66. Experience has shown that it is more difficult to estimate recoveries than expenditure. The Director of Commercial Audit should maintain, therefore, a complete list of the individual estimates of recoveries making up the grand total shown in the budget estimates. He should supply to each Circle Officer responsible for any transaction in respect of which a recovery is anticipated a copy of the estimated recovery. The Circle Officer in question is then responsible for giving the Director of Commercial Audit the earliest possible information of the probability of any marked difference between an actual and an anticipated recovery and the Director of Commercial Audit should communicate such differences, whether actual or anticipated, to the Auditor General.

67. Proposals for temporary establishments against the lump grant for temporary establishment at the disposal of the Auditor General should be accompanied by an application in Form 25, Civil Account Code, for re-appropriation from the lump grant to the head "Pay of Temporary Establishment" of the Branch.

The amount re-appropriated and expenditure against it should be shown separately in the monthly statements of expenditure under the head of "Pay of Temporary Establishment" and a note should be recorded in the remarks column of the statement giving—

- (1) the number and the date of the orders conveying the sanctions for the temporary establishments,
- (2) the amount of expenditure incurred against each sanction.

68. Applications for additional grants and for re-appropriations within the grant of the Branch should be sent to the Auditor General by the 10th December at the latest. These applications should be based on actuals so far as they can be foreseen and not on revised estimates, and full reasons for savings and

excesses to be met by reappropriation under the several units of appropriation should be furnished in the body of the reappropriation statements.

In the applications for re-appropriations or additional grants anticipated excess should be shown as *plus* and anticipated saving as *minus* figures.

(See also Chapter 15, regarding the Budget Estimates of the Branch.)

General work carried out at headquarters.

69. In addition to the duties referred to in the preceding articles the following work is carried out at Headquarters :—

- (1) General administration of the Branch.
- (2) Coordination of work carried out in Circles.
- (3) Issue of circulars drawing attention to points of importance that have to be attended to during audits or accounting investigations.
- (4) Scrutiny of audit programmes and progress reports.
- (5) Preparation of budget estimates.
- (6) Submission of returns to the Auditor General in India.
- (7) Submission of proposals in regard to increases of staff, when necessary on account of expansion of work, and the preparation of Memoranda for the Standing Finance Committee.
- (8) Staff recruitment, transfers, promotions and leave.
- (9) Maintenance of confidential reports.
- (10) Countersigning of travelling allowance bills. The bills will be checked at headquarters with reference to the duties and powers of a Controlling Officer laid down in S. R. 195. The Director of Commercial Audit is his own Controlling Officer for purposes of travelling allowance.

A list of inward and outward returns is given in the Appendix to Chapter 13. The progress report to watch the receipt and disposal of reports from the circle offices is maintained in the form given on page 22.

CHAPTER 7.**SPECIAL DUTIES OF CIRCLE OFFICES.**

The sequence in which audits within a commercial audit circle should be conducted.

70. As all Government commercial concerns and the majority of semi-Government concerns close their accounts for the half-year on 30th September and for the year on 31st March it is obvious that there must be some delay in conducting the local audit of many concerns. It should be the aim of Commercial Audit Officers to conduct interim audits so that the final checking of the books for the year will be completed as soon as possible after 31st March. The September half-yearly audits will in some cases not be taken up till about January or February of the following year and the books should be checked up-to-date by the audit staff before leaving the concern. The point to be borne in mind is that annual reports and accounts, particularly those relating to concerns working under rules in Chapter 2 of the Account Code, should be issued as soon as possible after 31st March. This will permit of net profits or losses in Chapter 2 concerns being adjusted in the Government accounts for the year to which they relate.

Tour programmes.

71. Tour programmes should be drawn up well in advance to provide for audits being taken up systematically and being completed within the prescribed periods. They should be framed with due regard to economy of time and travelling allowance and should be carefully drafted. Frequent changes in programmes cause inconvenience to the audit staff, the offices audited and to headquarters when addressing urgent communications.

Three copies of every tour programme should be despatched so as to reach headquarters at least a fortnight before the commencement of the period to which the programme relates. Approval may be presumed if no communication is received by the Commercial Audit Officer within a fortnight of the despatch of the programme. Three copies of any change in the programme should also be communicated to headquarters with brief reasons for the necessity for such change.

Selection of staff for audit work.

72. The Officers in charge of Commercial Audit Circles are responsible for drawing up their work programmes. Each circle may be divided into one, two or three touring groups according to the number of audits and the volume of work in the circle. It is undesirable that men should always conduct the same audits though this rule need not be strictly adhered to in the case of the accounts of concerns which require special knowledge such as those of Forest Divisions and Circles, the Cinchona Departments, the Opium Department or the accounts of Port Trusts, Pilot Services or Lighting Funds, His Majesty's Mints and Agri-

cultural Farms. Officers, Superintendents and Clerks attached to the Commercial Audit Branch should be given an opportunity of working on the accounts of as many concerns as possible during their training period.

The checking of reports and accounts.

73. Circle Officers are required to make definite arrangements for ensuring the accuracy of the reports, accounts and returns submitted by them to headquarters. Before reports and accounts are handed over for typing the arithmetical accuracy of the accounts should be checked and initialled by a superintendent or clerk who assisted in the audit. After being typed, the typed copies should be compared by a superintendent and a clerk or by two clerks, both parties signing the office copy of the report and accounts in the following manner :—

Called over by.

Compared by.

Superintendents and clerks comparing the report are also responsible for seeing that all cross references and figures in the reports and accounts are correct. Errors in typing may also be avoided by requiring the typist to check the arithmetical accuracy of the type-written accounts. If a check of the accounts at headquarters brings to light many avoidable mistakes the desirability of entering a suitable note in the character roll of the men responsible for the mistakes will be considered.

Submission of audit reports and accounts to the Director of Commercial Audit.

74. The requisite number of copies of Audit Reports and Accounts, duly signed, will be submitted to the Director of Commercial Audit as soon as possible after the completion of an audit. One copy of the report and accounts will be retained for record in the circle office. In the covering letter forwarding a report and accounts to the Director of Commercial Audit the Officer in charge of the circle will state which paragraphs of the report might be subjects for inclusion in the report on the Appropriation Accounts of the Accountant General concerned.

Special orders relating to the submission of reports and accounts to the Government of Madras.

75. Owing to the distance of Madras Circle office from the office of the Director of Commercial Audit, the Assistant Director of Commercial Audit, Madras may submit his reports and accounts direct to Government, at the same time sending a copy to the Director of Commercial Audit. If the Auditor General or the Director of Commercial Audit have any important comments to offer on these reports, the Local Government should be addressed on the matter, a copy of the letter being sent to the Assistant Director of Commercial Audit. Minor comments will be referred to the Assistant Director of Commercial Audit by the Director of Commercial Audit.

Government orders on commercial audit reports and accounts.

76. As soon as Government orders are received on the points raised in audit reports these orders and the comments of the Director of Commercial Audit thereon will be carefully examined by the Officer in charge of the circle which conducted the audit. A distinctive mark should be placed in the appropriate circle office file against points where complete action has not been taken and further orders are required. A summary of these outstanding points should then be entered in the audit note book.

Before commencing the next audit the Officer in charge should make himself conversant with all outstanding points (*see* Paragraph 242, Chapter 11). If orders on these points have not been received by the time he prepares his audit report he should bring the fact to the notice of Government in the report. Should the position regarding outstanding questions have changed by the time this next audit is taken up the full facts should be explained in the report.

Monthly report on state of work.

77. Officers in charge of circles will submit reports on the state of work under their control to the Director of Commercial Audit on the 5th of every month in the form given below :—

Name of concern.	Period for which audit is due.	Due date of completion of audit according to programme.	Remarks regarding progress.

Report on the progress of general accounting investigations as distinct from audit work.

Half-yearly arrear report to the Director of Commercial Audit.

78. A report on arrears in the form prescribed in Article 99 of the Audit Code should be submitted by Officers in charge of circles to the Director of Commercial Audit. In order to facilitate the compilation of the report at headquarters, Circle Officers should submit their report on arrears drawn up on the same lines as the report prescribed in Article 99 Audit Code, on the 7th November and 7th May.

Arrears over six weeks should be shown separately from arrears over two weeks and the dates from which cases in arrears over six weeks are outstanding

should be mentioned. The report should present the information regarding progress of audits in the following manner :—

1. Total number of audits due during the half-year	..	..
2. Number of audits completed during the half-year	..	..
3. Balance	..	..

All audits for periods ending the 31st March should be completed by the 31st October and all audits for periods ending the 30th September should be completed by the 30th April next. Audit Reports should be submitted to headquarters office within six weeks of the completion of an audit.

General work carried out in the circles.

79. The major portion of the initial work of the Branch relating to audit and accounting investigations and the drafting of reports is carried out by the Circle Officers and their staff. Circle Officers must submit tour programmes at regular intervals showing the work proposed to be taken up and progress reports every month showing the progress made on audits, etc. They are also responsible for the submission on due date to headquarters of the returns specified in the calendar of returns. The Circle Officers prepare their own bills and the bills of their staff for pay and travelling allowance and for the contingencies of the office. Assistant Directors of Commercial Audit have been declared to be the Controlling Officers in respect of their establishment. The responsibility for the check of distances in Travelling Allowance Bills for journeys on tour and transfer as well as for other journeys rests entirely with the Controlling and Drawing Officers. Duplicate copies of Travelling Allowance Bills requiring counter signature are sent to headquarters. Monthly statements of Expenditure on Pay, Travelling Allowances and Contingencies are sent to headquarters so as to reach New Delhi on or before the 7th of the succeeding month.

For rules regarding control over expenditure see paragraphs 61 to 68.

CHAPTER 8.**RELATIONS WITH GOVERNMENTS, THE AUDITOR GENERAL AND ACCOUNTANTS GENERAL.****Relations with Governments and the Auditor General.**

80. The Director of Commercial Audit may dispose of all audit reports prepared by his Branch though they relate to the concerns directly under the departments of the Government of India and may sign the covering letters to the reports, provided that the Auditor General is consulted when any important point of principle arises and is kept informed of serious irregularities discovered and other points of interest.

81. The Director may submit cases relating to technical questions direct to the Auditor General without their having to pass through his office. In such cases a slip marked " for submission to Auditor General direct " will be attached to the outside covers of the files.

82. The Director may correspond direct with Local Governments and he may decide which cases are of sufficient importance to be submitted to the Auditor General.

When letters relating to commercial audit and accounting matters are received by the Auditor General, the Commercial Audit Branch will offer the necessary comments and also draft a reply whenever possible, but the reply will issue from the Auditor General's Office.

Relations with Accountants General and Directors of Railway and Army Audit.

83. On all matters in which Accountants General or Directors of Railway and Army Audit consider the advice of the Director of Commercial Audit to be necessary, they should correspond directly with him. In the event of a difference of opinion, the Director of Commercial Audit should refer the case to the Auditor General or Controller of Civil Accounts, as the case may be. The Controller may override the view of the Accountant General, but if he wishes to uphold that view and is not able to convince the Director of Commercial Audit of its correctness, the latter should bring the matter to the notice of the Auditor General for decision. When the officers are able to arrive at an agreement, the concurrence of the Auditor General should still be obtained if the point at issue is important.

All important matters which would ultimately require the sanction of the Auditor General or Controller of Civil Accounts should be referred to them, and the necessary instructions will be issued from the office of the Auditor General as from the Auditor General or Controller of Civil Accounts, as the case may be. See also paragraph 28.

Audit reports prepared by the Director of Commercial Audit for submission to Local Governments should be sent by him direct to the Governments, a copy being forwarded at the same time to the Accountant General concerned. The Director should also arrange that the Local Governments send a copy of any orders passed on the reports to the Accountant General as well as to himself.

Allocation of audit responsibility between Accountants General and the Director of Commercial Audit.

84. Both Civil Accountants General and the Director of Commercial Audit participate in the compilation and audit of accounts of the following classes of concerns :—

- (1) Concerns which work under the rules in Chapter 2 of the Account Code.
- (2) Concerns which do not work under the rules in Chapter 2 of the Account Code but which maintain some accounts of a commercial nature in addition to the Government accounts.
- (3) Concerns in which Government hold shares or debentures or by contract is partly interested.
- (4) Concerns where a partial audit is conducted for a specific purpose.

It is necessary therefore to define the responsibilities of each. This should be determined by the application of two main principles, *viz.* :—

- (1) Duplication of work should be reduced to a minimum, and
- (2) The audit work should be so distributed between the Civil Accountants General and the Director of Commercial Audit that each undertakes that which he is best suited to perform.

85. The general results of the application of these principles will ordinarily be as follows :—

Concerns which work under the rules in Chapter 2 of the Account Code.

Accountant General.	Director of Commercial Audit
<p>Audit of Pay and Travelling allowances . .</p> <p>Audit of all delegations of power to the authorities controlling a concern.</p> <p>Recording necessary entries in Government accounts on account of Capital Expenditure, Capital Receipts, Profit or Loss and Indirect Charges.</p>	<p>The Commercial Audit Branch should ascertain whether all Pay and T. A. bills have been sent to the Accountant General concerned and duly acknowledged.</p> <p>Audit of receipts.</p> <p>Audit of sanctions to expenditure given under the standing orders governing a concern.</p> <p>Audit of sanctions to expenditure on the fixed assets of a concern which has passed its constructions stage.</p> <p>Audit of all expenditure except Pay and travelling allowance. The expenditure audited includes that on wages, purchase of materials, office contingencies, indirect charges such as depreciation, interest, leave, pension and passage contributions, share of direction charges and audit fees.</p>

Accountant General.	Director of Commercial Audit.
<p>Appropriation audit against provision for Capital Expenditure and anticipated Profits or Losses.</p>	<p>Local audit of all Financial, Stores and Cost accounts, including a scrutiny of the working of the system of internal control.</p> <p>Higher Audit.</p> <p>Verification of assets according to the usual commercial practice.</p> <p>Audit of quarterly, half-yearly or annual accounts prepared in commercial form.</p> <p>Preparation of an audit report on the accounts for the period under review. This should compare figures with those of previous periods and draw attention to irregularities noticed during audit.</p> <p>Furnishing material for Executive and Appropriation Accounts, except as regards audit of items conducted by the Accountant General.</p>

Concerns which do not work under the rules in Chapter 2 of the Account Code.

Accountant General.	Director of Commercial Audit.
<p>Audit of all vouchers including those for Pay, T. A. and contingencies except vouchers for amounts less than Rs. 25. (Compiled accounts are sent to Accountant General wherever necessary.)</p> <p>Incorporation of receipts and disbursements in Government accounts. Accountant General's Central Audit is not relaxed in any way because of the local audit by the Commercial Audit Branch. The Accountant General conducts the Central Audit while the Commercial Audit Branch conducts the local audit and the two work in co-operation.</p>	<p>Vouchers sent back from Accountants General test checked with initial records.</p> <p>Audit of vouchers not sent to Accountant General and of initial records.</p> <p>Check of classification of expenditure between Capital and Revenue.</p> <p>Audit of Wages and Stores Accounts.</p> <p>Audit of Receipts.</p> <p>Scrutiny of the working of internal systems of accounting and control.</p> <p>Verification of Assets.</p> <p>Proforma Accounts checked.</p>

Chap. 8] **RELATIONS WITH GOVERNMENTS, THE AUDITOR** **[85-89**
GENERAL AND ACCOUNTANTS GENERAL.

Accountant General.	Director of Commercial Audit.
<p>Audit of sanctions to expenditure</p> <p>Audit of Expenditure against sanction of competent authority.</p> <p>Appropriation Audit</p> <p>Higher Audit. Inclusion of points worthy of notice in Executive and Appropriation Accounts so far as Central Audit is concerned.</p>	<p>Preparation of Reports on the accounts.</p> <p>Furnishing material for Executive and Appropriation Accounts as far as local audit of commercial accounts is concerned.</p> <p>Higher Audit (in co-operation with Accountants General).</p>

86. Works expenditure should, in the case of all commercial concerns, be audited by Accountants General, but any expenditure incurred on petty constructions and repairs treated as ordinary contingent expenditure will be audited by the Commercial Audit Branch along with other contingencies.

87. The audit of Capital and Revenue accounts of residential buildings belonging to commercial concerns and the audit of rent recoveries on account of these buildings is also conducted by Accountants General, because Fundamental Rules 45-A, 45-B and 45-C can be applied more efficiently by men who have an intimate knowledge of the working of those rules.

88. When a commercial concern does not work under the rules in Chapter 2 of the Account Code, no part of any existing audit conducted by Accountants General should be given up without reference to the Director of Commercial Audit, and if necessary to the Auditor General in India.

89. In Chapter 2 concerns, full appropriation audit should be conducted by the commercial audit staff for capital expenditure, and, in the case of revenue expenditure, the Standing Orders should be examined to see if the Superintendent's powers are in any way limited, and if they are limited audit should be conducted accordingly. Where necessary the importance of issuing clear orders as to the powers of the management should be pointed out to Government.

90. It is sufficient if a concern begins working under the rules in Chapter 2 of the Account Code after the initial stages of construction are over and the concern begins to earn revenue. The primary object of the rules in Chapter 2 is to relax very considerably control through the budget and to substitute therefor financial control through special rules indicating the financial powers granted to the authority on the spot in charge of the undertaking. The main effect of bringing an undertaking under Chapter 2 is to make the receipts of the year available to meet the current expenditure of the year and not to apply to the expenditure the restrictions imposed by the detailed appropriation in the budget estimates. The receipts during the construction of an undertaking must be so small that the advantage of utilising such receipts for current expenditure is practically nil. Thus the main benefit of bringing the undertaking under Chapter 2 cannot arise during construction. The present arrangement is that Accountants General should be responsible for the audit of capital expenditure during and up to the completion of construction even though such expenditure is being incurred after the concern has started to work and that they should communicate the total capital expenditure incurred up to the date on which a concern is brought under Chapter 2 of the Account Code to the concern and to the Commercial Audit Branch so that a Balance Sheet of the concern may be prepared as on that date.

91. In regard to concerns in which Government is financially interested the Director of Commercial Audit gives advice as to commercial practice whenever asked to do so by Accountants General.

92. The responsibility for bringing to notice the existence of concerns in which commercial forms of accounts may, with advantage, be introduced is placed on Accountants General by Article 144 of the Audit Code.

The allocation of expenditure on commercial accounting and audit work carried out by the Commercial Audit Branch between the Government of India and Provincial Governments.

93. The Auditor General has explained the constitutional position as below :—

- (i) Under Rule 9 (ii) of the Auditor General's Rules the Auditor General is responsible for the efficiency of the audit of expenditure in India from the revenues of India. When the Auditor General undertakes such audit through the Indian Audit Department which, under item 15 in Schedule 1, Part I of the Devolution Rules, is a Central subject, the Central Government must bear the charge.
- (ii) If a Local Government requests the Auditor General to arrange for a more detailed or a local audit of expenditure from its revenues, the criterion for deciding the incidence of the expenditure is whether or not the Auditor General agrees to do the work. If he does so,

the cost of the audit will be a central charge since what is involved is an extension of audit for which the Auditor General is statutorily responsible. The fact that such audit is undertaken in a single province is irrelevant, since all audit work is central wherever it is carried out.

- (iii) Ordinarily the Auditor General is not responsible for the audit of receipts but he becomes statutorily responsible for this work when he is required by the Governor General in Council to undertake it; *vide* Rule 12 of the Auditor General's Rules. In this case also the cost of audit will be a central charge.
- (iv) Similarly the charge in connection with the maintenance of official accounts of a province which are maintained in an office of the Indian Audit Department is a central charge. The maintenance of internal departmental accounts is, however, part of the ordinary duties of a provincial department and is, therefore, a provincial responsibility and the cost of maintaining such accounts is a provincial charge. Thus if the Auditor General is asked to scrutinise or to advise on the modification of an existing system of departmental accounts he undertakes such work as an agent of a Local Government and the cost remains a provincial charge.

[Auditor General's Circular letter No. 1245-Admn./261-28, dated the 5th November 1928. File No. 299-Com. of 1928.]

94. In every commercial audit there is a certain amount of accountancy work to be done. At some concerns the staff of the Commercial Audit Branch has to prepare the Manufacturing and Trading and Profit and Loss Accounts and Balance Sheet from the books. Should the Commercial Audit Officers, however, find that in any particular case they have to arrange for the writing up of books before they can be finally audited and the work thus imposed upon them is very heavy the fact should be specially reported to Government and to the Director of Commercial Audit. In such cases the Local Governments should be informed that if they do not appoint efficient commercial accounts clerks a special charge will have to be made for accountancy work, as distinct from audit work, carried out by the Commercial Audit staff.

95. It is not permissible to recover the cost of accounting investigation carried out by the Branch for the Service Departments of the Government of India.

[Auditor General's letter No. Ac.-599/503-28, dated the 25th February 1929. File 44-Com.-27.]

A summary of account entries for concerns which work under the rules in Chapter 2 of Account Code.

96. The receipts and expenditure of a concern working under the rules in Chapter 2 of the Account Code are not included in the public accounts. It is the net profit or loss on trading as disclosed by the Profit and Loss Account,

audited by the Commercial Audit Branch, which is so included. So far as the remittances into and withdrawals from the Personal Ledger Account are concerned Government is acting as a banker to the concern. When a concern commences working under the Chapter 2 rules it is given the necessary fixed and working capitals representing the money required for fixed and floating assets respectively. In succeeding years, in a concern which is profitable and turns over its stock quickly, it should not be necessary to give the concern further working capital as the concern is not required to pay its receipts to Government. It pays all its receipts into a Personal Ledger Account and utilises the money at the credit of that account to meet its working expenses. At the end of each year the profit earned or loss incurred is ascertained. If there is a profit, it is paid over to Government from the Personal Ledger Account and if there is a loss such loss is reimbursed by Government to the credit of the Personal Ledger Account so that the original working capital of the concern is kept intact.

97. The following example will show how the transactions of a commercial concern brought under the rules in Chapter 2 of the Account Code are shown in the public accounts. The transactions are shown in the public account under the following heads under the major heads of the department controlling the concerns.

Expenditure.

Investments in Government Commercial Undertakings.
Loss on Government Commercial Undertakings.

Receipts.

Recoveries of Investments in Government Commercial Undertakings.
Profits from Government Commercial Undertakings.

Expenditure.

Investments in Government commercial undertakings.—This head includes expenditure on fixed and floating capital items, such as buildings and working capital respectively.

Expenditure on fixed capital may be of two kinds :—

- (i) for the purpose of purchasing or erecting a new fixed asset, or
- (ii) for the purpose of replacing or renewing an old asset.

As regards (i) the whole expenditure is met by Government. As regards (ii) Government meet only the additional expenditure over the original cost of the old asset replaced, the balance being met from the depreciation reserve fund and from proceeds of sale of the old asset.

Losses paid by Government to the credit of the Personal Ledger Account of the concern to keep the original working capital at a proper level will be shown under the head "Loss on Government Commercial Undertakings".

Receipts.

Recoveries of Investments in Government commercial undertakings.—Under this head are shown recoveries of Capital charges such as the sale proceeds of buildings, machinery, etc., which do not require to be replaced, or if there are excesses after replacement, and a return of working capital found surplus to requirements. All capital receipts connected with expenditure already debited to a Capital major head should however be treated as reduction of expenditure under that head.

Profits disclosed by the Profit and Loss Accounts and paid to Government, from the Personal Ledger Account are shown under the head “ Profits from Government commercial undertakings ”.

98. Entries relating to sundry indirect charges payable to Government are dealt with in Article 38 of the Account Code.

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CHAPTER 9.

A GENERAL SYSTEM OF ACCOUNTING FOR GOVERNMENT MANUFACTURING CONCERNS.

Definition and objects of commercial accounting.

99. Commercial accounting is the art of recording in books of account correctly and in a regular and systematic manner transactions relating to cash and stores.

The objects are :—

- (1) to have a permanent record of all transactions, and
- (2) to show the effect of each transaction and the combined effect of all transactions upon the financial position of a commercial concern.

The impossibility of preparing a commercial accounting system which would be suitable for all types of commercial concerns.

100. This manual is not intended to be a text-book on commercial accounting and auditing. The subject is so vast that only general principles can be dealt with. This manual must, therefore, be read in conjunction with the recognised text-books on various branches of accountancy and auditing and the Government Audit and Account Codes.

101. It is not possible to prepare a system of commercial accounts which would be suitable in all respects for the many types of Government commercial undertakings. The majority of these undertakings are manufacturing concerns. They purchase raw material for conversion, after perhaps going through many processes, into finished articles for issue to other Government departments or for sale to the public. The raw materials differ so much in form that no stereotyped system can be laid down as being applicable to all cases. It is the accounts of a manufacturing concern which are dealt with here. The following system of book-keeping should be found generally suitable provided that the forms of account are altered so as to suit methods of manufacture and local working conditions. The system should be suitable for Chapter 2 or non-Chapter 2 concerns. Forms of Manufacturing and Trading and Profit and Loss Accounts suitable for various types of commercial concerns, including those where Education and Research is carried on in addition to commercial activities, will be found in Part III of this manual.

An accounting system to be of the greatest use must be framed in such a manner as will provide the administration with information as to the details of the transactions of the concern as well as upon the results of the operations. Such information will be of primary value in the management of a concern. [See paragraphs 15 to 25.]

Procedure for opening new commercial books of account.

102. On the date when a commercial system is introduced at a concern three statements are prepared. The first statement contains a list of fixed assets with a valuation placed against each item. The second contains a list of floating assets prepared as a result of stocktaking as on the same date. This statement includes sundry debtors and the balance of cash in hand plus any reserve funds and security deposits held. The third statement contains a list of all liabilities and includes amounts due to trade creditors, liabilities for salaries and wages due, reserves and the liability to the Accountant General in respect of book transfers, etc. The difference between the totals of statements 1 and 2 and statement 3 represents the Government capital in the concern. A journal entry is then prepared debiting all the asset accounts and crediting all the liability accounts including the capital liability to Government. This constitutes the first Trial Balance of the concern. The items will then be posted to separate accounts in the General Ledger.

Paragraphs 103 to 183 below explain how the accounts are maintained thereafter.

**A commercial accounting system for a Government manufacturing concern
Financial Accounts.**

Cash Book (Form 1).

103. The cash book is the book in which original entries of receipts and payments are recorded. It must be considered as part of the ledger. It represents one of the ledger accounts bound up separately for convenience of handling. The items appearing in the cash book form the separate halves of twofold entries, the remaining halves of the "double entries" being posted in the relative ledger accounts upon their respective opposite sides. In other words, every entry appearing on the debit side of the cash book has its corresponding credit entry in the appropriate ledger account and *vice versa*.

104. Entries are made on the debit side of the Cash Book from the receipt counterfoils and from the Cash Sales book, and on the credit side from the cheque counterfoils and the corresponding entries in the necessary ledger accounts are made as soon thereafter as possible.

105. A specimen ruling of a four-column cash book is given on page 62. There are four money columns on each side, one to record treasury or bank transactions, the second to record cash transactions, the third for entries affecting personal accounts, the fourth for discounts, see paragraph 107 below. All receipts in coin, notes or cheques are entered on the debit side in the cash column and all payments made in cash are entered on the credit side in the cash column. Appropriate details are given in the column for particulars.

106. When cash is paid into treasury or bank, it is treated as a payment from cash on the one hand and as a receipt by treasury or bank on the other hand; the sum consequently appears as a credit entry in the cash column and

as a debit entry, for the same amount, in the treasury or bank column. Cheques received by the concern, and *immediately* paid into the treasury or bank may be entered in the cash book in the debit bank column direct. When cash is drawn from the treasury or bank the transaction is recorded as a payment made out of the bank balance and as a receipt by office cash. The necessary entries are a credit in the bank column and a debit in the cash column. Receipts should be paid into treasury or bank without any deductions on the day received.

107. It may be customary for the concern to allow or receive cash discounts. Discounts allowed or received are recorded in the fourth money column and posted to the appropriate personal accounts in the ledger. Discounts allowed appear in the debit discount column and each item is posted with the net amount received to the credit of the personal account in the ledger. Discounts received appear in the credit discount column and each item is posted to the debit of the personal accounts in the ledger with the net amounts paid. Ledger folios are entered in the column for that purpose. At the end of every month the totals of the debit and credit discount columns are posted to the debit and credit side respectively of the discount account in the ledger, thus completing the double entry, the ledger folios are placed under the amounts in the cash book. The discount columns should be periodically examined by the Superintendent.

108. It is the duty of the accountant of a concern to reconcile his treasury or bank column with the treasury or bank pass book every month. One legitimate cause of difference is the value of unpaid cheques as a short period must elapse between the drawing of a cheque and its subsequent payment by a treasury officer or banker. It is necessary to prepare a reconciliation statement wherein the two differing balances and the outstanding items which cause them to disagree are clearly set forth. The statement is prepared in the following manner:—

				Rs.	Rs.
Balance as per Pass Book	..	..	..	..	5,000
<i>Less—Cheques unpaid—</i>					
December 16 to A	..	..	..	550	
December 29 to B	..	..	..	169	
					719
					4,281
<i>Add—Payments in not yet credited—</i>					
December 30. Bill No. 69	..	..	..	..	684
Balance as per Cash Book	..	..	..	..	4,965

When balancing the cash book at the end of the month, the accountant writes up, in red ink, in the cash book itself, for future reference, the reconciliation statement prepared by him when agreeing the treasury or bank column in his cash book with his pass book.

109. All vouchers should be filed neatly in the order of payment. They are numbered and the number placed in the appropriate column on the credit side of the cash book.

110. If cash sales are numerous a separate cash sales book in simple form should be maintained, the daily totals being transferred in the cash book.

111. The clerk in charge of cash should have nothing to do with the writing up of the Purchases and Sales Day Books, Returns Books and Personal Ledgers.

Petty Cash Book (Form 2)

112. In Government commercial concerns all receipts should be paid into the treasury or bank without delay and, where possible, all payments should be made by cheque. It is, however, necessary to keep on hand small sums of ready money for the purpose of meeting disbursements such as postages, telegrams, carriage and sundry office expenses. The money so kept on hand is termed "petty cash" and it may be entrusted either to the accountant or to a clerk, according to the work involved, the amount usually held, and the organisation of the office staff. The book in which petty cash transactions are recorded is termed the Petty Cash Book and it is so ruled as to show clearly the monthly expenditure on any particular class of expense and the balance in cash which should exist at any time. A form of Petty Cash Book is given on page 63. Sums received are entered on the debit side while all payments made are recorded in the total column on the credit side and extended into one of the analysis columns. At the end of every month the totals of the analysis columns are posted to the debit of their respective accounts in the General or Personal Ledgers, the ledger folios being noted under the figures. The Petty Cash Book is maintained on the Imprest System, under which sums required for all petty expenditure for a month is placed in the hands of the petty cashier and at the end of the month the exact sum he has spent, viz., the sum necessary to restore the balance remaining on hand to its original round sum is repaid to him. The same process is repeated at the close of every month, the journal entry being :—

Sundry Expenses Accounts	Dr :
To Cash ..	Cr :

(To reimburse Petty Cashier with total expenditure for the month.)

It must be borne in mind that the original amount of the imprest paid over to the petty cashier is, subject to the figure being found adequate, always shown on the debit side of Petty Cash Account in the General Ledger and, therefore, as an asset in the Balance Sheet.

Receipt Book.

113. A receipt taken from a printed counterfoil receipt book in simple form should be granted for all moneys received on behalf of Government. Proper records should be maintained of the receipt and issue of receipt books. The unused books should be kept under lock and key in the personal custody of a responsible officer. The books should be issued serially one at a time. A certificate that a receipt book contains fifty (or, other number) receipts and that they are in order should be given by the Accountant to the Superintendent or other responsible officer before any receipt book is brought into use.

 Invoices.

114. As soon as an invoice is received, it should be impressed with a rubber stamp showing the following particulars :—

1. Received by
2. Quantity and Price checked by
3. Quality checked by
4. Calculations checked by
5. Stores Ledger Folio
6. Purchase Day Book Folio

Invoices received should be checked with the copy of the order, and no payment should be made until the invoice has been certified as accurate and complete in all particulars by a person in authority.

After being checked and signed, invoices should be passed back to the Accountant.

Purchase Day Book (Form 3).

115. The Purchases Day Book is written up from invoices received. The necessary entry to record a purchase of goods by a commercial concern consists of a debit to a goods account in the ledger, coupled with a credit to the personal account of the seller, or a credit in the cash account, dependent upon whether the transaction took place 'on credit' or 'for cash'.

116. If every purchase were to be made the subject of a separate double entry, the debits to the purchases account would necessarily be very numerous. In order to avoid the repetition of every purchase in detail in the goods accounts in the General Ledger, a Purchase Day Book is maintained for recording credit purchases and from the details in this book the necessary entries are posted to the credit side of the accounts in the Creditors Personal Ledger. Trade discounts, as distinct from cash discounts, should be deducted from the amount of the invoices and the net amount entered in the Purchase Day Book. At the end of every month the values of all purchases should be added up and the total posted to the debit of the goods accounts in the General Ledger and the necessary double entry is completed. The Purchase Ledger (and the Sales Ledger and Returns Books referred to below) must, as in the case of the Cash Book, be considered as portions of the General Ledger bound up separately for convenience of handling.

117. A form of Purchase Day Book is given on page 64. The analysis columns are designed to record the purchases made for any one department, or of any one kind of goods and the name of the particular department or goods appears at the head of its respective column. The object of maintaining analysis columns is that gross profits and the percentages of gross profits to sales may be ascertained for each department or each kind of goods manufactured and this should be of assistance to the management in determining which departments are unprofitable and should be closed.

118. At the end of the month, the accountant posts the total purchases of material for manufacture to date to the debit of a goods account for each department or kind of goods in the General Ledger. Purchases of machinery, fixtures, coal, etc., are posted to separate asset accounts. Ledger folios are noted under the monthly figures.

Sales Day Book (Form 4).

119. The principles which underlie the recording of sales are almost identical with those described above for recording purchases subject to the difference that the sides upon which sales are entered in the ledger are the reverse of those upon which the purchases appear.

120. A Sales Day Book is maintained for recording all sales on credit as they take place. A form of Sales Day Book is given on page 65. This analysed form of Sales Day Book must be used if it is considered desirable to exhibit separately the results of different classes or departments of manufacture. Credit sales will be entered as they occur direct into the Sales Day Book and from thence they are posted to the debit of personal accounts in the Debtors Ledger.

121. As with purchases, trade discounts on sales are deducted from the invoices, the net amount being entered in the Sales Day Book and posted to the ledger account. To complete the double entry, the totals of the analysis columns in the Sales Day Book are posted monthly to the credit of appropriate sales accounts in the General Ledger.

122. Cash sales should be recorded in a separate book similar in form to the Sales Day Book. The entries recorded therein are posted daily to the cash column in the cash book and posted therefrom to the credit of appropriate sales accounts in the ledger. Cash received from sales should not be mixed up with the imprest for petty cash.

Book transfers recorded by Accountants General.

123. Debts due to or by a commercial concern are frequently adjusted in the books of Accountants General instead of money passing and it is the duty of the Accountant at a concern to compare the figures which appear in his "Accountant General's Account" in the General Ledger with the statements of debits and credits which should be received from the Accountant General from time to time.

124. A copy of every invoice for goods supplied or services rendered by one Government commercial concern to another commercial concern or service department duly accepted by the debtor concern, should be forwarded monthly to the Accountant General concerned accompanied by a schedule of invoices. The necessary adjustments will be made by the Accountant General, the Personal Ledger Accounts at the treasury or bank (in the case of Chapter 2 concerns) being debited and credited as the case may be, and the Treasury Officer and the Officers in charge of the concerns informed.

Goods Returned Books (Forms 5 & 6).

125. It frequently happens that when a concern has purchased goods some articles are found, upon delivery, to reveal some defect, or to be unsatisfactory in some respect. The concern returns the goods to the seller, claiming at the same time an allowance equal to their full invoice value. It is necessary to maintain a record of these returns. The return of the goods is equivalent from an accounting point of view to a resale of the goods to the original seller at the original agreed cost of the goods. In other words, the original transaction is allowed to pass through the Purchase Day Book. A contra entry is made in the Returns Outwards Book which, in form, is similar to the Purchase Day Book. The form is given on page 67.

126. The entries in the Returns Outwards Book are posted in detail to the debit of the original sellers account in the creditors Personal Ledger and the monthly totals of returns outwards are posted to the credit of the Goods Accounts in the General Ledger.

127. Just as the concern finds it necessary to return goods to the seller it may be necessary for the concern to receive back some goods sold by it to other Government departments or to the Public. Having agreed to the return of the goods in question a "Credit Note" in Form 7 given on page 68 is sent by the concern to the customer returning the goods, setting out the value at which such goods have been taken back. The form of Returns Inwards Book on page 66 is almost identical with that employed to record returns outwards subject to the fact that the entries are posted in detail to the credit of the original purchaser and that the monthly totals are posted to the debit of the Goods Account in the General Ledger.

The Journal (Form 8).

128. The books dealt with above are all books of original entry. There are, however, transactions which do not pass through the cash or day books and which must appear somewhere before they are recorded in the General or Personal Ledgers because it is an accepted rule in commercial accounting that no transaction shall be entered in a ledger without having previously appeared in some book of original entry. The Journal is a book of original entry for recording transactions which cannot be conveniently recorded for subsequent posting in any other book of original entry. The entries passed through the Journal should be strictly limited to the necessary record of opening entries, closing entries, adjustments, corrections and to such entries which cannot be passed through any other book of original entry. For such entries the Journal is the only convenient posting medium. A form of journal is given on page 69. The usual entries which appear in the Journal of a Government commercial concern are the opening balance sheet figures, entries relating to interest on capital, audit fees and other outstanding debits and credits at the end of every trading period, transfers between personal and impersonal accounts, the writing off of bad debts and entries relating to depreciation and reserve accounts. A narrative should appear under every journal entry in the column for particulars, explaining its nature.

The Ledger (Form 9).

129. The Ledger is the most important book in commercial accounting. As already stated, portions of the Ledger called the Cash Book and Day Books are bound up in separate books for the sake of convenience though the totals of accounts in these books are brought into accounts in the Ledger proper. The whole of a concern's transactions are entered from the books of original entry into the Ledger but in a summarised and classified form. The Ledger is further sub-divided into :—

- (i) Creditors' Ledger recording the transactions of the concern with its creditors for purchases.
- (ii) Debtors' Ledger recording the transactions of the concern with its debtors for sales.
- (iii) General Ledger containing accounts recording fixed and floating assets such as buildings, plant and machinery, fixtures, etc., liabilities, reserves, control accounts and accounts recording profits or losses, working and overhead expenses and other items of income and expenditure. The usual form of Ledger account is given on page 70.

130. The following is a general list of the accounts which may be opened in the General Ledger of a Government commercial concern :—

Asset Accounts—

Land,
Buildings,
Plant and Machinery,
Loose Tools and Patterns,
Furniture and Fittings,
Materials,
Stores,
Work-in-progress,
Manufactured Goods,
Debtors Ledger Control Account,
Sundry Outstanding (Debit) Accounts,
Depreciation and other Reserve Funds.

Liability Accounts—

Government Capital Account,
Creditors Ledger Control Account,
Sundry Outstanding (Credit) Accounts,
Depreciation and other Reserve Accounts,
Unclaimed Wages Account,
Net Wages Payable Account.

Asset or Liability Accounts—

Accountant General's Account,
Profit and Loss Account.

Manufacturing, Trading and Profit and Loss Accounts—

Manufacturing (or Direct) Wages,
Non-manufacturing or Indirect Wages,
Purchases,
Returns Inwards.
Repairs to Buildings,
Repairs to Plant and Machinery,
Repairs to Furniture,
Sundry expenses debited direct to Works Orders,
Freight and Carriage Inwards,
Power and Lighting,
Sundry Factory Expenses,
Rent,
Depreciation,
Agency and Commission Expenses,
Advertising,
Packing Material Purchased,
Packing Material used,
Freight and Carriage Outwards,
Travelling Allowances,
Royalties and Duties,
Sales,
Salaries and Allowances,
Pay of Establishment,
Stationery,
Postage, Telegrams and Telephones,
Miscellaneous Expenses,
Interest on Capital,
Interest receivable,
Audit Fees,
Leave and Pensionary charges,
Passage charges,
Share of Direction Charges,
Profit or Loss on Exchange,
Cash Discounts,
General Administration Charges.

131. It is a general rule that as soon as all entries are made in the ledgers for a trading period the ledger accounts should be balanced and ruled off.

132. It is obvious that the Creditor's and Debtor's ledgers will not balance themselves because the balances they contain will be one-sided, the creditors ledgers containing credit balances and debtors ledgers debit balances. Ledgers should therefore be made self-balancing by means of Control Accounts. These accounts are written up through the journal and are maintained at the end of the ledgers for the purpose of making the ledgers self-balancing. These accounts contain a record of the transactions already posted in the particular ledger only in a summarised form. The debits and credits, however, are transposed. The balance of a control account in a personal ledger must be equal to the sum of the other balances. It must also be in the opposite side, so that when a list of balances is extracted the total of the debits must equal the total of the credits.

133. The Control Account in the Creditors Ledger when written up will appear as follows :—

General Ledger Control Account.

Dr.	Cr.
Outstandings at beginning of period.	Cash payments (posted from Creditors Ledger column in Cash Book).
Purchases during period (posted from Purchases Day Book).	Discounts (posted from credit discount column in Cash Book).
Journal [posted from Creditors Ledger (credit column) in Journal].	Returns Outwards (posted from Returns Outwards Book).
	Journal [posted from Creditors Ledger (debit column) in Journal].
	Outstandings at end of period.

The corresponding account in the General Ledger will be as follows :—

Creditors Ledger Control Account.

Dr.	Cr.
Cash payments (posted from Creditors ledger column in Cash Book).	Outstandings at beginning of period.
Discounts (posted from credit discount column in Cash Book).	Purchases during period (posted from Purchases Day Book).
Returns Outwards (posted from Returns Outwards Book).	Journal [posted from Creditors Ledger (credit column) in Journal].
Journal [posted from Creditors Ledger (debit column) in Journal].	
Outstandings at end of period.	

134. The Control Account in the Debtors Ledger when written up will be as follows :—

General Ledger Control Account.

Dr.	Cr.
Cash Receipts (posted from Debtors Ledger column in Cash Book).	Outstandings at beginning of period.
Discounts (posted from debit discount column in Cash Book).	Sales during period (posted from Sales Day Book).
Returns Inwards (posted from Returns Inwards Book).	Journal [posted from Debtors Ledger (debit column) in Journal].
Journal [posted from Debtors Ledger (credit column) in Journal].	
Outstandings at end of period.	

The corresponding account in the General Ledger will be as follows :—

Debtors Ledger Control Account

Dr.	Cr.
Outstandings at beginning of period.	Cash Receipts (posted from Debtors Ledger column in Cash Book).
Sales during period (posted from Sales Day Book).	Discounts (posted from debit discount column in Cash Book).
Journal [posted from Debtors Ledger (debit column) in Journal].	Returns Inwards (posted from Returns Inwards Book).
	Journal (posted from Debtors Ledger (credit column) in Journal).
	Outstandings at end of period.

Trial Balance (Form 10).

135. A Trial Balance is a classified list of the balances appearing, at a given date, in the ledger or ledgers before the closing entries have been made. In extracting this list of balances the debit and credit balances are separated by being placed in their different and appropriate columns. The form of Trial Balance is given on page 71.

136. If, on taking out the Trial Balance, the debits do not agree with the credits when the cash and treasury or bank balances are included, a mistake has been made either in the ledger postings or summations or in the compilation of the Trial Balance itself. The fact that the debit and credit balances may agree in total does not necessarily prove that the book-keeping has been correctly accomplished, for errors may have been made on both credit and debit sides for the same amount. The agreement of a trial balance merely proves that there is a debit for every credit, *i.e.*, it proves the arithmetical accuracy of the books. Frequent causes of disagreement in the trial balance

are that some item has either remained unposted or posted to the wrong side of account. Should difficulty be experienced in tracing the error or errors each ledger should be balanced separately to localise the error, which must then be discovered by a complete check of the postings and summations. It is the duty of the accountant at the concern to balance his books before they are submitted to the auditors. If control accounts are maintained the ledger containing the error should be quickly traced.

Manufacturing Account (Form 11).

137. A Manufacturing Account is an account drawn up to ascertain the cost of manufacture and deals with (1) Cost of Raw materials (2) Cost of bringing these materials to the factory (3) Cost of labour employed in converting these materials into finished goods (4) Expenses such as rent, rates, and up-keep of factory (5) Repairs to, up-keep of, and depreciation on, buildings, plant and machinery (6) Motive power.

1 to 3 represent prime cost of production.

4 to 6 represent Works oncost.

The form of Manufacturing Account given on page 72 has been prepared with headings usually required for costing purposes.

Trading Account (Form 12).

138. A Trading Account is a statement of account prepared for the purpose of showing what is the gross profit realised on goods sold after charging cost of rendering such goods marketable, such cost consisting of production and distribution expenses. Goods produced are transferred from the Manufacturing Account to the Trading Account at cost, the theory being that production exists solely for the benefit of sales and that the selling department therefore takes over the factory output at actual cost price. A form of Trading Account is given on page 73.

Profit and Loss Account (Form 13).

139. A Profit and Loss Account is a statement designed to show the amount of net profit earned. This account is credited with the gross profit carried from the trading account plus items of revenue such as interest, commission and cash discount earned and is debited with general administration and office charges plus interest on capital. A form of Profit and Loss Account is given on page 74.

Balance Sheet (Form 14).

140. A Balance Sheet is a classified summary of the debit and the credit balances remaining in the ledgers after the Manufacturing and Trading and Profit and Loss Accounts have been prepared. On one side it contains the assets of the concern and on the other the liabilities, capital, reserves and the balance, if any, at the credit of Profit and Loss Account. Assets and Liabilities should be stated in the Balance Sheet in the order of permanence, the fixed assets and liabilities taking precedence over the floating assets and liabilities.

Labour Records.*Time Sheets (Form 15).*

141. *Duties of Timekeeper.*—A record of workers entering and leaving the factory should be maintained by the Time-keeper who should have a small office close to the entrance to the factory. A board containing numbered metal discs should be placed outside his office. As a worker enters the factory he removes his disc in the presence of the Time-keeper, takes it to the workshop where he is employed, and places it on a similar board. Half-an-hour after the prescribed time of attendance, the Time-keeper writes up his Time Sheet which may be in the form on page 76. As the men leave the factory, they remove their discs from the boards in the workshops and place them in a locked box at the Time-keeper's office. They are removed by the Time-keeper who notes the times of departure in his Time Sheet. He should obtain an explanation for all discrepancies from the Works Manager or Foremen.

142. *Duties of Accountant.*—The Time Sheets prepared by the Time-keeper are sent weekly to the Accountant who will have them checked with the Work Sheets referred to in paragraph 167. The Accountant should periodically conduct a surprise check on attendance by calling for the Time Sheets and personally checking the men in each workshop.

Wages Sheets (Form 16).

143. Wages Sheets in the form given on page 77 are compiled by the Accountant or his Wages Clerk from the Time Sheets. They contain a complete list of all the wages payable and show the gross earnings of each workman, deductions and the net amount payable. When a correct monthly analysis of wages has been made, a summary is entered on the last sheet and passed through the journal in the following manner:—

Direct Wages	..	..	..	..	..	Dr.
Indirect Wages:—	..	..	..	..	..	Dr.
(a) Repairs to Plant.						
(b) Construction of Buildings.						
(c) Sundry labour.						
To Net Wages Payable Account	..	..	..	..	..	Cr.
To Fines	..	..	..	..	..	Cr.
To Other deductions	..	..	..	..	..	Cr.

The amount debited to Direct Wages should be the same as the amount debited by the cost clerk to the job accounts referred to in paragraph 168. When wages are paid through the Cash Book the amount will be debited to Net Wages Payable Account the balance on which will represent the wages unclaimed. This balance will be paid into bank and the amount transferred from Net Wages Payable Account to Unclaimed Wages Account. Receipt of wages by workers should be attested by the signatures or thumb impres-

sions of the workers or, if it is impossible or inconvenient to obtain these, by the signature on every wages sheet of the Officer present and of the Foreman of the section whose men are named on particular sheets.

Registers of wasting Assets (Forms 17 to 20).

144. The only satisfactory method of dealing with depreciation on wasting assets is for the concern to keep Registers subsidiary to its financial books. The whole of the Plant, Machinery, etc., should be split up into classes so that items with approximately equal working lives are grouped together. At the end of each trading period summaries should be prepared from the registers showing the opening value, depreciation written off and the closing value. The total closing values in these summaries should agree with the total of the wasting asset accounts less depreciation reserves in the General Ledger. Upon the sale of any asset the amount realised should be credited in the register, any profit or loss on sale being adjusted therein. These subsidiary registers will provide a key to the meaning of the much condensed records in the financial books.

145. Useful form of Register, Class Summary and Annual General Summary for recording depreciation on wasting assets are given on pages 78 to 80.

146. In addition to these summaries a history sheet should be kept up-to-date for each asset or group of assets of the same type. These sheets should be bound in book form, each page being ruled up in the form given on page 81.

147. Depreciation on additions during the year may be calculated at the full annual rate or proportionately, e.g., a machine purchased about the middle of the year may be written down at half the annual rate.

Inventory of Furniture, Fittings, etc., (Form 21).

148. A complete inventory of furniture, fittings, spare parts for machines, etc., should be maintained in which purchases, sales, damages, breakages, etc., will be entered, as and when they occur. A suitable form is given on page 82.

Stores Accounts.

General principles.

149. The word "stores" covers all raw materials, goods in process of manufacture, other articles used in manufacture and completely manufactured articles. Accounting and control over stores is of the same importance as that over cash and should be conducted with equal care.

150. A proper system of stores accounts and control aims at the following objects:—

- (a) Efficient supervision,

- (b) Safe and convenient arrangement of materials and protection of perishable stores from damp, dust, etc.,
- (c) Information as to quantities in hand so as to ensure (1) that there is a sufficient quantity in hand for current use and (2) that stocks are not excessive,
- (d) Proper records of materials received and issued.

With regard to (a) a competent Storekeeper should be placed in charge of the stores and no other person should be allowed to receive or issue stores, even though they be ordered for special jobs. The Superintendent, the Works Manager and the stores staff should be the only persons permitted to enter the store room. In all cases goods must only be issued from store in exchange for a properly filled up Requisition Note, signed by the Works Manager or by the Foreman requiring the goods. If any stores remain over after the job is completed they must be returned to store together with a Stores Returned Note.

With regard to (b) the store should be situated near the entrance gate so that all goods coming in can be checked as to quantity and quality with the duplicate copy of the order and the delivery note. Bins, racks or other suitable receptacles should be provided for the stores.

With regard to (c) a card should be attached to each bin or other receptacle on which all goods received and issued should be entered by the Storekeeper and balanced after every transaction. It is essential that this record of stores should be maintained in addition to the records maintained by the Accountant. The Bin Cards and the Priced Store Ledgers should both show the maximum and minimum quantities allowed and when the balance of a particular item runs low it is the duty of the Storekeeper to send a requisition to the Superintendent for fresh supplies. The Superintendent and the Accountant should periodically examine the Priced Stores Ledger and the Bin Cards to satisfy themselves that excessive stocks are not being held.

With regard to (d) proper records should be maintained for all items passing in and out of store. The Accountant maintains records of both quantities and prices for transactions relating to every article of importance, "omnibus" accounts serving for the smaller items. The Storekeeper maintains only quantity records. As the information contained in these two sets of records does not necessarily come from the same source the Superintendent should frequently agree the quantity balances as shown on the Priced Store Ledger Accounts with the balances shown on the Bin Cards.

151. Orders for stores requiring replenishment should be placed by the Superintendent and signed by him, copies of the orders being passed to the Accountant and Storekeeper so that the former may check the invoice with the order and the latter may check the goods received with the order and with the delivery note.

152. The treatment of stores, so far as the financial books are concerned, is a simple matter. Accounts for each class of stores, according to the information desired, are opened in the General Ledger and debited with the purchases, while the opening and closing stocks on hand will be debited and credited respectively in order that the actual consumption during a period may be ascertained and properly charged.

153. It is the duty of the Superintendent to periodically examine the stores for the purpose of ascertaining if there are any surplus or obsolete stores on hand. Such stores should be disposed of without delay either by sale or transfer to another Government concern under the orders of a proper authority.

Records maintained by Storekeeper.

Stores Received Book (Form 22).

154. When receiving goods the Storekeeper checks them as regards quantity with the delivery note and the original order and enters in his Stores Received Book the name of the supplier and particulars of the quantities received. A form of Stores Received Book is given on page 83. The Storekeeper also enters in this book particulars of materials he receives back from jobs with Stores Returned Notes. In this way the Storekeeper is charged with all stores he receives. The Stores Received Book should be checked weekly by the Accountant with invoices and the counterfoils of the Stores Returned Notes.

Stores Issued Book (Form 23).

155. The Storekeeper credits himself with all materials issued by means of the Stores Issued Book. This is written up from the Requisition Notes which are his authority for parting with materials. His entries should be checked by the Accountant weekly. A form of Stores Issued Book is given on page 84.

Bin Cards (Form 24).

156. The Storekeeper maintains a Bin Card for every type of article in store in a form which is given on page 85. Stores received are posted daily to the Bin Cards from the Stores Received Book and stores issued are posted daily from the Stores Issued Book.

Stores Requisition and Returned Notes (Forms 25 & 26).

157. Each Requisition Note must bear the signature of the Works Manager (or a Foreman) who keeps one copy. Books containing perforated Requisitions with duplicate leaves, numbered to correspond, and a carbon sheet to go between should be used. No two books should be numbered alike. Should materials be returned to store, they will be sent with a Stores Returned Note taken from a book similar to that used for requisitions but printed on paper of a different colour. If any portion cannot be supplied, the person indenting for stores should see that the Requisition Note is corrected to agree with

what he actually receives. Under no circumstances should stores be transferred from one job to another without Stores Requisition and Stores Returned Notes being prepared. The Storekeeper keeps two files, one for his Requisition Notes and one for Stores Returned Notes. Forms of Stores Requisition and Stores Returned Notes are given on pages 86 & 87. The books in use should be passed to the Account Office once a week or if necessary at more frequent intervals to enable the Accounts staff to write up the Priced Stores Ledger from the duplicate copies.

Records maintained by Accountant.

Stores Ledger (Form 27).

158. A Stores Ledger is maintained in the form given on page 88. At the head of the accounts is written the name of the commodity, the minimum stock required and the maximum stock allowed. Whenever the minimum or maximum is passed, the clerk who maintains the Stores Ledger reports the fact to the Accountant. Like the General Ledger, the Stores Ledger has debit and credit sides. It is debited with materials received and credited with those issued. The balance of the accounts should therefore represent the stock on hand at any time. A system of continuous stock-taking should be introduced whereby a certain number of articles are checked every week by the Superintendent, the Works Manager, or the Accountant. Any difference found should be written off under proper authority, if not cleared up after investigation. At the end of every trading period the accounts should be ruled off and balances brought down in ink.

159. The Stores Ledger is written up on the debit side from invoices and copies of the Stores Returned Notes and on the credit side from the copies of the Stores Requisition Notes. In the case of English Stores, obtained through the Indian Stores Department, London, the invoiced cost is taken in the first instance and converted into Indian currency at the official rate of exchange, subsequent adjustments being made when the actual amount paid is ascertained. The Stores Ledger folio should be marked against every item on Requisition and Returned Notes. If the Stores issued daily are numerous the Works Manager or Foremen should be supplied with two books of Stores Requisition Notes so that when one book is in use the other may be with the Accountant to enable him to post the issues into the Stores Ledger.

160. The advantages of keeping store accounts in this form are considerable :—

- (1) A detailed check on the stores is furnished which cannot be obtained in any other way.
- (2) Any discrepancy on the Stores Account is localised, and therefore more readily discovered.
- (3) The risk of running out of a particular class of material is reduced.
- (4) The task of stocktaking is much simplified.

- (5) The working capital employed in carrying stores is kept within proper limits.

It will be seen that as far as quantities are concerned the Priced Stores Ledger and Unpriced Bin Cards should agree, although the information contained in these two records is not necessarily taken from the same source.

Stores Issue Rates.

161. The issue rates should be revised from time to time with reference to market price. Every time an addition to the stock of any article takes place, issue rate should be adjusted. This is a simple calculation, the addition, quantity and value, being added to the old balance, quantity and value, the total value divided by the total quantity to give the rate. The new rate so arrived at should be immediately recorded in the issue rate column.

COST ACCOUNTS.

General Principles.

162. The object of maintaining cost accounts is to enable the Superintendent of a concern to ascertain the cost of every article produced. With this information at his disposal he is enabled :—

- (1) To regulate his selling prices according to cost.
- (2) To frame estimates based on past experience.
- (3) To ascertain which contracts pay and which do not.
- (4) To ascertain which branches of the concern are or are not profitable.
- (5) To detect waste of material or inefficient workmanship.
- (6) To effect economies in working expenses.

The financial results of all jobs dealt with in a cost accounting system should, in the aggregate, agree with the results shown in the Manufacturing, Trading and Profit and Loss accounts. In practice, however, they will not agree because financial accounts deal with actual expenditure, while cost accounts are, to a certain extent, dependent upon estimates.

163. The elements of cost are divisible into two main classes, *viz.*, Direct charges or Prime Cost and Indirect charges or Oncost. The total of Prime Cost and Oncost is the cost of production. Prime Cost is again divided into Direct Wages, Materials and Direct Expenses. Oncost consists of Works and Office expenses which cannot be debited direct to particular jobs and General Administration charges.

164. In preparing a costing system one has to consider how the above charges, which are shown in totals in the Manufacturing and Trading or Profit and Loss Accounts, should be split up and distributed over individual jobs.

165. When it is decided to introduce a costing system at a commercial concern it should be borne in mind that at the outset the system should be as simple as possible. It is a simple matter to build up a system. If, on the

other hand, a complicated system of scientific costing is introduced before working conditions are thoroughly understood, it is a difficult task and, in most cases, a dangerous practice to commence cutting it down.

166. A question that arises when preparing a costing system is how far the system of cost accounts should fit in with the financial accounts and form part of the whole accounting system in a factory? This to a great extent depends on the nature of the business, and on what the cost accounts are intended to show. The system should be so framed that the total wages paid and material used on jobs during a period as shown in the financial accounts have their counterpart analysis in the cost books with which they are reconciled.

Direct Charges or Prime Cost.

Direct Wages (Forms 28 & 29).

167. In order that each job may be charged with wages directly expended upon it, each workman should keep a Work Sheet in the form given on page 89. Each job is given a Works Order number and the Workmen book their time to the number of job upon which they are engaged. If the workmen are unable to write up their Work Sheet accurately this should be done by the Foremen in charge of sections. The Work Sheets should, in any case, be checked by a Foreman before being passed to the Accountant at the end of every month or at more frequent intervals.

168. As a means of classification, a Wages Analysis Sheet is maintained by the Accountant in the form given on page 90. The Wages Analysis Sheets should be properly filed after completion. In these sheets the Work Order numbers are placed at the head of the money columns and the amounts chargeable to each and the workmen's numbers as shown by the Work Sheets are inserted below. In this way the value of all direct labour is analysed and collected into separate totals for each job. A summary should be made on the right-hand side of the Analysis Sheet. The total of the summary column for the month should agree with the total of productive wages for the month as recorded in the Direct Wages account in the General Ledger. The totals under each job number are posted to the debit of the corresponding job accounts and in aggregate to a Direct Wages column on the credit side of a Control Account in the Cost Ledger.

Materials (Form 30).

169. It is the duty of the Accountant to prepare a Material Analysis Sheet in the form given on page 91. The Material Analysis Sheet is a means of collecting all the information in the Stores Requisition and Returned Notes relating to each job. It contains columns which are headed with the Works Order numbers. Under each job are inserted the value of the stores issued or returned and the numbers of the Requisition or Returned Notes. The Stores Analysis Sheet is prepared from the Stores Returned and Requisition counter-foil books. Before preparing the Analysis Sheet it should be seen that no

counterfoils have been torn out of the books and if any are missing the loss should be investigated at once. A summary of the totals under Works Order numbers is then made on the right-hand side of the Analysis Sheet. The difference between the debits and credits is the net value of stores issued during the month.* Postings to the Cost Ledger are made from this Analysis Sheet. Debits to Job accounts will be posted into the Materials column in the accounts in the Cost Ledger and credits to job accounts should be posted in red ink in the same column to show that they are to be deducted from other items. The difference between debits and credits in the Analysis Sheet is posted to a Materials column on the credit side of the Control Account in the Cost Ledger.

Direct Expenses.

170. The term "Direct Expenses" means expenses which can be charged direct to a particular job such as travelling expenses or the hire of special machinery. In the Financial accounts, an account in the General Ledger is opened entitled "Direct Expenses chargeable to jobs" and that account is debited in the ordinary way from the Cash Book, Petty Cash Book or Purchases Day Book. In the Cost Ledger, the job accounts will be debited in the column Direct Expenses and a Direct Expenses column in the Control Account will be credited.

Oncost.

171. In addition to direct wages, materials and direct expenses, there are many charges which must be taken into account in calculating cost. Charges such as rent, depreciation, wages of men engaged on unproductive labour and works supervision charges are examples of expenses which come under the head "Works Oncost". Besides these, there are the office, distribution and general expenses and cost of management which come under the head "Office Oncost". The allocation of both Office and Works Oncost to individual jobs must be a matter of estimate, based on past experience in the case of an established concern, or upon estimates, in the case of a new business. The estimate is based on the proportion of indirect charges to some direct charge. For example, if direct wages and materials consumed during a year amounted to Rs. 1 lakh and Oncost amounts to Rs. 25,000 the rate of Oncost is 25% on Prime Cost. It is frequently found more accurate to take the percentage of Oncost on Direct Wages than on Prime Cost because the value of materials used on two similar jobs may differ although the wages paid in executing the jobs may be the same. Each may occupy the same time and space and each should be charged with similar share of Oncost. This, however, would only be accomplished if the rate is based solely on direct wages. The direct wages system is the method generally adopted for ascertaining Works Oncost. In the case of Office Oncost it is better to take Prime Cost *plus* Works Oncost, because office expenses should be distributed over the whole cost incurred outside the office. Works and Office Oncost figures are debited in the appropriate columns in the job accounts in the Cost Ledger and credited to Oncost column in the Control Account in the Cost Ledger. Oncost

is an estimated provision for indirect charges and needs constant checking and revision. The rates of Oncost should be checked, from time to time, by the preparation of Manufacturing, Trading, and Profit and Loss Accounts from the financial books, and if the rates are inadequate or excessive they should be altered. A job need only be charged with Oncost when it is completed.

172. At the end of the trading period, a list should be made containing the total cost of all the job accounts which are open, keeping direct wages, materials and direct expenses separate. Oncost should then be calculated on work in progress and debited to a Suspense Account in the Cost Ledger and credited to Oncost Account in the Cost Ledger. This will ensure that approximately the same charges appear in the Cost accounts as in the Financial accounts for the period. At a later date, the job accounts will be debited with full Oncost and the Suspense Account and Oncost Accounts credited with their respective portions of the total charge under this head.

173. A comparison between the Cost accounts and the Financial accounts will be facilitated if in the General Ledger the accounts for expenses in respect of works Oncost are opened in one portion of the Ledger and those for office Oncost in another portion.

Cost Ledger (Form 31).

174. A Cost Ledger is maintained by the Accountant in the form given on page 92. The accounts in the Cost Ledger contain, in aggregate, the monthly figures representing direct wages, materials and direct expenses.

In the General Ledger, there are accounts for direct wages and direct expenses which should agree exactly with the corresponding accounts in the Cost Ledger.

In regard to materials we find a correspondence of a different kind. In the General Ledger there is a record of materials entering the stores and in the Cost Ledger a record of all materials issued from stores. If the Materials Accounts in the General Ledger are credited with the value of the stores on hand the remaining debit balances represent the value of stores which should be accounted for in the Cost Ledger. If this figure agreed exactly with the credit balance on the Materials Account of the Cost Ledger there would be perfect correspondence between the two systems. In practice, however, such accuracy is not attainable. There is sure to be a discrepancy, not necessarily a shortage, on the Materials Account and to this extent the Cost accounts and Financial accounts will not agree. If, however, clerical errors are reduced to a minimum and there is little waste or theft of materials the difference between the two sets of accounts should not be great.

175. When articles are manufactured to order, they will, in most cases, be delivered as soon as ready. The Job Accounts should be credited and the Control Account debited with the sale price. The Profits or Losses on Jobs should be transferred from each account to an account in the Cost Ledger entitled "Profits and Losses on Work Orders". This transfer closes these Job accounts which can be ruled off.

176. In the case of goods manufactured for stock the Job Account should be credited and a Finished Stock Account debited with the full cost of the goods, thus closing the Job Account. The monthly figure representing sales of goods manufactured for stock will then be credited to Finished Stock Account and debited to the Control Account. The value of the stock on hand should then be brought down as a balance on the Finished Stock Account which can be ruled off.

Forms subsidiary to Account Forms.

177. The forms given on pages 62 to 92 are account forms and do not comprise all the forms which it may be desirable to maintain at a Government factory. The Superintendent of the concern should be consulted as to whether it will be necessary to maintain special forms to record :—

- (1) Orders received.
- (2) Applications to Works Manager for labour.
- (3) History of all Workers.
- (4) Workers passing out of the factory.
- (5) Overtime worked.
- (6) Purchase Orders.
- (7) Manufactured articles sent to Stores.
- (8) Deliveries of goods.
- (9) Report on stocktaking.

Procedure for closing Commercial books of Accounts.

178. Manufacturing, Trading and Profit and Loss Accounts show in a summarised form the transactions of a concern for a given period, and the net result of such transactions, while a Balance Sheet presents the position of a concern on a stated date. It is clear that Manufacturing, Trading and Profit and Loss Accounts, in order correctly to exhibit the result of a period's work, must include all the transactions for the period, in so far as they relate to that period, and exclude transactions which took place during the period but which related to or were in respect of another period. Numerous adjustments must be made so as to ensure the proper allocation of expenses between one period and another. Many liabilities will have accrued due at the end of a trading period for which no charge yet appears in the books and without which the accounts would not show the true result of the period's trading. Examples of outstanding debits are salaries and wages not paid as at the close of business on the last day of the trading period, commission, charges in respect of rents, rates, carriage, interest on capital, audit fee, share of direction charges and the leave, pensionary and passage charges. An examination of the cash book for the first few months of the new trading period will be of assistance when checking lists of outstanding. On the other hand, certain expenses will have been prepaid of which a portion will remain unexpired at the date of closing the accounts. There may be many outstanding credits such as interest on funds,

rents receivable, and payments made in advance such as insurance premiums, etc. If these prepaid and unexpired items were included in full in the accounts of a period the net profit shown in the account would be incorrect, and the result for the succeeding period would be to an equivalent amount affected. Outstanding debits and credits will be debited or credited as the case may be to their respective accounts and credited or debited respectively to Sundry Outstandings Account in the General Ledger. The journal entries recording these outstandings must be reversed in the books on the first day of the new trading period.

179. A Trial Balance is then prepared and items transferred therefrom to their proper places in the Manufacturing and Trading and Profit and Loss Accounts and the Balance Sheet. Journal entries are prepared debiting Manufacturing or Trading and Profit and Loss Account and crediting Depreciation Reserve Account with the amounts which have to be written off fixed assets.

180. The values of raw materials and work-in-progress at the close of business on the last day of a trading period are then shown as credits in the Manufacturing account and as assets in the Balance Sheet. Stock of finished products is credited to the Trading Account and shown as an asset in the Balance Sheet. These stocks are written back to the debit of the asset accounts in the General Ledger on the first day of the new trading period.

181. Bad Debts and Reserve charges are debited to Profit and Loss Account and credited to the personal account of the debtor and appropriate reserve accounts respectively.

182. The cost of goods manufactured is then transferred from the Manufacturing account to the Trading account and the gross profit from the Trading account to the Profit and Loss account. The amount of net profit or loss as disclosed in the Profit and Loss account must then agree with the difference between the two sides of the Balance Sheet.

Agreement between financial books in Non-chapter 2 concerns and accounts maintained in the offices of Accountants General.

183. It is the duty of the Accountant in charge of the commercial books of a non-chapter 2 concern to reconcile his half-yearly Manufacturing and Trading and Profit and Loss Account figures with the figures which appear in the Accountant General's records for that concern. When preparing this reconciliation statement the accountant will have to take into consideration items such as Interest on Capital, Depreciation, Direction Charges, Audit Fees, etc., which will not appear in the Accountant General's accounts unless arrangements have been made whereby such items appear in the Government accounts. A certificate should appear at the foot of the Trading and Profit and Loss Account to the effect that the figures contained therein have been reconciled with those in the Finance and Revenue Accounts. It frequently happens that Government accounts are not finally closed until after the commercial accounts have been compiled and audited. If the audit report and Balance Sheet is

signed by the Commercial Audit Officer before the Finance and Revenue Accounts are finally closed, a certificate should appear on the face of the accounts stating that the commercial accounts have been reconciled with the Government accounts as at the date of signing the Balance Sheet and in the following year's account a certificate should be given in regard to final reconciliation of the accounts of the previous year.

FORM 1.

No. 1.]

Cash Book.

Dr.

Cr.

Date.	Particulars.	Vou- cher. No.	Folio.	Treasury or Bank.	Cash.	Sales Ledger.	Discount.	Date.	Particulars.	Vou- cher. No.	Folio.	Treasury or Bank.	Cash.	Purchase Ledger.	Discount.

FORMS.

Petty Cash Book.

FORM 2.

Chap. 9]

Cash Receipts.			Disbursements.														
Date.	Amount.		Date.	Particulars.	Vou- cher No.	Total.	Office Expenses.	Postage and Telegrams.	Carriage and Cartage.	Stationery and Printing.							

FORMS.

[No. 2.

Purchase Day Book.

FORM 3.

No. 3.]

Date.	Name of Supplier.	Particulars or Bill No.	Folio.	Total amount of Invoice.			Goods Accounts.														
							Rs.	A.	P.												

FORMS.

[Chap. 9

Sales Day Book.

FORM 4.

Date.	Supplied to	Invoice No.	Fol'o.	Invoice amount.	Goods Accounts.			

Chap. 9]

FORMS.

[No. 4

Goods Returns Inwards Book.

FORM 5.

Date.	Credit Note No.	Returned by	Particulars of Goods.	Ledger Folio.	Total amount.	Goods Accounts.			

No. 5.]

FORMS.

[Chap. 9

FORM 6.

Goods Returns Outwards Book.

Date.	Deb t Note or Invoice No.	Returned to	Particulars.	Ledger Folio.	Total amount.	Goods Accounts.								

Chap. 9]

FORMS

[No. 6.

No. 7:]

[Chap. 9

FORM 7.

Credit Note.

No. _____

Date _____

Dr.

To _____

Particulars of Goods.	Quantity.	Rate.						
			Rs.	a.	p.	Rs.	a.	p.

Amount (in words) _____

*Accountant.**Superintendent.*

Journal.

Date.	Vou- cher No.	Particulars.	Folio.	General Ledger.						Purchase Ledger.						Sales Ledger.								
				Dr.			Cr.			Dr.			Cr.			Dr.			Cr.					
				Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.			

Chap. 9]

FORM 8

[No. 8

Account

Dr.

Cr.

Dr.			Cr.		
Date.	Particulars.	Folio.	Date.	Particulars.	Folio.
			Rs.	a.	p.

Trial Balance as at.....

Ledger Folio.	Account.	Dr.			Cr.		
		Rs.	a.	p.	Rs.	a.	p.
	Total Rs. ..						

Certified correct—

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Accountant:

Manufacturing Account for the ended

Cr.

Dr.

		R ^s .	a.	p.	R ^s .	a.	p.	R ^s .	a.	p.	R ^s .	a.	p.		R ^s .	a.	p.
1. <i>Materials—</i>																	
Opening stock of raw materials	..													By cost of goods			
Opening stock of work in progress	..													manufactured trans-			
														ferred to Trading			
Purchases less returns	..													account	..	..	..
less trade discounts	..																
Carriage Inwards	..																
Less closing stock of raw materials	..																
Do. work in progress	..																
2. <i>Productive Labour</i>	..																
3. <i>Direct Expenses</i>	..																
Prime cost of Production	..							..	..	..
4. <i>Repairs and Maintenance—</i>																	
Repairs.																	
Depreciation.																	
Total.																	
Factory Buildings	..																
Plant and Machinery	..																
Patterns	..																
Tools	..																
5. <i>General Factory Charges—</i>																	
Unproductive labour	..																
Works Manager's salary	..																
Power and Lighting	..																
Reif of Factory	..																
Coal and Coke	..																
Works cost	..																
Works cost	..	R ^s .												R ^s.	..	..	..

FORM 12.

*Trading Account for the**ended.....*

	Rs.	a.	p.		Rs.	a.	p.
To Finished Stock at beginning				By Sales			
To Finished Stock transferred from Manufacturing a/c.				Less Returns ..			
Office (or General) oncost—				By Finished Stock at end of the year ..			
To Carriage Outwards ..							
To Travellers' salaries and expenses							
To Agency Commission and Expenses							
To Rents and Rates of Ware- house							
To Warehouse Wages ..							
To Advertising							
To Duties payable on sale of product							
To Gross Profit carried to Profit and Loss a/c. ..							
Total				Total ..			

FORM 13.

Profit and Loss account for

Dr.

Cr.

	Rs.	a.	p.		Rs.	a.	p.
To Office or General oncost—				By Gross Profit brought from Trading a/c ..			
Office and General expenses ..				Interest and Commis- sion			
Rents, rates and taxes (office)				Cash Discounts received			
Stationery and Printing ..				By Miscellaneous Receipts ..			
Audit fee							
Administration charges ..							
Postage and Telegrams ..							
Cash Discount allowed ..							
Clerks' salaries							
Leave, pension and passage allowances							
Depreciation on office buildings and on furniture ..							
Insurance charges							
Interest on Capital ..							
Bad Debts written off ..							
To Net Profit carried to Balance Sheet							
Total ..				Total ..			

Balance Sheet as at

Liabilities.	Amount.			Amount.			Assets.	Amount.			Amount.		
	Rs.	a.	p.	Rs.	a.	p.		Rs.	a.	p.	Rs.	a.	p.
Sundry Creditors—							Buildings—						
Trade (Purchases)							Workshop						
Salaries and Wages							Office						
Sundry Outstandings							Plant and Machinery						
Security Deposits							Minor Equipment						
Accountant-General—							Loose Tools and Implements						
Interest							Furniture and Fittings Rs. ..						
Audit fees							Less Depreciation Rs. ..						
Leave, pension and passage contributions							Stocks—						
Direction charges							Raw Materials						
Depreciation Reserve a/c—							Work in progress						
Buildings							Finished Goods						
Plant and Machinery							Sundry Debtors						
Minor Equipment							Depreciation Fund						
Government Capital a/c as at							Security Deposits						
Add for purchases on Capital a/c							Cash in hand						
Profit and Loss—							Stamps in hand						
Net Profit to							Personal Ledger a/c						
							Profit and Loss a/c—						
							Loss to						
Total							Total						

Time Sheet for month of
 (To be completed by Timekeeper.)

No. 15]

Workers.		Days worked during month.														Total hours to date.	Total hours to end of month.			
No.	Name.	1		2		3		4		5		6		7						
		A	D	A	D	A	D	A	D	A	D	A	D	A	D					
.....																	To be repeated to 31....			

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[Chap. 9.

Signature of Timekeeper.

Wages Sheet for month of

(To be completed by Wages Clerk—Account Section.)

Chap. 9]

Workers.		Total hours worked (vide Time Sheets).	Rate.	Gross wages.			Deductions.						Net wages.			Signature or Thumb impression.	
No.	Name.						Fines.			Total Deductions.							
			Rs.	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.		

Entered by—

Checked by—

Signature of Accountant.

Signature of Gazetted Officer.

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[No. 16

FORM 17.

Machinery Register (similar Form for Buildings).

With hypothetical figures.

Life 20 years.

	1929-30.	1930-31	1931-32.	1932-33	1933-34.	1934-35.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Purchase 1st April 1929 ..	20,000						
5% Depreciation for 1929-30 on fixed instalment system.	1,000						
	19,000						
Purchases 1930-31 .. ..	..	5,000					
5% Depreciation 1930-31 ..	1,000	250					
	18,000	4,750					
Purchases 1931-32 .. ..	..	..	2,000				
5% Depreciation 1931-32 ..	1,000	250	100	..	..	..	Total of items in this line is Rs. 1,350 being depreciation of machinery for 1931-32.
	17,000	4,500	1,900				
Purchases 1932-33 .. ..	..	..	..	4,000			
5% Depreciation 1932-33 ..	1,000	250	100	200			
	16,000	4,250	1,800	3,800			
Purchases 1933-34 .. ..	..	..	..	..	Nil.		
5% Depreciation 1933-34 ..	1,000	250	100	200	..		
	15,000	4,000	1,700	3,600	..		
Purchases 1934-25 .. ..	..	..	..	..	..	2,000	
5% Depreciation 1934-35 ..	1,000	250	100	200	..	100	Total of items in this line is Rs. 1,650 being Depreciation of machinery for 1934-35.
Total of this line must be equal to the net value of machinery in financial books at 31st March 1935.	(a) 14,000	3,750	1,600	3,400	..	1,900	

Notes.—The above illustration shows the case of a new undertaking which commenced operation on 1st April 1929 having no plant prior to that date. In the case of an established undertaking introducing this register difficulty is experienced in determining the proportion in which the then expired Capital outlay is to be charged to Revenue. This can be done by abstracting the outlay on the purchase of machinery for each former year in order to arrive at the present unexpired value of each year's purchases. It is not considered necessary for this to be attempted in Government commercial undertakings. Probably it would not be possible. The valuation of machinery, etc., as appearing in the first balance sheet of the undertaking should therefore be taken as estimated value on that date and rates of depreciation fixed according to estimated future life.

2. Should a sale take place the amounts realised must be eliminated from the columns in the register so that the figures therein will always agree with the financial books. The figures on which annual calculations are made must also be adjusted but as sales will not be frequent this point is not likely to cause difficulty.

3. It has not been thought necessary to deal with Scrap Values in this form. Estimated values at end of working life may be deducted from cost of original purchase for the purpose of arriving at annual depreciation charge but the amount should be noted in red ink.

4. If necessary separate forms may be used for machinery of different types some of which may have a longer life than others. If there is no considerable difference one form should suffice.

FORM 18.

Class Summary.

				Machinery.	Depreciation.	Balance.
				Rs.	Rs.	Rs.
Capital						
Outlay.						
1929-30	..	..	..	20,000	1,000	
1930-31	..	..	..	20,000	1,000	
				5,000	1,250	
1931-32	..	..	..	25,000	2,250	
				2,000	1,350	
1932-33	..	..	..	27,000	3,600	
				4,000	1,550	
1933-34	..	..	..	31,000	5,150	
				Nil	1,550	
1934-35	..	..	..	31,000	6,700	
				2,000	1,650	
			Total	33,000	8,350	24,650

NOTE.—The balance of Rs. 24,650 should equal the total of line marked (a) in Register.

FORM 19.

Annual General Summary.

				Capital Outlay.	Depreciation.	Balance.
				Rs.	Rs.	Rs.
	1929-30.					
Machinery	..	..	..	20,000	1,000	19,000
Plant	..	..	..	..	..	..
Buildings	..	..	..	..	..	..
	1930-31.					

FORM 20.

History Sheet.

Item No.

Particulars of Assets.

From whom purchased.

Maker's No.

Estimated future working life.

Date of purchase or construction.

Estimated residual value.

Original cost.

Rate of Depreciation.

Value on.

Year.	Value on 1st April.	Additions.	Total.	Depreciation for the year.	Value on 31st March.	Remarks.

FORM 21.

Inventory of Furniture, Fittings, &c.

Description of Article.	Date of purchase.	Cost.	Depreciated value.	Date of sale.	Sale proceeds.	Remarks.

Stores Received Book.

Date of Receipt.	Supplier's name.	Purchase Order No.	Returned Note No.	Quantity.	Description of Goods.	Weight.	Bin Card No.	Stores Ledger Folio.	Remarks.

FORM 24.

Bin Card.

No.

Description of Articles.

Maximum.

Minimum.

Date.	Receipts.		Issues.		Balance.	Remarks.
	S. R. Book Folio.	Quantity.	Requisition Note No.	Quantity.	Quantity.	

Requisition Note.

No.

Work Order No.

FROM

WORKSHOP,

To

STOREKEEPER.

Please supply the undernoted material:—

Works Manager or Foreman.

Description.	Quantity.	Rate.	Value.			Stores Issued Book Folio.	Stores Ledger Folio
			Rs.	₹	p.		
Received by :		Bin Card No.					

FORM 26.

Stores Returned Note.

No.

Work Order No.

FROM

WORKSHOP,

To

STOREKEEPER.

Please receive the undernoted material :—

Foreman.

Description.	Quantity.	Rate.	Value.			Stores Received Book Folio.	Stores Ledger Folio.
			Rs.	a.	p.		
Received		Storekeeper.			Bin Card No.		

FORM 28.

Work Sheet.

For month ending

Worker's Name.

Worker's No.

Workshop.

Working Days.	Works Order No.	Description of Works.	Total Hours.	Hours worked.			Rate.	Amount.		
				Ordinary.	Over-time.	Idle time.		Rs.	a.	p.
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
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16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										

Accountant.

Foreman.

Work Analysis.

For month ending

W. O. No.			W. O. No.			W. O. No.			W. O. No.			W. O. No.			W. O. No.		
Work- men No.			Work- men No.			Work- men No.			Work- men No.			Work- men No.			Work- men No.		
	Rs.	a.		p.	Rs.		a.	p.		Rs.	a.		p.	Rs.		a.	p.

Entd. by—
Checked by—

Accountant.

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Material Analysis Sheet.

FORM 30.

For month ending

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Date.	W. O. No.			W. O. No.			W. O. No.			W. O. No.			W. O. No.			Total Issue Value.					
	Requisition No.	Value.		Requisition No.	Value.		Requisition No.	Value.		Requisition No.	Value.		Requisition No.	Value.							
		Rs.	a.	p.		Rs.	a.	p.		Rs.	a.	p.		Rs.	a.	p.		Rs.	a.	p.	
Total ..																					
Less ..																					
Returns ..																					

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[No. 30.

Entd. by—

Checked by—

Accountant.

Cost Ledger.

No. 31]

Works Order No.

Description of Work.

Dr.										Cr.	
Date.	Direct Wages.	Material.	Direct Expenses.	Works on cost.		Office on cost.		Total cost.	Sales Ledger Folio or Stores Ledger Folio.	Particulars	Amount.
				%	R. a. p.	%	Rs. a. p.				
	Rs. a. p.	Rs. a. p.	Rs. a. p.	%	R. a. p.	%	Rs. a. p.	Rs. a. p.			Rs. a. p.

FORMS. 9

[Chap. 9

CHAPTER 10.

CERTAIN IMPORTANT ACCOUNTING QUESTIONS.

Capital assets and depreciation.

184. The difference between fixed and floating capital.—Fixed Capital is the portion of the capital of a concern which is invested in assets of a permanent nature, such as land, buildings, plant and machinery, and fittings and fixtures which are necessary for the purpose of manufacturing or trading.

Floating capital is the amount required to carry on the operations of the concern and which is invested in floating assets such as stores and stock, book debts and cash in bank and in hand.

185. The difference between a "Reserve" and a "Reserve Fund".—Confusion frequently arises in regard to the meaning of the terms "Reserve" and "Reserve Fund" in Government commercial accounting whether the Reserve relates to Depreciation, Repairs and Renewals, Bad Debts, Sinking Fund or other appropriation. A "Reserve" is an amount debited to profit and loss account and credited to reserve account to cover a charge, the amount of which may be either known or estimated. It may consist of amounts set aside periodically to provide for existing or contingent liabilities or to replace assets when they are damaged, worn out or obsolescent. Where there is no "Reserve Fund" the amount set aside is naturally included in the assets, usually the floating assets, because the profit has been reduced by the charge. In a balance sheet the "Reserve" is represented by an excess of assets over liabilities, including capital and any balance at the credit of profit and loss account.

A "Reserve Fund" is created by setting aside portions of profit so that it is distinguishable. It is not a "Fund" unless cash to the amount of the "Reserve" is invested in a separate personal ledger account, with the Accountant General, in a Government Suspense Account or in Government securities. A "Reserve Fund" therefore appears as an asset in the balance sheet of a concern under a separate heading whereas the "Reserve" appears under liabilities.

186. Valuation of fixed and floating assets.—On the date when commercial books of account are opened for a concern it is necessary to prepare a Balance Sheet and to enable this to be done it is necessary to place a valuation on all fixed and floating assets. If the original cost of a fixed asset is known it should be booked at cost with depreciation so far provided, if any, as a reserve in a separate Depreciation Reserve Account. If no depreciation has been provided in the past or if the amount is considered inadequate it should be calculated at a suitable rate for the period from the date of purchase of the asset to the date of commercialisation and provided for in the accounts so that the net figure will be booked.

187. In some concerns where accounts have been brought on to a commercial basis it has been impossible to find out the original cost of assets particularly when they were purchased or constructed many years earlier. In such cases the assets should be revalued on a sound basis by a technical expert and the valuation figures treated for accounts purposes as original costs and subsequent depreciation booked separately. In this case if money in respect of provision for depreciation has in the past been handed over to Government there is no objection to the amount transferred to Government being added to the valuation figure and also shown as a Depreciation Reserve.

188. For each asset revalued a depreciation rate should be carefully fixed taking its future life and estimated scrap value (if any) into consideration, otherwise there is a possibility of the depreciation charge being inadequate or excessive. The following illustration will make the point clear.

If the original cost of an asset was Rs. 1,100, it was expected to last for 10 years, and at the end of its life the scrap value was estimated to fetch Rs. 100. Depreciation had been fixed at 10 per cent. per annum under the straight line method. After 3 years and on commercialisation the asset is valued at Rs. 500 proving that a 10 per cent. rate was inadequate. If the original rate of 10 per cent. on Rs. 400 (Rs. 500—Rs. 100) is now written off annually it will take another 10 years to write off the asset, whereas the asset is expected to last for only 3 more years. In such a case the amount of Rs. 400 should be written off in 3 years and depreciation provided at $33\frac{1}{3}$ per cent.

189. Floating assets such as stocks, stores, loose tools, etc., should be valued at cost price or market rate whichever is lower as at the date of the opening Balance Sheet. The cost price will be found on invoices. The Superintendent of the concern should be consulted regarding market rates.

190. **Appreciation of fixed assets.**—As a general rule the appreciation of fixed assets should be ignored. Such assets should be shown in the books at cost *plus* additions *less* a proper provision for depreciation. There may, however, be exceptional circumstances in which fixed assets may be written up to their appreciated value, such as buildings on an important site in an expanding city. In such cases it is undesirable that the amount written up should be credited to Profit and Loss Account and the auditor should recommend that the increase in value being a capital profit should be treated as a Reserve for capital losses. He should ask for the production of a certificate by expert valuers supporting the appreciation.

191. **Sale of fixed assets.**—A gain arising out of the sale of a fixed asset constitutes a capital profit which, strictly speaking, should not be credited to Profit and Loss Account but to a Reserve Account. As, however, Government commercial concerns working under the rules of Chapter 2 of Account Code have to return this profit to Government along with the net book value of the assets sold it may be taken as a general rule that capital profits should be credited to Profit and Loss Account. The transaction should be mentioned in the audit report and the attention of the Accountant General invited thereto so that the proper amounts representing "profits" and "return of capital" may be included in the Government accounts.

192. Depreciation on wasting assets.—The question of depreciation in commercial concerns has in recent years received increasing attention owing mainly to the following facts :—

1. The rapid passing of the administration of capital from the hands of the actual owners into the hands of officials who are responsible for maintaining the value of the assets of the concerns.
2. The increasing adoption of bonus and profit sharing schemes, and
3. The burden of taxation.

These developments increase the need for accuracy in computing the annual Manufacturing, Trading and Profit and Loss Accounts and this cannot be attained without attention being paid to the question of depreciation. Although such developments do not in all cases affect Government commercial concerns the regular provision for depreciation is necessary in order to determine the cost (apart from questions of profit and loss) of producing commodities and of rendering services and it is of great importance to Government in all questions concerning comparative cost such as :—

- (a) arriving at cost of production for the purpose of fixing selling prices,
- (b) comparing cost of production of similar articles in different concerns,
- (c) comparing cost of production between machine and hand processes,
- (d) comparing cost of outturn of machines of different type or age.

Many describe the provision for depreciation as a provision for future renewals. This is only partially correct as the annual provision relates more to the past than to the future. It is for the replacement of capital in respect of past capital outlay expired in the process of carrying on a concern.

193. The principal methods used in practice for charging depreciation on Buildings, Plant and Machinery, etc., are as follows :—

- (a) *Fixed instalment system.*—Commonly known as the “ straight line ” method. Under this system a fixed percentage calculated upon the *original cost* of the asset, is written off each year. This system is considered by many to give results, which approach most nearly to fact. The annual charge to Profit and Loss Account will still differ from the true expired capital outlay of the wasting asset but in a smaller degree than under the other methods which are suitable for adoption in Government commercial concerns. It must be borne in mind that under the fixed Instalment method separate calculations are necessary at the end of each year in respect of additions during the year (see Form 17, Chap. 9).
- (b) *Reducing Instalment system.*—Under this system a fixed percentage is written off each year calculated upon the *reducing balance* brought down upon the asset account. This is the most simple

of all methods of calculating depreciation and for this reason it is the method most commonly used in connection with plant and machinery. The disadvantages of writing off depreciation on the reducing balance of cost basis may be summed up by stating that when a rate sufficiently high to extinguish the cost at the end of the estimated life of the asset is employed, an abnormally heavy burden is thrown on the earlier years and an altogether inadequate charge in later years. It is argued that as repairs will increase in the later years this will even matters up, but it is better to deal with the question of repairs apart from that of depreciation. The great weakness of this system is that it takes a very long time to write an asset down to approximately *nil*.

When once the useful life of an asset is fixed, a much higher rate of depreciation must be employed under the reducing instalment system than under the straight line method. The important point to be borne in mind, when either the fixed or reducing instalment system is employed, is that the original cost of an asset *less* estimated residual value must be completely written off during the period of its use.

Under either of the above methods the amount appropriated to the Depreciation Reserve may be invested in a Fund. If, instead of being allowed to invest these funds in securities, Government commercial concerns remit such funds to Government, interest may be allowed thereon and the amount credited to Profit and Loss Account. A point to be watched after a period of years, particularly when high rates of depreciation are used, is that the depreciation fund in respect of any particular asset or group of assets is not allowed to become greater than the value of such asset or assets. When the amount in the fund in respect of any particular asset or group of assets is equal to the value thereof payment into the fund in respect of that asset or group of assets should cease.

(c) *Sinking fund system*.—Under this method the asset is allowed to stand in the books at its original cost. A fixed sinking fund instalment for each asset or group of assets is debited to profit and loss account annually and a corresponding amount of cash is invested every year in “gilt-edged” securities, the amount being such as will, during the life of the assets, accumulate at compound interest to the sum required to replace them, the interest earned on the investments as received, being credited to Depreciation Fund Account.

(d) Another method of providing for depreciation is the Insurance Policy system whereby a policy is taken out with an Insurance Company for the amount required to replace the asset at the end of its life. It is not considered likely that Government will ever

consider this method for adoption in Government commercial concerns.

- (e) The method usually adopted for such assets as Loose Tools, Patterns and Livestock is that of annual revaluation, the profit or loss arising being credited or debited to Profit and Loss Account and debited or credited to the asset account respectively.

194. The question as to whether an annual charge should be made in respect of depreciation on roads frequently arises in forest circles and divisions. The general rule is that permanent roads, if maintained in proper order, should not be depreciated but all maintenance charges should be debited to Trading or Profit and Loss Account. The same remark applies to fencing and other similar works which do, of course, depreciate but these items are not usually of the same importance as roads. Temporary roads built for a specific purpose and to be used for a stated period should be depreciated over the period in use.

195. **Rates of Depreciation.**—The following are the rates of depreciation generally adopted though it is possible that special circumstances may make them higher or lower :—

			<i>Under fixed Instalment system.</i>	<i>Under Reducing Instalment system.</i>
			Percentage.	Percentage.
Permanent buildings	..	..	1 to 2½	2½ to 5
Temporary buildings	..	..	written off over the life period.	
Plant and Machinery—general rate	..	..	5 to 10	10 to 15
			(in addition to charging repairs and minor renewals to Revenue).	
Carts, vans, motor cars and motor lorries	..	..	12½ to 20	17½ to 33½
Boilers	..	..	15 to 17½	20 to 25
Furniture and Fittings	..	..	5	7½

When fixing depreciation rates on special classes of plant and machinery a reference to the allowances made by the Income-tax authorities given in the Government of India Income-tax Manual may be useful.

196. Practical treatment of depreciation in the accounts.

1. *Where funds representing amount of depreciation provided annually are neither remitted to Government nor invested in gilt-edged securities.*

(a) *In Books of the concern.*—Manufacturing or Profit and Loss Account

To Depreciation Reserve Account

Dr.

Cr.

If the original cost of an asset which has been realised was Rs. 6,000, the depreciation provided Rs. 3,500 and the price obtained Rs. 2,000 while the

cost of the new asset in replacement is Rs. 7,000, the entries in the books of a Chapter 2 concern in connection with the replacement of an asset will be :—

(1) Asset Realisation Account Dr.	6,000		
To asset Account		Cr.	6,000
(To transfer original cost of asset.)			
(2) Depreciation Reserve Account Dr.	3,500		
To asset Realisation Account		Cr.	3,500
(Being amount of depreciation provided.)			
(3) Personal Ledger Account (or Treasury Account) Dr.	2,000		
To Asset Realisation Account		Cr.	2,000
(Being proceeds of sale.)			
(4) Manufacturing or Profit and Loss Account .. Dr.	500		
To Asset Realisation Account		Cr.	500
(To transfer loss on sale.)			
(5) Government Capital Account Dr.	2,000		
To Personal Ledger Account		Cr.	2,000
(To record actual withdrawal of cash by Government in Chapter 2 concerns only.)			
(6) Personal Ledger Account (or Treasury Account) Dr.	3,500		
To Government Capital Account		Cr.	3,000
To Manufacturing or Profit and Loss Account			500
(To record receipt of cash from Government for the purchase of a new asset).			
(7) Asset Account Dr.	7,000		
To Personal Ledger Account (or Treasury)		Cr.	7,000
(To record purchase of new asset.)			

(b) *In Government Accounts.*—Rs. 2,000 in cash received from a Chapter 2 concern on realisation of an asset will be treated as “Recoveries of investments in Government commercial undertakings”. The entries in connection with renewal of assets will be “Investments in commercial undertakings” will be charged with Rs. 3,000 and losses in commercial undertakings will be charged with Rs. 500.

2. *Where funds representing amount of depreciation provided annually are remitted to Government, the reserve account remaining in the books of the concern.*

(a) The entries in the *books of the concern* will be :—

Manufacturing or Profit and Loss Account .. Dr.		
To Depreciation Reserve		Cr.
(Being the annual provision for depreciation.)		
Depreciation Fund remitted to Government Account Dr.		
To Personal Ledger Account		Cr.
(To record the transfer of cash in respect of the annual provision for depreciation.)		

The “Depreciation Reserve” account and “Depreciation Fund remitted to Government” account contra each other but each account should be left open in the books so as to show clearly the total provision to date.

Where depreciation funds are remitted to Government the entries in the books of the concern in connection with the displacement of an asset will be the same as those recorded above with the following additional entry—

Personal Ledger Account	Dr.	3,500	
To Denreciation Fund remitted to Govern- ment			Cr. 3,500
(To record the return of cash invested. This is in addition to entry No. 6.)			

The entries in the Government Accounts will be the same as those recorded above with the following additional entries :—Government will credit Deposits of Depreciation Funds of commercial concerns when annual contributions are received and on remitting funds to the concern the Deposit Account will be debited.

197. Appreciation of floating assets.—Floating assets which have appreciated in value should not be written up. They should always appear in the books at cost price or market price whichever is the lower on the date of the Balance Sheet. To treat such assets otherwise would be to take credit for unrealised profits.

198. Floating assets used in the construction of fixed assets.—Where floating assets such as stores, timber, etc., are used in the construction of fixed assets in Government Commercial concerns working under the rules in Chapter 2 of the Account Code the value of floating assets *plus* labour expended in the construction of a fixed asset and a portion of the overhead charges should be treated as capital expenditure and sanctioned and budgetted for as such in accordance with the provisions of Article 30 of the Account Code.

An endeavour should always be made to ascertain if the cost of the new fixed asset constructed by the concern amounts to less than what it would have cost to have the asset constructed by the Public Works Department or by outside contractors but no enquiries will be made in this respect by the Commercial Audit Officer or his staff until the case has been reported to the Director of Commercial Audit and orders issued as to the procedure to be adopted.

199. Deposit of Depreciation Reserve Funds with Government.—Depreciation Reserves deposited with Government in respect of commercial concerns of Provincial Governments should be treated as deposits of the Provincial Government concerned and recorded in the Provincial accounts under a Central Ledger head “Depreciation Reserve Funds of Commercial concerns” which should be opened for the purpose, under Section P—Deposits and Advances either under Part I (B) or under Part II (A) according as these funds are or are not regarded as bearing interest. Interest on these deposits allowed by Government should be charged in the Provincial section of the accounts to a new minor head “Interest on Depreciation Reserve Funds of commercial undertakings” to be opened under the major head “20—Interest on other obligations”. It will rest with the Provincial Governments to decide whether interest should be allowed on these deposits and if so, at what rate.

200. Maintenance and Repairs Reserve Account.—Where a Government commercial concern undertakes regular repairs to plant and machinery every three or four years, it is a sound arrangement to debit Manufacturing Account and credit Maintenance and Repairs Reserve Account annually with an

amount representing the equalised annual charge to maintain the assets of the concern in working condition. The reserve is raised to prevent an unequal amount being charged to Manufacturing Account. The actual charges for maintenance and repairs should then be debited to the Reserve Account.

201. Development Expenditure.—Development expenditure is an item which is most frequently found on the asset side of Balance Sheets of Quarrying and Mining undertakings. Such expenditure represents money that has been paid away and which has little or nothing to represent it as an asset, except from the point of view of the owner of a going concern, because should it be decided at any time to close the undertaking, this expenditure may become worthless. From the point of view of a concern which is expected to continue operations for a long time it is the recognised practice to treat some portion of development expenditure as an asset and only charge a proportion against the revenue of each year. It would press very heavily on the income were all such expenditure charged to Manufacturing or Trading and Profit and Loss Account of the year in which it took place. The responsibility lies with the auditors to ascertain that a sufficient amount has been charged every year leaving only in the Balance Sheet a proper proportion to be written off gradually.

202. Stock Verification.—The accuracy of quantities and valuations of stock on hand at the end of a trading period has an important effect on the ascertainment of profits. Stocks may be taken by the persons in charge thereof but they should be checked by a responsible official preferably by one who is not connected with the concern, and priced by the accountant, the calculations and additions being checked by other persons. Each person taking part in the work should sign a stock schedule for the work he has undertaken. The following general principles should be adopted in the valuation of stocks :—

- (a) Raw material should be taken at cost, or market price, whichever is the lower on the date on which the accounts are closed.
- (b) Work-in-Progress should be valued at the cost of raw material used *plus* labour expended thereon to the date of stock-taking. It is, however, not incorrect to include a portion of the works and office oncost charges excluding selling expenses.
- (c) Completely manufactured articles should be valued on the same basis as Work-in-Progress. It should be regarded as a general rule that no portion of net profit, even where such a profit is assured, should be included in a valuation of stock.

Audit should not assume responsibility for the physical verification of stores. It may accept the result of stock verification conducted on correct principles and certified to by a responsible official but has the right to investigate balances of stores in the event of its finding in the stores ledgers discrepancies which seem to require further elucidation.

Special rules for concerns which work under the rules in Chapter 2 of the Account Code.

203. The maintenance of two or more Personal Ledger Accounts.—Where the balance at the credit of a Personal Ledger Account in the name of the Superintendent of a concern amounts to a considerable sum, it is desirable that a

second Personal Ledger Account should be opened in the name of the head of the department controlling the concern. This should be named No. 2 Account, the Superintendent's account being No. 1 Account. Government should fix the maximum balance allowed at the credit of No. 1 Account. If two accounts are opened all receipts should be paid into No. 2 Account. No. 1 Account should be debited with periodical transfers from No. 2 Account and credited with the working expenses.

In the case of a forest circle working under the Chapter 2 rules it may be necessary to open Personal Ledger Accounts in the name of the Officer in charge of each forest division within the circle. The procedure will be the same as that outlined in the previous paragraph, the principal account being in the name of the Conservator of Forests in charge of the circle.

204. Method of budgetting.—Budget estimates for Chapter 2 concerns should show the estimated amounts to be recovered from or paid to Government during the year in respect of (1) capital expenditure and capital receipts and (2) net profit or loss on trading and (3) indirect charges payable to Government. It should not be difficult to prepare an accurate budget for capital expenditure as the estimated cost should be known well in advance. Receipts and working expenses must also be estimated and the budget should be based on past trading results, consideration being given to expected fluctuations in the figures which appear in the Manufacturing and Trading and Profit and Loss Accounts. The staff of the Commercial Audit Branch are expected to assist Superintendents of commercial concerns, when necessary, in the preparation of their budget.

205. Lapse of budget allotment for capital expenditure.—The intention of Article 35 of the Account Code is that as the gross expenditure of the year is subject to the limitation of the vote (or appropriation as the case may be), any amount that is not actually utilised during the year should lapse at the close of the year. Where an amount has been sanctioned, placed in the Personal Ledger Account for capital expenditure but not exhausted in the year to which it relates, there should be a refund to Government of the amount unspent during the year. This amount should be shown as a distinct liability to the Accountant General in the Balance Sheet and should be withdrawn by him from the Personal Ledger Account on receipt of the accounts crediting the heads "Investments in Government Commercial Undertakings" or "Recoveries of Investment in Government Commercial Undertakings" as might be necessary. If the amount unspent during a year is necessary for expenditure in the following year it will have to be rebudgetted for and reimbursed to the Personal Ledger Account in the following year.

In cases in which the audited accounts for a year cannot be issued by this Branch before the close of the Government accounts for the year, the figures as compiled by the Accounting Staff of the concerns may be adopted as the basis of the adjustment referred to above, any readjustment found necessary on the final audit of the accounts being included in the accounts of the subsequent year.

206. Temporary loans to concerns.—It occasionally happens that a Chapter 2 concern requires financial assistance to carry it over a short period. This does not necessarily mean that the working capital is inadequate. It may be due to the fact that considerable purchases of

raw material are being made on a favourable market at a time when outstanding debts are higher than usual. In such cases it is not necessary for the concern to apply to Government for an increase in working capital. Government may decide to grant a temporary loan to the concern at the usual rate of interest. Such loans will be shown in the Balance Sheet of the concern under a separate head until repaid to Government.

Temporary accommodation which a commercial concern may require in the course of the year should be charged to the heads "Section Q—Loans and Advances by the Central Government" or "Section R—Loans and Advances by Provincial Governments—Miscellaneous Loans and Advances" as the case may be. The interest, calculated on the outstanding balance at the bank rate as it stands from time to time, being debited to the Personal Ledger Account of the concern by credit to the head "XVI—Interest".

SUNDRY REVENUE CHARGES.

207. Annual charge for interest on Government capital in the accounts of commercial concerns.—Considerable divergence of opinion exists as to the desirability of debiting Manufacturing Account with interest on Government Capital in a concern. The principal argument in favour of debiting Manufacturing account is that where works oncost is based on the hours worked by each machine, interest on the capital value of the machine may be of some importance. For example, a factory has two machines, one costing £500, turning out certain work in an hour, and the other costing £1,000 turning out similar work in half an hour. The latter machine owing to increase in rate of production may save 50 per cent. in works oncost, but before any comparison can be made it is necessary to calculate loss of interest due to additional capital utilised in the purchase of the more expensive machine. This argument is equally applicable in the case of other assets such as buildings. On the other hand it may be argued that a manufacturer trading on borrowed capital cannot charge any more for his product because he has to pay interest. He is merely able to retain for himself so much less of the profit made at his work.

208. A further and perhaps more important objection to the system of debiting Manufacturing Account with interest is that each machine has to bear many items of cost other than interest, all of which have to be taken into account before the machine rate is arrived at. Such expenses may consist of power, depreciation, repairs, cleaning, insurance and charges for floor space. Each job on which a machine is used is debited with the hourly rate of that machine multiplied by number of hours it is employed on the job. When interest on capital is included with the other charges mentioned above it is difficult, without elaborate records, to say how much is included in a given order. In some concerns it may be necessary to prepare estimates from which the cost of interest is eliminated, particularly in bad times when prices are lowered in order to keep the workers employed, profit and interest being the first items to be disregarded when making estimates. If, however, interest is included in total in the Profit and Loss Account it could easily be eliminated from the list of office oncost charges which are taken into account by addition of percentages to either the labour or labour *plus* materials figures.

209. In the majority of Government factories and workshops interest on Capital is grouped with other general and administrative charges and must therefore be included in office (or general) oncost.

210. A decision that interest on Capital should be charged direct to Manufacturing Account in all Government factories would involve considerable extra labour to the staff, not only in altering the present general oncost rates, but in arriving at the figure to be added to machine hour rates in respect of Interest on Capital. Any advantage obtained would not be commensurate with the necessary extra work.

211. Interest on borrowed money is undoubtedly an expense of the business and as such should appear somewhere in the accounts. Such interest is a matter of finance rather than a factor of costing and as the ultimate net return to Government is the same whichever method is adopted it may be taken as a general rule that interest on capital invested in a concern should be debited to Profit and Loss account and included in costs as an item of office (or general) oncost.

212. **Leave and Pension Charges.**—The rates to be debited to the half-yearly Profit and Loss Account of Government commercial concerns are those fixed by the Government of India for establishments under Fundamental Rule 127 and the contribution is payable in respect of permanent Government servants. In concerns which work under rules in Chapter 2 of the Account Code the amount charged in the accounts should be paid to the Accountant General, either half-yearly or annually. In the case of non-chapter 2 concerns the half-yearly debits in respect of these charges are shown as a liability to Government in the Balance Sheet instead of being handed over to the Accountant General.

213. **Debit of passage contribution to Profit and Loss Accounts of Government commercial concerns.**—In respect of each officer entitled to passage concessions serving in Government Commercial concerns, passage contribution at Rs. 50 per mensem should be charged as one of the indirect charges of the concerns. In the case of concerns working under Chapter 2 of the Account Code, the amount will be debited to the Personal Ledger Accounts and credited to Government under the head "Recovery of Indirect charges from Government Commercial Undertakings" under the major head of receipt of the department concerned. In the case of concerns not working under Chapter 2, no entry in the Government accounts will be necessary on account of the contribution. The Profit and Loss account should be debited and the amount of the contribution shown as a liability to Government in the Balance Sheet.

214. **Profit or Loss on Exchange.**—Some Government commercial concern have transactions with persons in countries with sterling and other currencies. In order to arrive at the profit or loss on exchange all personal accounts with foreign debtors and creditors require two columns on each side in order to record the transactions in rupees and in the foreign currency. As Government commercial concerns maintain accounts in rupees differences will arise at balancing time owing to fluctuations in the rates of exchange and these should

be credited or debited to a Profit and Loss on Exchange Account, according to whether the difference is in favour of or against the concern. The balance on this account at the end of every half-year should be transferred to Profit or Loss Account.

215. Insurance against losses by fire, theft, etc.—As a matter of policy Government do not usually insure their property and insurance should only be applied in the case of such concerns as Government think it desirable to insure. There are three alternatives, *viz.*, (1) The concern should be permitted to insure with an Insurance Company (2) The concern should be charged a small sum in respect of insurance which should be credited to Government which means that it will insure with Government and (3) Government should bear any loss such as would be covered by insurance in the ordinary way, no charge appearing in the accounts of the concern.

216. Accounting for packing material.—Confusion occasionally arises in regard to accounting for packing material. When the cost of packing material is treated as a sale and debited to a customer as an extra charge the cost should be charged against Packing Material Used Account. If the material is supplied free and is not returnable, it can be regarded as an expense of distribution, and, as such, forms a charge against the same account.

217. Timber is sometimes purchased and converted into packing cases by the concern. The value of the timber and the labour charges should be debited to Packing Material Account and the value of cases sent out should be transferred to Packing Material Used Account. The balance on this account at the end of every half-year should be transferred to Trading Account.

218. If packages are charged out at prices which include a profit, and which in the event of their being returned will not be realised, a proper reserve should be made to cover the excess over cost of packages remaining in the hands of customers at the end of the trading period.

The difference between "Double Entry" and "Single Entry" book-keeping.

219. No system of commercial book-keeping can be considered satisfactory which does not furnish a continuous record of transactions, show at any time the amounts due to and from the persons dealt with, show full particulars of assets employed and provide the means of grouping together, at any time, the totals of the transactions recorded, so that the financial result for any given period, and the financial position at the close of the period, may be readily ascertained. The only method of book-keeping which can claim to fulfil these requirements satisfactorily is the Double Entry System.

220. The main principle of Double Entry book-keeping is that every transaction is twofold, or two-sided in its nature. It can be recorded simultaneously in two ledger accounts and in one of these two accounts the entry must be placed on the debit side, while appearing on the credit side in the other. Since every entry appears once on each side of the ledger it follows that the sum of the entries made on the debit side of the ledger is equal in amount to the sum of the entries appearing on the credit side, and that, assuming the

ledger to have been correctly written up, these two totals, if extracted from the ledger accounts to form a Trial Balance, should agree. This check on the accuracy of book-keeping is of the greatest value to a concern. The possibility of readily ascertaining, from the disagreement of the totals of the Trial Balance, that error exists in the ledger is, in practice, one of the principle utilities of Double Entry book-keeping. Double entry book-keeping is superior to single entry in that—

- (a) It furnishes a check on the arithmetical accuracy of the work done,
- (b) It prevents, or at least makes more difficult, any attempt at fraud, by a check being maintained on the accuracy of the postings,
- (c) Expenditure accounts are kept, thus giving facility for watching the expenses by—
 - (i) comparison with previous periods,
 - (ii) affording knowledge as to how the expenditure is made up.
- (d) Complete Purchases and Sales Accounts are kept, enabling comparisons to be made here also, so that increase or decrease of turnover compared with that of a corresponding time in a previous period may be fully noted and its cause ascertained. Further the percentages of gross profit and of expenses to turnover may be watched,
- (e) A balancing of the books may be obtained and correct Manufacturing, Trading and Profit and Loss accounts and a Balance Sheet can be drawn up at any time.

221. "Single Entry" book-keeping is a system under which only one entry is made for the majority of transactions. There are no fixed rules as in the case of "Double Entry". In almost every case where books are not maintained on the "Double Entry" system they are said to be kept on "Single Entry". A concern which keeps its books by this system can only ascertain the position of its affairs at the end of a trading period by taking out a statement of assets and liabilities, the balance being the capital invested in the concern at that date. The difference between such capital and that at the beginning of the year, after taking into account capital paid in or drawn is assumed as the profit or loss which has been made. "Single Entry" sometimes approximates more to "Double Entry", where certain steps required for the latter system have been brought into operation. The name "Single Entry" is a comprehensive term signifying all systems which are not carried to the finality required in "Double Entry".

The difference between an Income and Expenditure account and Receipts and Payments account.

222. An Income and Expenditure Account deals with the whole of the Income and Expenditure for a period, *irrespective of whether such income and expenditure has actually been received and paid or not*, and in character approximates to a Profit and Loss Account employed in a trading concern, whereas a Receipts and Payments Account deals with cash *actually received and disbursed*.

It is a summary of the cash book classified under suitable headings and nothing more.

The liquidation of a Government commercial concern.

223. Government may decide to close down and dispose of the assets of a commercial concern because it has incurred continuous losses. Where the Commercial Audit Branch have been responsible for the local audit of the accounts of the concern it is desirable that that branch should continue to be responsible for the audit until the concern is completely liquidated, *i.e.*, until all debts are collected, all assets disposed of by sale or transfer to another Government concern and all liabilities paid including repayment of capital to Government. If the assets are quickly disposed of, the books of the concern should be transferred to the office of the Government department controlling the concern and should be audited quarterly or half-yearly by the Commercial Audit staff, reports and realisation accounts being submitted to Government and to the Director of Commercial Audit in the usual manner until the liquidation is complete. In the case of Chapter 2 concerns the balance at the credit of the Personal Ledger Account should be transferred by the Accountant General to Government and in the case of book transfers of assets to other Government departments he should arrange for the necessary credit being given to the concern in reduction of its capital debt to Government. If the Superintendent who operated the Personal Ledger Account leaves the concern before the end of the liquidation orders have to be obtained as to the authority who can receive money, dispose of such receipts and pay the debts.

Costing under machine-hour-rate systems.

224. Few Government commercial concerns have adopted the machine hour rate system. It is a matter for consideration whether the adoption of machine oncost with its liability to error will give a closer approximation to realities than oncost based on the system of charging a percentage on labour or labour *plus* materials. The advantages of machine hour rates usually become greater as the cost of the machine, the expenses of operating, and the capacity for work, increase but in the case of those Government factories and workshops where machines lie idle for considerable periods the machine hour system is not suitable.

225. If the system be adopted, the charge for each machine must be arrived at by forming an estimate of the number of working hours in the life of the machine. The original cost of the machine, *plus* the estimated cost of running and maintaining it, when apportioned over its working life will furnish an hourly rate. If this rate is multiplied by the number of the hours the machine is used on a particular job, the debit to that job for machine oncost is arrived at. A register of the number of hours during which a machine is used will furnish a means of calculating the total debits to jobs, and this may be regarded as earnings of the machine. To give due effect to the principle of machine oncost, much elaboration is required particularly when the machines are numerous. As the accounting staff at the majority of Government commercial concerns is small and in many cases not fully trained in com-

mercial accounts, the question of machine oncost requires very careful consideration before it is introduced.

The Double Account System.

226. The Commercial Audit Branch conduct an audit on behalf of Government of certain Electric Supply Companies and other concerns which present accounts under what is known as the Double Account System. This term appears to have arisen as a convenient method of designating that system of presenting the items found in a balance sheet which consists in dividing the balance sheet into two sections Part (I) Receipts and Expenditure on Capital Account and Part (II) General Balance Sheet. The system is adopted by many undertakings of a permanent nature such as Railways, Port Trusts, Tramways, Electric Supply Companies and Water Works. The Balance Sheet differs in form from that invariably adopted by other types of commercial concerns. The terms Double Account System and Single Account System have no connection with the systems of book-keeping generally known as the Double Entry System and the Single Entry System respectively beyond the fact that the accurate preparation of a Balance Sheet either in the form of a "single account" or in that of a "double account" necessitates an efficient method of recording the transactions which they finally embody.

227. The form of the Balance Sheet should have no effect on the principle on which the accounts are maintained. In the case of any commercial concern it is possible to present the Balance Sheet in the ordinary form or in accordance with the Double Account System. In Part I of the account are shown on the credit side the receipts from the issue of shares, loans and debenture stocks. Expenditure incurred in acquiring fixed assets vital to the undertaking is shown on the debit side. Such property has been acquired by the concern for permanent use and not for subsequent conversion into money. The credit balance on this account represents the "working" capital, i.e., capital not locked up in fixed assets and this is carried to the debit (liability) side of Part II of the account. It is possible for a concern to lock up, in the form of "fixed" assets, more than the amount of capital raised by utilising reserve funds for capital expenditure. In such a case the balance in Part I of the account represents the amount of capital overspent, which appears as a debit balance in Part I and as a credit (asset) in Part II of the account, viz., the General Balance Sheet. This term is misleading as it neither shows the capital raised by the concern nor the fixed assets. On the debit side of the General Balance Sheet appear also the liabilities of the concern and such items as reserves generally found on this side of a balance sheet in all concerns. On the credit side are presented the "floating" assets as distinct from the "fixed" assets. Floating assets are those acquired and held temporarily, being intended for consumption, resale or subsequent conversion into money, as for example, stock, book debts, investments, etc.

228. The preparation of the Balance Sheet in this form is to show, in cases' where sanction had been granted for raising and expending capital on certain specified works of a permanent nature, the capital expenditure, under various heads of account, against the amount subscribed.

229. When dealing with accounts presented under the Double Account System questions of real importance relating to the maintenance of fixed assets of a wasting nature invariably arise and it will be convenient if these are dealt with under four heads, *viz.*, depreciation, maintenance and repairs including minor renewals, heavy renewals and lastly replacements. These questions are all closely connected.

230. It has been thought that the Double Account System of presenting the accounts absolved a concern from making any provision for depreciation on its wasting assets. It is, however, not forbidden to do so. In commercial accounting it is clearly recognised that provision should be made for depreciation on wasting assets and some concerns using the Double Account System do so. If depreciation is not charged, it is obvious that the profits during the earlier years of a concern's existence must be overstated while repairs, renewals and replacements in later years involve a heavy burden which may seriously affect its financial position. The question as to whether accounts shall be presented on the Double or Single Account System does not affect this point. The cost of construction of assets may remain in Part I of the account without being subject to a charge for depreciation but care must be taken that, should such assets be destroyed, the amount left in this account must be the actual cost of the new asset; the amount spent on the destroyed asset must be eliminated therefrom and charged against revenue either at once or over a few years. Presumably the answer to the question why the Double Account System does not prescribe the charging of depreciation against revenue is that capital raised for building and developing an undertaking is principally expended in the acquisition of land and the construction of buildings, etc., and immediately after construction the value of such assets, except from the point of view of a going concern, cannot be anything like the value at which it stands in the accounts. The "break-up" value will be small as compared with the expenditure on construction. If capital expenditure is to be carried indefinitely in the accounts every replacement of an asset must be charged against revenue. If assets become inadequate and in the reconstruction some are pulled down the accountant must be careful to ascertain that the items in the accounts representing the reconstructed assets do not contain any expenditure applicable to the assets which have been demolished. In other words, should an asset be partly demolished and a larger asset erected, using part of the old asset, the amount to be shown in the accounts should only be such as would represent the cost of the actual erection of the asset as it then stands. An example will make the point clear. An original asset cost Rs. 50,000 and part of it was pulled down, and reconstructed to make it a new one cost Rs. 75,000; then the total money which has been spent on the asset both originally and in the reconstruction is Rs. 1,25,000. An estimate must be prepared of the cost of the construction of the reconstructed asset if it were being constructed now for the first time. If this estimate be Rs. 95,000 then the difference Rs. (1,25,000—95,000=) 30,000 must be charged against revenue.

231. It will be seen that the Double Account System, to a certain extent, discourages the prudent annual provision for depreciation which one expects to find in the accounts of important commercial undertakings. Although

the Double Account System does not provide for depreciation on wasting assets in Part I of the account this is no argument against providing for depreciation in Part II of the account and it is considered that the principles which apply in the case of ordinary commercial concerns should be applied equally to concerns where accounts are presented on the Double Account System. A perusal of some British Railway Balance Sheets will show that reserves for various purposes have been created out of revenue and shown in Part II of the account and it seems that certain of these railways do not interpret the Double Account System too literally.

232. With regard to Maintenance and Repairs including minor renewals it is generally agreed that the cost of maintaining assets in good repair is one which must fall on revenue. Minor renewals, *i.e.*, the replacement of an asset with one identical in nature costing up to a fixed amount, are usually charged to revenue

233. It will be readily understood that a heavy renewal costing, say Rs. 6,00,000 if such cost is charged to revenue, will involve an unreasonable charge against revenue for the year in which that renewal takes place. The consequent fall in profits may be considerable and in accordance with commercial accounting principles it should have been provided for and distributed over the period of life of the old asset. It follows that depreciation on wasting assets, at any rate, those of considerable value, should be charged to revenue annually, the Depreciation Reserve Account being shown in Part II of the Account. Depreciation may be charged under the "Straight Line" method or under the "Diminishing Value" method on the basis of the life of the asset. Many companies take into account the estimated residual value when fixing depreciation rates. On the renewal of an asset, the sum representing the old asset standing in Part I of the account will be written off against the Depreciation Reserve Account so raised and the sum expended on the renewal will take its place in the Capital Account. Where the cost of such renewal is equal to the sum standing in the Capital Account representing the old asset, or where the cost of the renewal is equal to the depreciation already provided for the asset, the book entries are simple but owing to increased cost of labour and materials in recent years the cost will probably be much greater. In that case the extra cost should be debited to revenue unless it has been foreseen and provided by increased annual instalments to the Depreciation Reserve Account. To give an example: a building costs Rs. 5,00,000 to construct. Fifty years afterwards it is renewed at a net cost of Rs. 6,00,000. Depreciation has been charged each year at Rs. 10,000. The accounts at the time of renewal will stand as follows:—

<i>Capital Account.</i>		Rs.
	Rs.	
To building	.. 5,00,000	
<i>Depreciation Reserve Account.</i>		
	By Revenue A/c.	
	(annual contribu-	
	tions) ..	.. 5,00,000

If the renewal cost Rs. 5,00,000 the Capital Account after renewal would stand at the same figure and the depreciation reserve account for the old asset would be closed. But the renewal cost of Rs. 6,00,000 and the accounts after the renewal would appear as follows :—

Capital Account.

	Rs.				Rs.
To building	.. 5,00,000		By	Depreciation	
				Reserve A/c.	.. 5,00,000
To New building	.. 5,00,000				

Depreciation Reserve A/c.

	Rs.				
To Capital A/c.	.. 5,00,000		By	Revenue A/c.	
				(annual contribu-	
				tions)	5,00,000

Revenue Account.

(Or General Reserve A/c.)

	Rs.
To unforeseen extra cost on building renewed ..	.. 1,00,000

234. Some concerns have a General Reserve Account built up out of profits for the purpose of meeting unexpected outlay. In such a case the sum of Rs. 1,00,000 may be debited to that account and not to revenue. It is considered that the charging of the extra cost of renewals to Revenue or to General Reserve is the only sound method to adopt when the increase in the cost of construction of assets requiring renewal does not increase the earning capacity of the concern.

235. When increased business makes it necessary to replace an asset by one of much greater value than the existing asset the method generally favoured is to charge depreciation reserve account or if no depreciation reserve account exists to charge revenue with the sum representing the book value of the old asset (less receipts or credits for scrap material because it often happens that certain parts of an old asset are used in the construction of the new asset) and to debit Capital Account with the cost of the new asset. Such a transaction would appear in the accounts

as follows:—On the assumption that an old building with a book value of Rs. 5,00,000 is replaced by a new building costing Rs. 10,00,000 the transaction would appear in the accounts as follows:—

Capital Account.

	Rs.		Rs.
To building ..	5,00,000	By Depreciation Reserve A/c. ..	5,00,000
	5,00,000		5,00,000
To new Building ..	10,00,000		
	10,00,000		

Depreciation Reserve A/c.

	Rs.		Rs.
To Capital A/c. (old building replaced)	5,00,000	By Revenue A/c. (annual contributions)	5,00,000
	5,00,000		5,00,000

Or if no depreciation had been charged in past years,

Revenue Account.

To Capital A/c. (old building replaced)	5,00,000
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It will be seen that the capital account will show the actual cost of assets in existence and a proper figure will be chargeable against revenue in respect of assets which no longer exist.

If an adequate charge had not been debited to depreciation reserve account in past years the deficiency should be debited to Revenue.

236. It is considered that the advantage of the Double Account System is that the receipts and expenditure on Capital, being of the nature of a cash account would be easily understood by persons not familiar with book-keeping while the chief disadvantages of the system are that profits of various years may not be correctly shown and therefore the Balance Sheet may not present a true state of affairs because wasting assets do not necessarily have to be depreciated.

Comments on commercial accounts.

237. As the main business of Government commercial concerns is to manufacture, it is the accounts of manufacturing concerns with which this manual is principally concerned. In regard to the accounts to be examined and commented on it is assumed that Balance Sheets and Manufacturing and Trading and Profit and Loss accounts are forthcoming and that the information disclosed in these accounts can be supplemented by further information either from the books of the concern or from individuals. For the purpose of this examination it does not matter whether these accounts are the result of well kept or badly kept books so long as they are genuine. The attitude of the person examining accounts should be as an accountant who is consulted rather as a business man than as an expert in book-keeping. Comments offered will

be of value only in so far as they lead to action either confirming the course which has been pursued in the past, or leading to an alteration in that course. The person examining accounts must, therefore do what he can to put himself in the place of the authority who has to take this action. His comments almost invariably are, and must be, general in their nature. They must suggest rather than dictate and above all they must be simple and intelligible. When examining the accounts of a Government commercial concern there are two main points to which all comments should be directed :—

- (1) Is the concern making all the profit it should ?
- (2) Has the concern a suitable capital represented by fixed and floating assets ?

The first question, demands a reference to the Manufacturing and Trading and Profit and Loss accounts while the second is one on which most light is thrown by the Balance Sheet.

238. The Manufacturing, Trading and Profit and Loss accounts are the statements which demand the more careful attention because nobody can tell a capable Superintendent of a commercial concern so much about his Balance Sheet as he knows himself, whereas it is often possible to tell him by a study of his Manufacturing and Trading and Profit and Loss accounts, of the existence of a state of affairs of which he is not fully cognisant. Moreover, a review of these accounts involves a consideration of most of the items which constitute the assets shown in the Balance Sheet. Another reason for the importance of the Profit and Loss Account, as compared with the Balance Sheet, is that it is much easier for Government to put a commercial concern in a satisfactory financial position than it is to improve its profit earning capacity. It takes skilful management as well as money to turn a loss into a profit or a low profit into a high one. The fuller the original accounts submitted the better ; and for detailed examination these accounts serve as a useful starting point. But from three or four Balance Sheets and Profit and Loss accounts it is not difficult to get a good idea of the business and the changes which have taken place in it, as a whole. It is advisable to bring the figures together in a comparative statement so that fluctuations in Balance Sheet and Profit and Loss Account figures can be seen at a glance. Comparative statements for Government commercial concerns should be maintained at the headquarters of the Commercial Audit Branch and at the office of every circle.

239. The Manufacturing, Trading and Profit and Loss Accounts are the most important documents presented for scrutiny. They present the result of the actual working of the concern as opposed to its financial position at any given date and should be dealt with first. Every item therein is a possible matter for comment. There are three general questions which must always be dealt with—

- (1) Is the Gross Profit, *i.e.*, the margin between the prime cost and selling price sufficient in amount to provide for necessary expenses and for net profit ?

- (2) Are the expenses, taken as a whole, justified by the size of business ?
- (3) Are the percentages of Gross Profit and Net Profit on sales sufficiently high and are those percentages fairly constant ?

In comparing the gross profit of one year with that of another it is true, theoretically, that the ratio of gross profit to sales is not affected by the amount of these sales. But in practice, the amount of sales does affect the ratio. The explanation is that if a concern is equipped for a given normal output the prime cost per article on a maximum output will be somewhat less than the corresponding prime cost of an output of 75% of the maximum. This is not a question of standing expenses ; it is one of pure prime cost. When working at full capacity it is usual that the workers work at their best. When, therefore, it is noticed that with slack times the rate of gross profit goes down the explanation is not necessarily that prices have gone down, but it is probable that with slackness has come a falling off in the efficiency of the factory as a whole. Gross profit shows clearly the margin between cost price and selling price, but it does not show, and cannot show, how the buying and selling respectively contribute to this result. If the rate is very low this may be due to bad buying or wasteful use of labour or material which are matters affecting the producing side of the accounts or it may be due to selling at too low a price. In practice a small gross profit is often due to all these faults. Directly the accounts for several years are put together and compared, a great deal of additional light is let in upon the concern, and much valuable information obtained. Suppose the accounts show the following results:—

1924-25 .. Sales ..	3,00,000	Percentage of Gross Profit to Sales.	25%
1925-26 .. ,, ..	3,50,000	Do. ..	27%
1926-27 .. ,, ..	4,00,000	Do. ..	28%

Here is obviously an improving business—improving both in size and in rate of profit. If on the other hand, the order of the figures is reversed, then equally obviously the business is on the down grade. If the figures run in this way—

1924-25 .. Sales ..	3,70,000	Percentage of Gross Profit to sales.	27%
1925-26 .. ,, ..	4,80,000	Do. ..	30%
1926-27 .. ,, ..	4,00,000	Do. ..	28%

it would appear that the trade done is a fluctuating one though there may be some special reason for the large sales during 1925-26 outside the control of the particular concern, *e.g.*, it has been noticed that Army and other contracts for supplies have been given to certain Government commercial concerns for stated periods on the expiry of which orders have been given to private manufacturers. Expenses which appear in the Profit and Loss Account have also some relation to turnover but not that close and direct relation which prime cost has. For example, rent, salaries and general office expenses are not materially affected by an ordinary increase or diminution in the year's sales. They have to be paid irrespective of the value of the year's receipts.

To show therefore the exact proportion which each item in the Profit and Loss Account bears to sales or to purchases or to labour gives little information which leads to useful action. Nevertheless, the various headings in the Profit and Loss account should be compared with corresponding figures for previous years. Where comparative Profit and Loss accounts for three or four years are prepared there is no limit to the questions which may be asked on the accounts. All important fluctuations should be noted and if a question does not always hit the intended mark it sometimes calls forth other information equally valuable.

240. There is not usually much to comment on in a Balance Sheet. This statement does not show whether or not assets such as buildings are well situated and suitable for their purpose, but in the case of buildings one may form some idea as to whether a rent based on their value is, or is not, too large a charge for the business to bear. It should be ascertained what charge has been made against Revenue in each year by way of depreciation and up-keep of buildings and other fixed assets. General points to consider in a Balance Sheet are :—

- (a) Are the assets suitable to the business both in character and value ?
- (b) Does the business justify large additions to fixed assets ?
- (c) What is the relation between the amount of the Debtors and the amount of the Creditors ? It is generally accepted that book debts should exceed in total the trade liabilities. If credit sales exceed credit purchases, (as they generally do), the value of the debtors accounts should exceed the value of the creditors accounts.

CHAPTER 11.**THE AUDIT OF THE ACCOUNTS OF GOVERNMENT COMMERCIAL CONCERNS.****General principles.**

241. The duties of an auditor commence when those of the accountant have been completed. The accountant and his staff write up the books of account and prepare therefrom the half-yearly or annual statements known as the Manufacturing, Trading and Profit and Loss Accounts and the Balance Sheet which are eventually placed before the auditor. In cases where the accountant is not competent to perform this work the auditor is usually called in to render assistance, but the auditor's work in assisting the accountant is quite distinct from his duty as auditor. The text-books on auditing supplied to circle offices for the use of the staff of the Commercial Audit Branch are "Auditing" by L. R. Dicksee, M.Com., F.C.A. and "Principles of Auditing" by F. R. M. DePaula, O.B.E., F.C.A. Much has been written in these books regarding the duties which devolve upon auditors and they must be studied carefully by every member of the Commercial Audit Branch. It is impossible to lay down rules or regulations which are applicable without exception to all audits, and auditors must, therefore, use their own judgment as to whether the general rules are applicable to the audit in which they are engaged. If they have any doubt upon the subject they should address the Director of Commercial Audit. The following rules relating to commercial audit procedure are included in this Manual for the guidance of Government Commercial Audit Officers. They are necessarily brief and only cover some of the more important duties of an auditor and they must, therefore, be read in conjunction with the abovementioned text-books, the rules issued by the Auditor General and the audit instructions issued by the Director of Commercial Audit from time to time.

242. Before commencing an audit the staff of the Commercial Audit Branch should study the circle office correspondence file, the old accounts, the standing orders and the audit note book relating to the particular audit to make themselves conversant with the accounting system, including internal check, that is in force. The appendix to this chapter (page 129) gives the general procedure, mainly in the form of a questionnaire, for investigating commercial systems of account prior to conducting an audit or preparing a report on a system.

Internal control.

243. An auditor has frequently to accept the results of what is known as 'Internal Control.' The following are examples of what are known as internal checks:—A periodical examination by the Superintendent of a concern of the cash book, vouchers or petty cash vouchers including the additions of the cash book and petty cash book and the balancing of the cash

book periodically with the bank or treasury pass book, a periodical examination of the debtors accounts, the calling over of the postings of the Day Books and Journal into ledgers by clerks who have nothing whatever to do with writing up these books and the posting of them into ledger accounts, a system of continuous stock verification or the checking of pay rolls by clerks who are in no way connected with the preparation of the rolls.

It is an important part of an auditor's duty to scrutinise the system of internal control to see that it is adequate in itself and as independent in character as circumstances permit, and to assure himself that the system is being applied efficiently. The extent of the scrutiny to be applied should depend on the adequacy of the system of internal control and on the completeness and accuracy with which it is being applied.]

Circle Officer's responsibility for audits.

244. A Circle Officer is responsible to the Director for the efficiency of the audits in his circle. It is not essential that he should conduct every audit in person or be present during the whole of an audit but should distribute his time to the best advantage. He will devote more time to audits newly taken up, to audits of greater importance and to accounting investigations. When he is present at the audit of a concern he should personally attend to the more important matters: for instance, he should himself do a considerable portion of the cash book audit, examine the vouchers for large amounts and for unusual charges and check the postings of these amounts into the General Ledger. He should personally vouch the Journal paying particular attention to depreciation, bad debts, work in progress, valuation of floating assets, reserves and all indirect charges and check the postings to the General Ledger. He should himself conduct the audit of sanctions. He should check the Trial balance with the ledger accounts, and see that all accounts are properly ruled off and that only the Balance Sheet items remain.

Financial Books.

245. **Cash Book.**—The Cash Book should be the first book to be examined and it is desirable that a complete audit of that book should be carried out. The audit should ascertain, as far as possible—

- (1) That the total receipts have been brought into the cash book.
- (2) That such receipts have been entered under the exact date on which they arrived.
- (3) That the payments recorded are in order.
- (4) That proper vouchers are produced for the payments.
- (5) That payment was made under proper authority.
- (6) That the items on both sides of the cash book have been posted to appropriate accounts in the ledgers.

The vouching of the cash book and the verification of the cash balance should be done by the person in charge of the audit.

246. Sales and Purchases Day Books and Returns Inwards and Outwards Books.—In the case of concerns where there is practically no internal control the whole of the additions and postings should be checked. Where, however, the system is efficient it will suffice if the auditor checks the totals to the accounts, including the control accounts, in the General Ledger and a portion of the detailed additions and postings. The whole of the purchase invoices and the percentage of sales invoices and returned notes considered necessary should be checked in detail with the entries in the respective day books, particular attention being paid to purchases and sales immediately before and immediately after the date when half-yearly or annual accounts are prepared.

247. Petty Cash Book.—The whole of the additions and postings should be checked and vouchers examined for all expenditure.

248. Journal.—The journal should be fully vouched and all the postings checked.

249. Sales and Purchase Ledgers.—A considerable portion of the additions in the accounts should be checked, and all account balances should be carried to the list of balances at the end of the trading period. If personal ledger control accounts are maintained it should be seen that the totals of the list of balances agree with the balances on the respective control accounts. The sales accounts must be examined to ascertain whether there are any bad or doubtful debts.

250. General Ledger.—All the additions of the accounts should be checked and the balances carried to the Trial Balance. Each account should be examined for unticked items, as such items may be responsible for the books being out of balance.

251. Wages and Salary records.—If the auditor is not satisfied with the system of internal control over payments, all the additions and calculations should be checked.

252. Postage Book.—This Book should not be lost sight of in audit. It should be called for and a portion checked.

253. The duties of an auditor in connection with certain assets and liabilities and items of income and expenditure are as follows :—

(1) *Land and Buildings.*—Where title deeds exist they should be examined. The auditor should satisfy himself that reasonable depreciation is being charged on the buildings and should any part of a building be demolished he must see that the book value of the building is removed from both the asset account and capital account and also from the subsidiary account in the Fixed Asset Register. In the case of new buildings, the Architect's certificates should prove the ledger value.

(2) *Plant and Machinery.*—Plant and Machinery forms a very important item among the assets of manufacturing concerns and it is the auditor's duty to satisfy himself, to the best of his ability, that the amount shown under this head in the Balance Sheet is a fair and a proper amount having regard

to the fact that it is the property of a going concern. The only possible way that an auditor can satisfy himself on this point is to ascertain that since the purchase of the assets a sufficient amount has been written off in respect of depreciation. The auditor should pay particular attention to expensive and delicate machinery which may have a working life of only a few years. The cost of Plant and Machinery purchased, should be carefully scrutinised by the auditor. He should satisfy himself as far as possible, that such additions are legitimate capital expenditure and not merely a part of the cost of upkeep of the asset. The entries in the books relating to replacements and renewals should be carefully examined.

(3) *Furniture and Fittings*.—Every commercial concern has some furniture in its offices and the value thereof is usually shown in the Balance Sheet. The auditor should see that a certain percentage is written off the original cost of all articles every year. In a few large concerns where the value of furniture and fittings is very small as compared with the rest of the property it may be excluded altogether from the Balance Sheet. Another method is to include furniture and fittings at a round sum in the Balance Sheets from year to year and to charge all renewals and maintenance charges to Profit and Loss Account. Whatever method is adopted the auditor should periodically examine the inventory of such articles.

(4) *Stock on hand*.—A schedule of stock of raw material on hand at the end of the trading period should be supplied to the auditor. This must not be confused with general stores used in manufacture which appear in the Stores Ledger. The statement should be signed by the Superintendent of the concern and the value accepted by the auditor after he has test-checked prices from invoices, market rates and the calculations and additions. The auditor should endeavour to satisfy himself that all the stock in the list is in good order and that no deductions from the value arrived at are necessary.

(5) *Work-in-progress and Manufactured Articles*.—Work-in-progress and manufactured articles as at the date of closing a set of books should be credited to the Manufacturing account and the Trading account respectively. The auditor must satisfy himself that the amount has not been unduly inflated. He should ask for a schedule showing the cost of material supplied and the cost of labour expended on each job. It is not incorrect to include in the valuation a proportion of Works Oncost and Office Oncost provided that the percentage is limited to a proper estimate of the actual cost of production. The value of work-in-progress and manufactured articles should not include any allowance in respect of selling expenses or profit.

(6) *Goods on Consignment*.—The auditor should examine certificates from the consignees relating to stocks in their hands as at the end of the trading period.

(7) *Sundry Debtors*.—The auditor should satisfy himself, to the best of his ability, that the amount shown in the Balance Sheet will eventually be received by the concern. Debts which will never be recovered are Bad Debts. Debts, the recovery of which is uncertain, are Doubtful Debts.

Although the majority of Government commercial concerns either sell their output for cash or the debt is secured by deposit or otherwise, some concerns conduct transactions on credit and there is a possibility of loss in the collection of book debts. It is not practicable at any time to divide accurately a concern's book debts into the three classes of 'Good,' 'Doubtful' and 'Bad' and in attempting to do so they must be considered as approximate statements of what may eventually result from the realisation of the debts. The possibility of loss, however, should always be recognised and provided for by the concern and it is the duty of the auditor to scrutinise the accounts of outstanding debtors. In doing so he should take into consideration the age of the debt, the amount, the punctuality or otherwise of previous settlements and, if possible, the customers' financial standing. It is desirable that this examination should be carried out in consultation with the Superintendents of concerns. Debts which are considered bad should have been written off by crediting the debtors account and debiting the Bad Debts account. Doubtful debts should have been provided for by crediting a "Reserve for Doubtful Debts Account" with an amount to cover so much of the debt as is thought to be irrecoverable, the corresponding debit entry being charged against Profit and Loss Account. The amount reserved should be shown on the liability side of the Balance Sheet. If and when a doubtful debt, in respect of which a reserve has been made, becomes bad the "Reserve for Doubtful Debts Account" must be debited with the amount reserved and the debtor's account credited. The auditor's duty in regard to bad and doubtful debts is to satisfy himself that all bad debts are properly written off against Profit and Loss Account and that ample provision is made for doubtful debts. He should realise the importance of examining all debts actually written off and should call for correspondence and other documents which can be produced in confirmation of the fact that the debts are bad. A transfer to Bad Debts Account may be a convenient method of hiding a misappropriation of cash.

If it happens that a debt, which has been written off as bad, is subsequently paid by the debtor, the sum recovered should be credited to Bad Debts Account as a receipt. Should there be no bad debts during that year the amount may either be carried forward at the credit of Bad Debts Account or credited to Profit and Loss Account because an excessive sum had been charged to Profit and Loss Account in the past.

The names of doubtful debtors should not appear in an audit report but if action is considered necessary to avoid a possible loss the matter should be reported confidentially to Government.

(8) *Investments*.—In the Balance Sheets of certain Government commercial concerns the item 'Investments' appears among the assets. These are usually Depreciation Reserve Funds invested in Government Securities. Although the cost price of the investment may be taken as the book value the market price as at the end of the trading period should be shown in an inner column on the Balance Sheet or given in the audit report. It is not necessary to include in the accounts of a Government commercial concern the profit or loss on

investments due to market fluctuations. The auditor should either examine the Share or Stock certificates or obtain a certificate from the Bank or Treasury where they are deposited to the effect that they are in order and belong to the particular concern.

(9) *Advances*.—The Superintendents of some Government commercial concerns have power to make advances to craftsmen, cultivators, etc. It is the duty of the auditor to scrutinise every account and to comment in his report on any advances the recovery of which may be doubtful.

(10) *Treasury or Bank Balance*.—The auditor should examine the certificate relating to the balance at the treasury or bank as at the close of business on the last day of the trading period and also the accountant's statement reconciling the balance in the books with the balance given in the certificate.

(11) *Cash*.—The auditor should conduct a surprise check on the cash balance in hand on the occasion of every audit but not necessarily on the day when the audit is commenced.

(12) *Preliminary Expenses*.—Considerable expense is sometimes incurred before a Government commercial concern starts working. An example would be the deputation of an officer to Europe to purchase special machinery. To charge the total amount of such expenses at once would press unfairly on the accounts of the first year and it is usual to charge only a proportion, varying from 1/3rd to 1/10th against each year's accounts and to place the balance, until the amount be thus gradually extinguished on the assets side of the Balance Sheet against the head 'Preliminary Expenses'. If the auditor finds that the total amount of preliminary expenditure is debited to the accounts of the first year and is so considerable as to have a material influence on the working results of the year, he should suggest that the system of spreading expenditure should be introduced.

(13) *Outstanding Liabilities*.—The auditor should obtain a statement of all outstanding liabilities from the accountant and completely check it with invoices, etc., and compare the figures with those for the previous year. In doing so, he should examine all the expense accounts and the vouchers for payments made from the close of the trading period to the date when the audit is taken up. The audit fee should be debited in the accounts during the period under audit and not during the period in which the final audit for the period is conducted.

(14) *Government Capital Account*.—The figure representing the capital of Government in a concern should be linked up with the figure which appeared in the accounts for the previous trading period. If the concern maintains a current account with the Accountant General a summary of this account should be attached as a schedule to the audit report. In general the auditor should compare the amounts of all Assets and Liabilities with those stated in the previous year's Balance Sheet, and obtain an explanation of, and authorisation for, all alterations.

(15) *Profit and Loss Account.*—In concerns which work under the rules of Chapter 2 of the Account Code the balance on the Profit and Loss Account should remain against a separate head in the Balance Sheet until the profit or loss items are collected or reimbursed respectively by the Accountant General under orders of Government. In non-chapter 2 concerns the profit or loss may be transferred to Government capital account or the accumulated balance may be left against a separate head in the accounts as Government may desire.

(16) *Contingent Liabilities.*—Contingent Liabilities should be noted in the Balance Sheet, though the estimated amount should not be extended to the money column. They may consist of disputed claims such as a claim for dilapidations of premises leased to a Government commercial concern, or bills of exchange which have been discounted.

(17) *Outstanding Cash Discounts.*—Few Government commercial concerns give or receive cash discounts and the question of provision for such discounts may be ignored.

(18) *Trade Discount.*—Trade discount is an allowance deducted from the selling prices of the goods. It has nothing to do with the prompt payment of cash. The allowances should be deducted from the amount of the invoices in the case of goods purchased and the gross and net amounts entered in the Purchases Day Book. In the case of sales trade discount is usually deducted from the amount of the invoice. The auditor should satisfy himself that the proper trade discounts have been deducted from all invoices for goods purchased so that there shall be no inflation of purchases. He should also see that all trade discounts allowed by the concern have been properly deducted from sales.

(19) *Secret Reserves.*—No Secret Reserve of any description should be passed by a Commercial Audit Officer. If such reserves exist the auditor must investigate the facts and the reason for making them on the merits of each case. All such cases will be reported to the Director of Commercial Audit.

(20) *Purchases.*—The auditor should be particularly careful to check in detail all the purchases during the first month and the last month of the trading period and for a few days before the beginning and after the end of that period in order to satisfy himself that items applicable to the period under review have been properly recorded in the goods accounts and stock sheets. The total purchases must include the cost of the goods for manufacture or immediate sale for the period of the account irrespective of whether the same were paid for during the period or not. Care should be taken to ascertain that nothing is included under 'Purchases' which should be included under such heads as Furniture, Plant and Machinery or Tools of any description.

(21) *Wages.*—Wages as distinct from salaries is the term applied to the payment of those employed in manual labour. The auditor should satisfy himself that the whole amount of wages applicable to the period has been charged and that proper receipts or certificates of payment are on record.

(22) *Depreciation.*—The auditor should see that the question of depreciation on wasting assets has been properly considered and that the recognised principles have been applied. If he considers that the rates charged are inadequate he should refer to the matter in his audit report after discussing the question with the Superintendent of the concern and hearing his views.

(23) *Repairs to Buildings, Plant and Machinery.*—The auditor must satisfy himself that repairs, as distinct from replacements and renewals, are charged in the accounts against the Manufacturing, Trading or Profit and Loss Accounts. With a view to equalising profits it is a sound practice to charge a fixed sum in respect of repairs every year and to credit that sum to a Maintenance and Repairs Reserve Account against which account the annual cost of actual repairs will be debited.

(24) *Rent.*—The rent of any land or buildings, including offices, occupied by a concern must be charged for the full trading period and for the purpose of ascertaining that this has been done the auditor should inspect the lease and enter particulars in the audit note book for future reference.

(25) *General Factory, Selling and Office charges.*—Before completing an audit the auditor should make a comparison of the various items of expenditure with those of the same period in previous years. He should inquire into the circumstances of any variation of importance.

(26) *Sales.*—The duplicates of invoices sent to customers should be checked with the Sales Day Book and it should be ascertained that no articles included in sales, and particularly those immediately preceding the end of the trading period, are included in stock.

(27) *Miscellaneous Receipts.*—Miscellaneous receipts require very careful examination, particularly where the concern sells waste material, old packing cases, etc.

(28) *Gross Profit.*—The percentage that the gross profit bears to sales should be compared, by the auditor, with that of the preceding year or half-year, and if the difference exceeds one or two per cent. he should ask for an explanation. Fluctuations may be due to increases or decreases in prices of raw material or a rise or fall in selling rates. Should the explanation not be satisfactory he should refer to the matter in his audit report.

(29) *Audit of Service Books and Leave Accounts.*—During the first audit of the service books of a concern, all the service books should be examined to see that the necessary entries and attestations are being made regularly, that the first pages of the service books are being rewritten or reattested every five years and that there are no serious misinterpretations of rules. After such examination the entries in the establishment pay bills for about two months relating to increments, proceeding on and returning from leave, etc., should be traced into the service books. The actual percentage of service books and leave accounts to be checked will depend on the care with which the service books and leave accounts have been maintained. The auditor may exercise his own judgment in the matter, recording details of the check actually performed in the audit note book for the concern.

Calculations of initial rates of pay on the introduction of a time scale of pay should be scrutinised in the manner laid down in paragraph 1 of Appendix II to the Audit Code, unless such scrutiny has already been conducted by the Accountant General.

Leave accounts should be checked with reference to the relevant rules in the Fundamental Rules and the Audit Code and the instructions issued from time to time by the Auditor General.

(30) *Contracts involving Expenditure from Central Revenues.*—The following fundamental principles have been enunciated by the Governor General in Council for the guidance of authorities who have to enter into contracts or agreements involving expenditure from the Central revenues :—

- (1) The terms of a contract must be precise and definite, and there must be no room for ambiguity or mis-construction therein.
- (2) As far as possible, legal and financial advice should be taken in the drafting of contracts and before they are finally entered into.
- (3) Standard forms of contracts should be adopted wherever possible, the terms to be subject to adequate prior scrutiny.
- (4) The terms of a contract once entered into should not be materially varied without the previous consent of the competent financial authority.
- (5) No contract involving an uncertain or indefinite liability or any condition of an unusual character should be entered into without the previous consent of the competent financial authority.
- (6) Whenever practicable and advantageous, contracts should be placed only after tenders have been openly invited, and in cases where the lowest tender is not accepted, reasons should be recorded.
- (7) In selecting the tender to be accepted the financial status of the individuals and firms tendering must be taken into consideration in addition to all other relevant factors.
- (8) Even in cases where a formal written contract is not made, no order for supplies, etc., should be placed without at the least a written agreement as to price.
- (9) Provision must be made in contracts for safeguarding Government property entrusted to a contractor.
- (10) The Auditor General and under his direction, other audit authorities have power to examine contracts and to bring before the Public Accounts Committee any cases where competitive tenders have not been sought, or where high tenders have been accepted, or where other irregularities in procedure have come to light.

Stores accounts.

254. The volume of work carried out by the auditor on the stores accounts depends almost entirely on the efficiency of the internal system of accounting and control and each case must be considered on its merits. If an efficient system is in use it may only be necessary for the auditor to test-check one month's transactions, preferably the first or last month of the trading period. In doing so he should check delivery notes and requisition notes to the bin cards and to the priced stores ledger, at the same time satisfying himself that the numbered bin cards are all on record. He should check, with the permission of the Superintendent, the quantity of a few articles held in store with the appropriate bin cards and the priced stores ledger. He should also examine a few items as to maximum and minimum quantity allowed with the actual quantities on hand and check a percentage of the postings to the Priced Stores Ledger.

The audit of, and preparation of annual accounts from books maintained on "Single Entry" principles.

255. When auditing the accounts maintained on "Single Entry" principles the first items to be taken up should be the vouching and checking of additions of the cash book for the period in question and for a month prior to and subsequent to that period. The stock records should be checked and special attention devoted to purchases and sales about the time of stock-taking. The cash transactions in the Cash Book should then be analysed under titles of General Ledger Accounts. A statement should be prepared containing all Assets and Liabilities as at the beginning of the period, and accounts opened in a General Ledger for the initial balances. The items in the cash book will then be posted to proper accounts in the General Ledger. The totals of the purchases and returns outwards will be posted to a purchase ledger account and the totals of sales and returns inwards to a sales ledger account. Lists will be prepared of the debtors' and creditors' balances at the end of the trading period, noting in the case of debtors any which may be bad or doubtful. Statements of outstanding assets and liabilities at the close of the year, had debts, interest, depreciation, audit fees, etc., should be prepared and the necessary entries made in the General Ledger. The Government account for the period under consideration will then be written up, particular attention being paid to receipts and payments on Capital Account. The difference between the two sides of the Balance Sheet at the end of the trading period will represent the profit earned or the loss incurred.

See paragraphs 219 to 221.

Audit Note Books.

256. A separate note book will be kept for every audit. The object of an audit note book is firstly, to record, as minutely as possible, details of the daily work carried out by the audit staff. It should contain a record of all queries that arise in the course of an audit which have to be answered to the auditor's satisfaction before his report is issued, and the answers thereto. The note book enables the auditor to preserve the evidence of the work done so that should any

question arise in later years as to whether he had performed his duties either generally or in special instances, he would be able, from his notes made at the time, to prove that the work had been properly carried out. Audit note books will not be treated as memoranda books for use at the time, entering queries and merely marking them off when dealt with. If that is done it will frequently happen that the auditor will be unable to supplement from his memory the scant information from his note book when called upon to do so. It will frequently happen that an auditor, who carried out an audit one year, will not be able to do so in the next year and an audit note book, that cannot convey to his successors the nature of the work done in the past so as to guide him in the conduct of the audit, is of very little practical use. The types of entries which should appear in an audit note book are as follows :—

- (a) A list of the books of account, and if any are of special design having regard to the nature of the business whose accounts are being audited, an explanation of the design ;
- (b) A register of the detail work of the audit and time occupied thereon both by the auditor in charge and his assistants. The following examples are given as to the class of entries which should be made in the Note Book.

Cash Book.—The receipts, vouched with the counterfoils of receipt books and checked in detail with the treasury or bank account and personal ledger accounts, the payments checked with the vouchers, and also in detail with the treasury or bank account, and personal ledger accounts, the postings of the receipt side checked into the Sales Ledger ; and also into the General Ledger, and the postings of the payment side checked into the Purchase Ledger and also into the General Ledger.

In the same way the details in connection with the audit of the Petty Cash Book, Day Books, Wages Books, Journal, etc., can be set out.

- (c) Copies of important clauses of agreements entered into by the concern, Government Orders, etc.
- (d) A list of missing vouchers.
- (e) Queries arising in the course of audit and answers thereto.
- (f) Details in connection with the verification and certification of stocks and full information as to the steps taken by the auditor to satisfy himself that the officials of the concern responsible for the taking of the stock and the valuation thereof have properly carried out their duties. All unimportant queries and mistakes should be settled and adjusted as they occur. It is not necessary to make notes thereof.

The audit note book, together with the usual certificates signed by the officials of the concerns relating to stock, bad debts, outstandings, cash balance, etc., copies of all draft reports and statement of accounts will be kept in a separate file linked with the ordinary correspondence file for that particular concern in the circle office.

Check 'Ticks'.

257. In the course of an audit it frequently happens that more than one 'tick' has to be placed against the same items. It is therefore desirable that different varieties of 'ticks' should be used, each one denoting that a special part of the audit has been performed. One class of 'tick' should denote vouching; another, the calling-over of postings; and a third that an addition has been checked. 'Ticks' denoting calling over of postings should be placed against the number of the pages and not against the amounts. They should be made in coloured ink and not in pencil and they should be small and neat so as not to give the books an untidy appearance. The auditor should accommodate the officials of the concern whose books he is auditing by checking such books as can most conveniently be spared from time to time.

Certificates to be obtained by Commercial Audit Officers from Superintendents in charge of concerns.

258. Before signing an audit report and accounts Commercial Audit Officers will obtain the following certificates from the Superintendent in charge of the concern :—

1. A certificate that the balance of cash shown in the cash book at the close of business on the last day of the trading period actually represented the amount held.
2. A certificate that the stores and stock on hand as at the close of the business on the last day of the trading period have been valued at cost or market price, whichever is lower, and that they consist of serviceable stores required for use.
3. A certificate that the list of sundry debtors has been scrutinised and that the classification of good, doubtful and bad debts correctly represents, to the best of his knowledge, the actual position.
4. A certificate to the effect that the value placed on work-in-progress, as at the close of business on the last day of the trading period, does not include any sum representing profit.
5. A certificate to the effect that, to the best of his knowledge, all liabilities have been included in the accounts for the period.
6. A certificate that, to the best of his knowledge, there are no contingent liabilities as at the end of the trading period.

Form of presenting an audit report.

259. Matters for inclusion in an audit report should be dealt with in the following order :—

1. Introduction.
2. Comments on items which appear in Manufacturing Account.
3. Comments on items which appear in Cost Statements.
4. Comments on items which appear in Trading Account.

5. Comments on items which appear in Profit and Loss Account.
6. Comments on items which appear in Balance Sheet.
7. Comments on financial position (Chapter 2 concerns).
8. Report on irregularities (if any).
9. Comments on the state of the account books and general efficiency of the office staff.
10. Paragraphs of report on which orders of Government are required.

The introductory portion of the first audit report prepared by the Branch on a Commercial concern should contain full particulars relating to its formation and its objects.

The progressive profit or loss since a concern was first started or since the accounts were first commercialised should be mentioned in the reports of both Chapter 2 and non-chapter 2 concerns. The accounts also of non-chapter 2 concerns should exhibit the progressive profit or loss.

The percentages of gross and net profits should be worked out and compared with those of previous years. If the percentage of gross profit on the sales is not what should be expected, the reasons for the difference should be carefully investigated. Comments on noticeable deviations in the percentages of raw material and productive wages to sales should also be included.

Comments on financial position of a concern working under the rules in Chapter 2 of the Account Code.

260. In every audit report of the accounts of concerns which work under the rules in Chapter 2 of the Account Code the auditor should comment on the financial position of the concern. He should give a summary of the floating assets and liabilities and state whether, in his opinion, the amount of working capital is suitable. When offering remarks on the financial position and the immediate cash requirements of commercial concerns during the half-yearly audit to 30th September the auditor may recommend the immediate withdrawal by the Accountant General, under the orders of Government, of any surplus cash balance representing debits in the accounts in respect of indirect charges such as interest on capital, audit fees, leave and pensionary charges and share of direction charges for the whole financial year or part of the year. He should state clearly in the report what the indirect charge under each heading amounts to and for which periods the amounts cover.

In the case of profitable Chapter 2 concerns the withdrawal of net profit or a portion thereof for the half-year to 30th September may be recommended if considered desirable.

Audit report and accounts to be discussed with the Superintendent of the concern.

261. During every audit the auditor in charge should make a point of discussing his report and accounts with the Superintendent of the concern to satisfy himself that the facts, particularly those relating to technical points

have been properly represented in the report. If the views of the Superintendent differ from those of the auditor this should be stated in the report. If the Superintendent or the auditor consider that any matter should be treated as confidential a separate report will be submitted by the auditor to the Director of Commercial Audit.

Auditor's certificate.

262. Before signing a certificate at the foot of a Balance Sheet of a Government commercial concern the auditor should obtain the signatures of the Superintendent in charge of the concern and of the accountant. The auditor should state in the certificate whether or not he has obtained all the information and explanations he has required, and whether, in his opinion, the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the concern's affairs, according to the best of his information and the explanations given to him, and as shown in the books of the concern. If it is necessary to qualify his certificate in any way he must do so or state that this certificate is subject to the remarks contained in certain paragraphs of his report. Although the auditor may be in a position to sign an unqualified certificate, it is desirable that the fact that he has issued a separate report should be stated in the certificate.

The frequency of inspections by the Commercial Audit staff.

263. The question as to whether a local audit should be carried out annually, half-yearly or quarterly depends to a considerable extent on the efficiency of the internal accounts control. With few exceptions a local audit is conducted half-yearly, but if the Accountant General or the Director of Commercial Audit consider that an audit staff should visit a concern at more frequent intervals this should be arranged. In the case of certain audits which are conducted quarterly or half-yearly Manufacturing, Trading and Profit and Loss accounts and Balance Sheets are prepared only at the end of the half-year or year as the case may be. Audit reports should, however, be submitted at the conclusion of every audit,

APPENDIX TO CHAPTER 11.
General Procedure prepared for the guidance of Auditors when investigating systems of account prior to conducting an Audit or preparing a Report.
General.

1. On arrival report to the Superintendent in charge of the concern and indicate to him the procedure to be followed in the audit or investigation.
2. Arrange for introduction to other officials, *e.g.*, Works Manager, Accountant and Storekeeper.
3. Obtain from the Superintendent or Accountant a chart of the organisation and if this does not exist have one prepared showing all departments including the office and the officials in charge.
4. Obtain a list of articles manufactured.
5. Make a general tour of the factory, carefully noting anything outstanding that occurs to you.
6. Follow the progress of a worker from the time of being engaged until he reaches the workshop.
7. Follow the progress of raw material, etc., from the time it enters the stores until it is returned from the workshops to the stores in the form of manufactured articles.
8. Investigate system of financial books.
9. Investigate system of stores accounting.
10. Investigate system of cost accounting.
11. Examine all subsidiary records such as those maintained for labour payments and for fixed assets.
12. Obtain rulings of all books and forms used.
13. Ascertain if the books are well kept according to recognised commercial accounting principles and if they are up-to-date.

FINANCIAL ACCOUNTS.*Cash Book.*

1. What is the form ? Is it a three-column cash book for cash, bank or treasury and discount or are there further columns on each side for sales and purchase ledger items to facilitate the maintenance of control accounts ?
2. Are receipts paid into the bank daily ?
3. Are printed receipts granted, and if so, is a counterfoil retained and what is the control over new receipt books ?
4. How often is the cash in hand checked by the Accountant and by the Superintendent in charge of the concern ?
5. Does the Superintendent certify in writing that the balance has been verified ?
6. How often is the cash book balance reconciled with the treasury or bank balance ?
7. Who operates on the bank or treasury account and who is authorised to endorse cheques ?
8. With what treasury or bank is an account kept ?
9. Is the balance in bank or treasury watched in Chapter 2 concerns and if any amounts surplus to requirements reported to the department of Government controlling the concern ?
10. How are the vouchers filed ?
11. Is the cash book initialled or signed monthly or at more frequent intervals by the Superintendent ?
12. Is any system of internal audit in operation ?
13. Does the accountant keep the cash book ?

Petty Cash Book.

1. Is the Petty Cash Book in columnar form ?
2. Is it maintained on the Imprest System ?
3. How are the vouchers filed ?
4. Are vouchers obtained for all disbursements, and if not, does the Superintendent initial all payments ?
5. Is the balance on hand checked from time to time by the Accountant ?
6. Who keeps this book ?

Purchases and Sales Day Books and Returns Books.

1. Are they in columnar form for analysing purchases and sales, and if so, how many columns are there for departments or kinds of goods ?
2. Are invoices entered less trade discount ?
3. Are copies of invoices outwards kept ?
4. How are cash discounts treated ?
5. How are invoices filed ?
6. Who is responsible for writing up these books of original entry ?

Purchase and Sales Ledgers.

1. Do control accounts between these ledgers and the General Ledger exist ?
2. How often are the ledgers balanced ?
3. How often are lists of balances prepared and agreed with the balances on the control accounts ?
4. How many ledgers are there for debtors and creditors ?
5. Are balances in the Purchase Ledger checked with creditors statements ?
6. How often are overdue debtors' accounts listed and are they brought to the notice of the Superintendent in charge of the concern ?
7. What is the system of sending out statements of account to debtors ?
8. What periods of credit are allowed by creditors and to debtors ?
9. Who fixes the limit of credit allowed to debtors ?
10. Who is responsible for posting items to these ledgers ?

Journal.

1. Is it columnar with columns for each ledger ?
2. Are proper vouchers obtained for all entries ?
3. How are vouchers filed ?
4. Who is responsible for writing up ?

General Ledger.

1. Does it include control accounts with purchases and sales ledgers ?
2. Are stores control accounts maintained for each main group of stores ?
3. Does it include a depreciation reserve account or is depreciation deducted from the asset accounts ?
4. Who is responsible for posting items to this ledger ?
5. How often is a Trial Balance prepared ?

If there are any other financial books obtain a list and note the purpose served by each book.

STORES ACCOUNTS.

Accountant's Staff.

1. From whom are requisitions for materials received and by whom are requisitions approved ?
2. Are tenders invited for purchases costing over a certain amount, and if so, are they submitted to the official who signs the purchase orders ?
3. Are you satisfied that there is a reasonable check against receipt by officials of illicit commissions ?
4. How many copies of the orders are made and to whom are they sent ?
5. What advices are received of deliveries under orders and what record is kept of the deliveries against orders ?
6. Are orders usually completed by the supplier of one order before he commences delivery under a subsequent order ?
7. By whom are goods received and checked with the purchase order ?
8. By whom are invoices checked with purchase order ?
9. How are invoices marked when checked ?
10. Is an invoice stamp in use ?
11. Who passes invoices for payment ?
12. From whom are stores requisition notes received ?
13. What check is there that all requisition notes reach office ?
14. By whom are requisition notes priced and how are the prices obtained ?
15. By whom are the prices, extensions and additions checked ?
16. From what source is the Priced Stores Ledger posted as to receipts and issues ?
17. Do all materials including those for special jobs pass through the Storekeeper's records ?
18. How are Stores Returned Notes dealt with ?
19. Are materials charged out at actual cost or average prices ?
20. How are sales orders recorded and to whom are they passed ?
21. What record is maintained of orders having been executed ?
22. Who is responsible for collection of accounts ?
23. Are agents or travellers employed ?
24. How are they remunerated ?
25. Is a commission paid to any official ?
26. On what is the commission based, net profit, net sales or outturn ?
27. By whom are goods delivered to customers checked with the Sales Order ?
28. Who prepares the invoices ?
29. Are stores control accounts maintained in the General Ledger, and if so, from what sources are they posted ?
30. How often is there a physical stock-taking, and how are differences treated ?
31. How many men are engaged on stores accounting in the accountant's office ?

Stores Staff.

32. Where, by whom, and under whose supervision are Bin Cards kept ?
33. On whom does the Storekeeper requisition for materials ?
34. Does the Storekeeper maintain a Goods Received Book to record all materials entering the Works ?
35. What check is made as to quantity and quality of materials received and are advices passed to the Accountant or Superintendent ?

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36. Does it ever happen that goods are delivered direct to a workshop without passing through the stores ?
 37. Are materials properly stacked in the stores ?
 38. Who are authorised to sign requisitions on stores and how many copies are made out ?
 39. To whom are requisitions sent ?
 40. Are requisitions numbered consecutively ?
 41. Are stores returned notes in use, and if so, do they distinguish between good and faulty materials ?
 42. Does the Storekeeper maintain a stores issued book ?
 43. Is there a stores vocabulary ? Is it priced and whose duty it is to keep it up-to-date ?
 44. On what authority are manufactured goods sent to stores and are they accompanied by any form, and if so, how many copies are made and to whom are they sent ?
 45. On what document are deliveries of manufactured goods out of the stores made and what advice is sent to the office and to the gatekeeper of deliveries to be made by road ?
 46. Are transfers of stores from shop to shop or job to job recorded on requisition and stores returned notes or by means of transfer notes ?
 47. How often is stock taken and by whom ?
 48. Is stores accommodation adequate and is the lay-out convenient ?
 49. How are scrap materials dealt with in stores and what advice is passed to the Superintendent for scrap on hand available for sale ?

Cost Accounts.

1. What is the system of cost accounts in use ?
2. Are material analysis sheets prepared from the stores requisition and returned notes ?
3. Are the total of the wages analysis sheets agreed with the Pay Roll ?
4. Through what channels do the records of labour, materials and works and office oncost come ?
5. What is the method of spreading Works and Office oncost ?
6. Are the rates reviewed from time to time ?
7. What cost books are kept ?
8. Do they link up with the financial books ?
9. What statistical reports on production are supplied to the Superintendent and how often are they submitted ?

Labour Records.

1. Obtain the names, designations and duties of officials engaged on the employment of workers.
2. Ascertain the procedure followed in the recruitment of labour.
3. Does the concern maintain a history record of employees ?
4. Who authorises changes in rates of pay and where are changes recorded ?
5. What is the system of payment ?
6. Is payment made on piece-work rates or day-work rates ?
7. What is the system of recording time worked on jobs and who checks the record before the pay roll is prepared ?
8. What supervision is there over timing in and out ?
9. What are the hours of work or shifts ?

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10. What check is there on (a) Late comers, (b) Men leaving before time, (c) Temporary absentees, (d) One worker recording for another ?
 11. How many entrances are there for workers ?
 12. How is idle time recorded ?
 13. How is overtime recorded ?
 14. What is the number of workers on the Pay Roll ?
 15. From what records is the Pay Roll compiled ?
 16. By whom it is compiled and checked and by whom it is signed ?
 17. Is the pay made up by the clerks who have compiled the Pay Roll ?
 18. Are the wages actually paid by the clerks who have compiled or checked the Pay Roll ?
 19. What receipt is given by the workers ?
 20. Is the pay made up of tins, envelopes or is it loose ?
 21. Is a pay slip issued to the workers before payment ?
 22. What check is there to prevent wages being claimed fraudulently ?
 23. How are unclaimed wages treated ?

Register of Fixed Assets.

1. In what form are the registers maintained ?
2. Is one account devoted to each item of building, plant and machinery ?
3. Do the net totals of the various accounts agree in aggregate with the asset accounts less depreciation reserves in the General Ledger ?
4. Is depreciation charged on original cost or on depreciated value ?
5. How are the rates of depreciation fixed ?

Planning and Progress Department.

1. What are the duties of this department ?
2. Who is in charge and to whom is he responsible ?
3. From whom are copies of orders to manufacture received ?
4. What staff is maintained for recording the progress of production (a) in the department and (b) in the workshops and what records are compiled ?
5. What action is taken on these records ?
6. Ascertain the manner in which orders for production are issued to the workshops ?
7. Is a schedule of materials for each job prepared, and if so, to whom are copies sent ?
8. Is a control kept on materials actually used by comparison with the schedule ?
9. Is there proper co-operation between this department and the workshops ?

PART II.

CHAPTER 12.

DEPARTMENTAL REGULATIONS : I. GAZETTED STAFF.

Reference to the Audit Code.

264. The Regulations applicable to the Gazetted Staff of the Indian Audit Department as a whole are to be found in Chapter 2 of the Audit Code and they apply also to Officers of the Commercial Audit Branch.

Training.

265. It is one of the duties of the Director of Commercial Audit to train officers of the Indian Audit and Accounts Service in Commercial accounting and auditing. An officer of the Indian Audit and Accounts Service attached to the Commercial Audit Branch for training shall be treated as on duty. It is not therefore necessary to create a temporary post for that officer during the period of his training, his case being covered by paragraph 1 of the general orders issued by the Government of India, Finance Department in their Resolution No. 724-C. S. R., dated the 16th May 1923.

Travelling allowance.

266. The officers of the Branch draw mileage and daily allowance at the rates and under the conditions applicable to officers of corresponding pay under the Travelling Allowance Rules of the several Local Governments *vide* 46 (b) and 51 (b) Supplementary Rules.

267. The Government of India in their letter No. 388-F. E., dated the 19th February 1924 sanctioned the grant to officers of the Central Government travelling in Assam of the same rates of daily allowance as are fixed for officers of the corresponding status under the Local Government. (File No. 107-Com. of 1928).

268. The Auditor General has decided that note 7 to Annexure I to the Madras Travelling Allowance Rules is not applicable to the officers of the Indian Audit and Accounts Service appointed on or after the 23rd of June 1920, whether they are of Asiatic or of non-Asiatic domicile.

269. Officers of Class II of the Indian Audit and Accounts Service will be classed, irrespective of pay, as first grade officers under the Bombay Government Supplementary Rules.

[Government of India, Finance Department No. F. 56-VIII R. II, dated the 15th February 1928, in File 106-Com. of 1928.]

269A. Officers in Class II of the Indian Audit and Accounts Service, whose pay does not exceed Rs. 1,000 are classed as III Grade Officers under the Madras Travelling Allowance rules for purposes of daily allowance.

[Government of India, Finance Department letter No. F./I/III/R. II, dated the 15th February 1929.]

269B. (i) Officers in Class II and Probationers in the Indian Audit and Accounts Service are allowed to draw daily allowance in the Central Provinces under Supplementary Rule 51 (a) (i) and Assistant Accounts Officers under S. R. 51 (a) (ii), if it is more favourable than the amount admissible in any case under the operation of Supplementary Rule 51 (b).

[Government of India, Finance Department letter No. F.-1-IV-R. II, dated the 19th February 1929 and No. F. 1-X-R. II, dated the 24th April 1929.]

(ii) Officers in Clause II of the Indian Audit and Accounts Service drawing pay of Rs. 1,000 and over are allowed to draw in the Central Provinces, the same rate of daily allowance as is admissible for a Deputy Commissioner of that province.

[Government of India, Finance Department letter No. F.-1-X-R.-II, dated the 24th April 1929.]

269C. Officers in Class II of the Indian Audit and Accounts Service irrespective of pay, are treated as equivalent in rank to officers classed as Class I under the United Provinces Travelling Allowance Rules.

[Government of India, Finance Department letter No. D./3555-F. E., dated the 18th December 1924.]

269D. For the purpose of the Punjab Travelling Allowance Rules, officers in Class II of the Indian Audit and Accounts Service are treated as officers of grade II if their pay is more than Rs. 999 p. m. and of grade III if their pay is Rs. 999 or less.

[Government of India, Finance Department letter No. 5/III-F. E., dated the 17th March 1925 and No. F./1/I/R. II, dated the 16th January 1929.]

269E. All Accountants General and Directors of Audit are permitted to draw the special rate of daily allowance sanctioned for the Accountant General of the particular Province in which they happen to travel

[Government of India, Finance Department letter No. F./1-XV-R. II, dated the 28th June 1929.]

Audit of Travelling Allowance of Gazetted Officers.

270. The travelling allowance of all officers of the Indian Audit and Accounts Service and of the Assistant Audit Officers is, from 1st October 1928, audited by the Accountant General, Central Revenues. The countersigned bills in respect of such officers should be sent to the Accountant General, Central Revenues, direct to enable him to apply the necessary audit check in the matter.

[Auditor General's letter No. 1746-NGE/309-28, dated the 25th September 1928, and Pay and Accounts Office, Secretariat letter No. G/Mis./513, dated the 2nd November 1928, File No. 307-Com.-28.]

Compensatory Allowance.

271. The Director is empowered to approve the scale of accommodation rented by officers of the Indian Audit and Accounts Service.

The Rules governing the grant of house rent and compensatory allowances in Bombay, Calcutta and Rangoon are to be found in G. 1 F. D. Resolution No. D. 5067-C.S.R., dated 10th October 1924 (File No. 73-Com. of 1926.)

Leave Intentions.

272. Officers of the Commercial Audit Branch are required to communicate, in Form 1 of the Audit Code, to the Director on or before the 15th June and 1st October of each year their intention to proceed on leave between October and March and between April and September respectively. The Director will consolidate the leave intentions and communicate them to the Auditor General with his recommendations thereon on or before the 1st July and 15th October as laid down in Article 28 of the Audit Code.

NOTE.—Intentions of officers absent on short leave but likely to rejoin the branch after expiry of their leave should also be ascertained and incorporated in the return.

272A. Any changes in an officer's intention to proceed on leave should be communicated, as soon as known, to the Auditor General in continuation of the report referred to in the preceding paragraph.

Leave applications.

273. The Director may deal finally with applications for all kinds of leave of Assistant Audit Officers and may appoint officiating officers in their places. All grants of leave, and officiating arrangements made in consequence, should be reported to the Auditor General.

274. All leave applications from Officers of the Indian Audit and Accounts Service must be submitted for the orders of the Auditor General if the Director of Commercial Audit considers that a substitute will be necessary if leave is granted to the officer applying for it.

[Auditor General's letter No. 3062-GBE/K. W. 129-28, dated the 8th September 1928.]

All unexpected casualties should be reported to headquarters and to the Auditor General's Office immediately by telegram.

The dates of departure on and return from leave shall be reported at once to headquarters and to the Auditor General.

Absence from headquarters.

275. Proposed absences of the Director from Headquarters on tour, on casual leave, or during authorised holidays should be reported to the Auditor General. The Officers-in-charge of circles should submit their tour programmes to the Director for approval. They should also notify the Director whenever they propose to proceed on casual leave or to leave their places of duty during holidays.

Transfers.

276. An Officer of the Indian Audit and Accounts Service may be transferred, or his headquarters changed, only with the sanction of the Auditor General

vide Rule 28 of the Auditor General's Rules, Appendix I to the Audit Code. Whenever an officer of the Commercial Audit Branch is permitted to make or take over charge at a place other than his headquarters the circumstances leading to the issue of such an order and the financial effect of the same should be communicated to the Pay and Accounts Officer, Secretariat, and the Accountant General, Central Revenues for scrutiny.

[File No. 91-Com. of 1926.]

Confidential reports.

277. Under Article 32 of the Audit Code the Director submits an annual report in Form No. S. Y. 322-B. on each Gazetted officer confidentially to the Auditor General by name so as to reach that officer by the 15th of April. Office copies of the annual report need not be kept. The manner and the method of communication of any adverse comments to the officers concerned are prescribed in Rule 1 under Article 32 of the Audit Code. The following points should be observed in the submission of the confidential reports :—

1. The name and designation of the officer reported on should be clearly shown at the top of each sheet. The name should be spelt exactly as shown in the classified list.
2. The name of the office in which he was serving during the period of the report should be stated as also the dates from and to which he served there.
3. Each report should be written on a separate foolscap sheet and on one side only.
4. Each report should be signed and dated with the year as well as with the month and day on which the report is written.
5. A covering letter should forward on two separate sheets, two lists of the officers whose reports are forwarded, one showing the names of the officers of the Indian Audit and Accounts Service and the other the names of the Assistant Audit Officers.
6. Reports should be submitted on all officers who have served four months or more during the year under report.

Photographs and farewell entertainments.

278. Under Rule 3 of Government Servants' Conduct Rules, no Gazetted officer should accept group photographs or invitations to farewell entertainments given by the officer's subordinates without obtaining previous permission of the Auditor General.

Recommendations for grant of Indian Titles.

279. Recommendations for the grant of Indian Titles are required to be submitted to the Auditor General confidentially so as to reach his office not later than 1st February and 1st September each year. If there be no recommendations the fact should nevertheless be reported to him on the due date. When

recommendations are made, the information should be sent in duplicate in the form given below :—

Recommendations for the grant of Lower Indian Titles on the

Serial No. (For use in Foreign and Political Department).	Number.	Name and designa- tions of person recommen- ded (as to be en- tered in the Sanad).	Title recom- mended.	Grounds of recom- mendation as stated by the Local authority.	Remarks in the Foreign and Political Department.	Orders of His Excel- lency the Viceroy.

Recommendations for the grant of Higher Indian Titles on the

Number.	Name and designa- tions of person recommen- ded (as to be en- tered in the Sanad).	Title recom- mended.	Grounds of recom- mendation as stated by Local authority.	Remarks in Foreign and Political Department.	Recom- mendation by Political Secretary.	Orders of His Excel- lency the Viceroy.

NOTE.—In the column "Grounds of recommendations" information should be supplied as required in F. D. Office Memo. No. 1155-R. II, dated the 27th March 1929 (a copy of which was forwarded with the Auditor General's endorsement No. 1484-GBE/297-29, dated the 1st May 1929.

The Assistant Audit Officer (Headquarters) is responsible for seeing that the necessary blank forms are put up to the Director of Commercial Audit three days before the respective due dates of submission of these reports to the Auditor General.

The names of all new holders of Indian Titles serving in this Branch and of those who die should be reported to the Auditor General regularly.

Report of casualties of European Officers.

280. The death of every European officer of Government should immediately be reported to the Auditor General *vide* Article 40, C. A. C. Volume I.

A register is maintained at headquarters in which should be entered the particulars required for filling in Form 31 of the C. A. C. Volume I, whenever a European Officer is posted to the Branch.

[Auditor General's letter No. 2734-GBE/139-Admn.-27 of 14th August 1928, in File No. 219-Com. of 1928.]

II. ESTABLISHMENT.

Reference to the Audit Code.

281. The important relevant rules are in Chapter 3 and Section IV of Appendix 4 to the Audit Code.

Sanction and revision.

282. All additions to the staff of the Branch require the sanction of the Auditor General or of the Government of India except to the extent of the power delegated to the Director of Commercial Audit *vide* paragraph 359. All proposals not within the Director's power of sanction should be submitted to the Auditor General either for his sanction or for the sanction of the Government of India.

The proposals regarding Gazetted and non-Gazetted establishments should be submitted to the Auditor General in separate letters. If it happens that the proposals are correlative the letters should contain cross references to each other. (File No. 8-Com. of 1927.)

283. Outsiders may be appointed as officiating clerks in leave vacancies only when—

- (1) the total number of absentees exceeds the leave and training reserves, and
- (2) the number of men on leave on medical certificate is more than half the leave and training reserves.

The number of outsiders to be employed should be the excess under (1).

For this purpose, clerks deputed to the Commercial Audit Branch from the various accounts offices for training should be regarded as a "training reserve".

284. As no leave reserve has been sanctioned in respect of the stenographer and the typists, officiating appointments in their vacancies are permissible. (Auditor General's letter No. 1558-N.G.E./407-28, dated the 1st September 1928, File 64-Com., of 1928).

285. The regular work of the Branch should be distributed among the total strength of clerks exclusive of the leave reserve. (Auditor General's letter No. 5924-E./1174-26, dated 23rd November 1926).

Registers of establishment.

286. A Register of Permanent Establishment in the following form should be kept at headquarters.

1	2	3	4
Serial Number.	Number and date of sanction.	Sanctioning authority.	Date of effect of sanction.

5 Details of Establishment Sanctioned.						6
Gazetted Officers.	Superintendents.	Clerks.	Typists.	Duffries.	Peons.	Remarks.

The sanctions will be marked prominently with the serial number in the Register of Establishment and filed in that order in a "File of Sanctions to permanent Establishment". This file will be preserved permanently and will collect together all the sanctions to permanent establishment since the date when the branch was placed on a permanent footing.

A register of Temporary Establishment will also be maintained in the following form :—

1	2	3	4	5
Serial No.	No. and date of sanction.	Sanctioning authority.	Date of commencement of sanction.	Date of termination of sanction.

6 Details of Establishment Sanctioned.						7
Gazetted officers.	Superintendents.	Clerks.	Typists.	Duffries.	Peons.	Remarks.

This Register will be closed every year and all unexpired sanctions will be carried forward. It should be scrutinised monthly by the Superintendents and submitted to the Assistant Audit Officer (Headquarters) to ensure that wherever necessary renewals of sanctions are applied for in time.

Appointment of members of minority communities.

287. In order to prevent the preponderance of any one class or community, the Government of India desire that, with effect from the 5th February 1926, one-third of the permanent vacancies occurring in clerical establishments should be reserved for members belonging to minority communities. As, however, original recruitment in the clerical service of this office is invariably in an officiating capacity the orders mentioned above must also be applied to such initial recruitment—the claims of the various minority communities available for service being also borne in mind. For this purpose the clerical staff should be examined from time to time to ascertain whether any community requires to be more adequately represented. It should also specifically be considered in the case of every third permanent vacancy which occurs whether or not such vacancy can, having regard to the communal composition of the clerical staff of the office, be filled by an officiating clerk belonging to a minority community. If such a clerk is available and adequately qualified, he should be appointed to the vacancy, in preference to others who may be senior to him on the waiting list. The senior men when subsequently confirmed will not resume their original position above the juniors except in the case of men who were employed in an officiating capacity prior to the 5th February 1926. If, however, a duly qualified officiating clerk belonging to a minority community is not available for permanent appointment when the claims of members of minority communities have to be specially considered, such claims will have to be considered, when subsequent permanent vacancies occur, as the intentions of the orders of the Government of India is that one-third of all permanent vacancies which have occurred after the 5th February 1926 should be filled by members of the minority communities. The above orders do not apply in the case of men transferred from local Account Offices. Such men may be transferred irrespective of communal considerations ; but if a vacancy which is so filled goes to a member of a majority community when, under the rules laid down, it should have gone to a member of a minority community, then the next recruitment on the bottom of the list should be reserved for a minority community man to restore the balance.

These orders refer to fresh recruitment only and not to Departmental promotions which will continue to be regulated by merit.

NOTE.—The existence of communal inequalities referred to above must be determined by a reference to the population of the area from which the staff is recruited. The staff of the Commercial Audit Branch is recruited from all over India.

288. The Auditor General has stated in his letter No. 1515-N.G.E./94-E., Pt.I. 28, dated the 24th August 1928 that the orders in the Government of India, Home Department Office Memorandum No. F. 176/25-Ests., dated the 5th February 1926 are absolute and that they should strictly be complied with whether or not there are difficulties in applying them.

289. Annual returns in the forms given below should be sent to the Auditor General showing the annual composition of the clerical staff as on the 31st December of each calendar year and the number of permanent appointments made should be submitted to the Auditor General by the 31st of January each year.

	No.	Percentage.
Hindus
Mohammadans
Anglo-Indians
Sikhs
Indian-Christians
Other Communities

This return should include information in the form of a foot-note regarding

- (i) the number of recruits taken in, and
- (ii) the number of recruits taken from each minority community during the current year under report.

Statement showing the number of permanent appointments, etc., made in the Calendar year in the clerical staff employed in the Departments and the offices attached and subordinate thereto.

Office or Department.	Number of permanent appointments, including confirmations of officiating and temporary men, filled otherwise than by promotion or confirmation of men already holding permanent posts in the office.*	Number of appointments in previous column filled by						Remarks.
		Hindus.	Muslims.	Anglo-Indians.	Sikhs.	Indian Christians	Other communities.	
								*Appointments made in one office of persons already holding permanent appointments in another office should be included.

Period of probation.

290. All appointments to the clerical grade will be on probation for a period of one year. Within the period of probation, a clerk will be expected to have studied Book-keeping by Arthur Fieldhouse, Cost Accounts by L. W. Hawkins, A. C. A., Auditing by F. R. M. DePaula, F. C. A., and Chapter 2 of the Account Code and he should be able at the end of the period to answer satisfactorily an examination set on the subjects covered by these books. The period of probation may be extended by the Director whenever considered necessary. At any time during probation a member of the staff may be discharged, without any reasons being assigned, giving one month's notice.

Liability for touring and transfer.

291. Acceptance of employment in the Commercial Audit Branch implies willingness to serve in any part of India and Burma and to undergo extensive touring. A declaration should be taken to this effect from new entrants to the Branch and filed carefully in the personal files of the men concerned.

Rates of pay.

292. *Accountants.*—Accountants appointed before the 1st of July 1928 draw pay in the scale of Rs. 240—20—360—30—600—50/2—650, Efficiency Bar at Rs. 420. Accountants appointed on or after the 1st of July 1928 draw pay in the scale of Rs. 220—20—360—30—600, Efficiency Bar at Rs. 360.

[Auditor General's letter No. 98-N.G.E./35-28, dated the 14th January 1929. File 55-Com./28.]

293. The initial pay of probationers appointed to the Subordinate Accounts Service is Rs. 120 per mensem.

294. *Subordinate Accounts Service passed clerks and Divisional Accountants.*—The rate of annual increment granted to Divisional Accountants who are qualified for promotion as senior accountants and to a clerk on passing the Subordinate Accounts Service Examination is Rs. 12 per annum, with effect from the date of passing the examination (*i.e.*, the date following the last day of the Examination) *vide* Government of India Finance Department letter No. F. 7-IV/F.E., dated 13th February 1926, and D.-3457-R.-II, dated the 23rd July 1928. File No. 213-Com. of 1928.

295. *Clerks.*—The scale of pay is Rs. 70—7—140—6—230, with efficiency bars at Rs. 140 and Rs. 170.

296. *Stenographer.*—The scale of pay is Rs. 150—10—300—12½—400, with an efficiency bar at Rs. 250. The Stenographer is granted a special pay of Rs. 30 per mensem for the periods during which he is on tour with the Director of Commercial Audit and the Director has no camp clerk with him. (Auditor General's letter No. 4263-E., 818-27, dated the 15th August 1927. File 68-Com. of 1927). When the special pay is drawn a certificate to the effect that the Stenographer was on tour with the Director and that the Director had no camp clerk with him for the period during which special pay is claimed should be sent with the bill to the Pay and Accounts Officer.

297. *Typists*.—The scale of pay is Rs. 50—5/2—120.

298. *Menials*.—The rate of pay of the Jamadar is 20—1—25. The rate of pay for the duftry in the Head Office is 15—1—30 and Rs. 20—1/4—27 for the duftry in Calcutta. The rate of pay for peons is Rs. 15 per mensem, except at New Delhi where the rate of pay is 14—1/5—16, in Burma where the rate of pay is Rs. 17-8-0 and in Calcutta where the rate is 15—1/5—19.

House Rent and Compensatory Allowances.

299. The Government of India have sanctioned the grant to the accountants attached to the Burma Commercial Audit Circle of a compensatory allowance on the following scale :—

Pay.	Compensatory allowance.
Rs. 200 to Rs. 220	Rs. 45.
Rs. 221 to Rs. 300	Rs. 50.
Rs. 301 to Rs. 390	Rs. 55.
Rs. 391 to Rs. 510	Rs. 60.
Rs. 511 to Rs. 650	Rs. 70 subject to the condition that pay plus compensatory allowance does not exceed Rs. 700.

[Government of India, Finance Department, letter No. F. 14-XV-R.II, dated the 19th November 1928.]

The staff serving under the Assistant Director of Commercial Audit, Bombay Circle, at Nasik Road, draw house rent allowance at the rate of 10 per cent. of pay with effect from the 1st March 1929.

[Government of India, Finance Department letter No. F.-20-VI-R.-II, dated 22nd April 1929, File No. 338-4-29.]

The two auditors employed on the test audit of the King George's Dock accounts of the Calcutta Port Trust draw a conveyance allowance of Rs. 25 per month.

[Government of India, Finance Department letter No. 547-F.E., dated 8th March 1924 to the Auditor General, File No. 16-3 Com.-29.]

Average rates of pay.

300. The formulæ for the calculation are contained in the Government of India letter No. F. 40-Ex.-I/27, dated the 16th July 1927. Instructions on the application of the formulæ are contained in Auditor General's letter No. 5612-E.-1130-24, Part I, dated the 7th November 1927, which should be followed in all cases.

The average cost of the time scales of pay calculated on the formulæ and instructions mentioned above are as below :—

	Average pay.
	Rs.
Assistant Directors of Commercial Audit (Rs. 350—50—1,400)	835
Assistant Audit Officers (Rs. 500—35—850)	667
Subordinate Accounts Service (Rs. 220—20—360—30—600) ..	433
Stenographer (Rs. 150—10—300—12½—400)	304
Clerks (Rs. 70—7—140—6—230)	147
Typists (Rs. 50—5/2—120)	81
Duftries (Rs. 15—1—30)	25
Jemadar (Rs. 20—1—25)	24
Peons (Rs. 15)	15

Transfer to Foreign Service.

301. The Director of Commercial Audit has power to sanction transfers to Foreign Service of non-Gazetted Government servants provided that the conditions in serial No. 30 of the Delegations under the Fundamental Rules are observed. One of the conditions is that the pay fixed on transfer should not exceed by more than 25 per cent. the substantive pay last drawn by the Government Servant in Government Service. If the conditions in serial No. 30 are not satisfied, the sanction of the Government of India is necessary.

Resignation.

302. Clerks who desire to resign must give one month's notice of their intention to do so. In the absence of such notice the pay if any, due to them up to the date of resignation will be forfeited.

An inferior servant, whether permanent or temporary, desiring to resign his appointment, is required to give one week's notice. In the absence of such notice he shall forfeit one week's pay.

Subordinate Accounts Service Examination.

303. Heads of Circle Offices should submit to the Director of Commercial Audit, not later than 1st September in each year, a statement in the form prescribed in Rule (3) of Section IV of Appendix 4 to the Audit Code, of the candidates recommended for admission to the Subordinate Accounts Service Examination in the following November. After a scrutiny of the recommendations, a consolidated list will be compiled at headquarters and submitted to the Auditor General not later than 15th September in each year.

Allotment of sum to be distributed as special pay to members of the Branch.

304. An annual appropriation of Rs. 250 is placed at the disposal for the Director for distribution as special pay. (Auditor General's letter No. 343-N.G.E./738-E.-27, dated the 17th March 1928, File No. 68-Com., 1928). The special pay is generally meant for comparatively junior men doing responsible or extra work and its permanent attachment to any particular post is not allowed. Instances of cases in which special pay may be granted are :—

- (a) When a comparatively junior member of the Subordinate Accounts Service is specially selected to hold a specially responsible position.
- (b) During the period of a temporary abnormal increase of the work of a particular appointment.
- (c) When a clerk is doing the duties of an accountant, or a junior clerk is entrusted with exceptionally onerous work.

Representations from clerks for special pay are forbidden. The recommendations should be made by Gazetted Officers only and in their own handwriting.

Increments.

305. Circle Officers may sanction annual increments to clerks serving under them except when the sanction of an increment takes them over an efficiency bar. The refusal or suspension of an increment should be reported to the Director.

Increments over an efficiency bar and increments of Accountants should be submitted to the Director for sanction.

[File No. 340-2-Com./29.]

Advance increments.

306. All advance increments require the sanction of the Auditor General and the number of men recommended in a year will be restricted to one.

The Auditor General has laid down the following principles for observance in the matter of any proposal submitted to him for the grant of advance increments to any individual in the offices under his control.

- (1) No application for an advance increment should be supported if it emanates from the clerk concerned. Such proposals should emanate from the head of the office himself and will not be accepted by the Auditor General unless there are strong reasons.
- (2) Recommendations for advance increments should only be made when the head of the office is prepared to say that the man concerned is fit to supersede his senior. Otherwise the grant of any extra remuneration must be warranted by exceptional circumstances or other personal considerations and in such cases it would be appropriate to recommend the grant of personal pay under Fundamental Rule 9(23).

In the absence of a special declaration to the contrary, every general or special order of the Auditor General or Controller of Civil Accounts which sanctions an advance increment is intended to give a full year's advantage that is, the usual date of increment should be understood as not to be affected, when the advance increment is sanctioned from a date other than the date of the usual increment.

Confidential reports.

307. Confidential reports in forms S. Y. 263-A., and 263-B., should be kept by all circle officers in their personal custody for the Superintendents and clerks of their circles. They should be written up annually at the time of increment or on any special occasion arising, and invariably by officers relinquishing charge. When a clerk is transferred, his report should be sent by registered cover addressed by name to the officer-in-charge of the circle to which the clerk is transferred.

Confidential reports based on those maintained in the circle offices should be sent to the Director by name when increments are recommended for the staff. The Confidential Reports will be maintained at the Head Office by the Director for all Superintendents of the branch and by the Assistant Audit Officer (Head-quarters) for all clerks.

Standard of fitness to cross efficiency bars.

308. A Superintendent will not be allowed to cross the efficiency bar unless he is considered fit to take charge of an audit group, to conduct an independent audit of the accounts of commercial concerns and to prepare audit reports

thereon. He should also be capable of conducting accounting investigations and drafting suitable forms of accounts for small concerns.

A clerk will not be allowed to cross the first efficiency bar unless he is considered fit to do the routine work of an audit with slight supervision and guidance. To cross the second-efficiency bar he should be able to compile the accounts and to draft an audit report.

Report on the working of the efficiency bar.

309. An annual report on the working of the Efficiency Bars relating to the Subordinate Accounts Service and clerical staff should be submitted to the Auditor General through the Audit Officer concerned not later than the 15th of April each year. The information in respect of each class of officials should be shown separately in this report.

1	2	3	4	5	6	7	8
Name of service or Department or office.	Total number of officers who reached the Bar during the year under review.	Total number of officers who were allowed to pass the bar.	Total number of officers whose cases are under consideration.	Total number of officers who were held up at the bar.	Percentage of the number in the column 5 bears to the number in column 2.	Total number of officers whose declarations were due but were not received in the Audit Office.	Remarks. e.g., whether pay beyond the bar has been passed in audit or not.

The cases of Government servants who were held up at the efficiency bars during previous years and allow to cross the bars during the year under report should not be shown in the body of the Statement but separately in footnotes in the Statement.

Training.

310. The period of training prescribed for men deputed from Civil Audit Offices is one year but may be extended with the sanction of the Auditor General. The men to be taken for training will be selected by the Director and the selection will be reported to the Controller of Civil Accounts for approval. Ordinarily, superintendents over 35 years and clerks over thirty years of age will not be taken for training. The pay of the men deputed for training will be debitable to the offices to which they belong, but their travelling allowances will be paid by the Commercial Audit Branch.

311. Circle Officers are expected to give personal attention to the training of the men posted to their Circles. They are not expected to deliver lectures on commercial accounting and auditing but they should point out what portions of the text books prescribed are important and in what order they should be studied. They should set some typical exercises to be done at home to give the men under training an idea of the difficulties that arise in practice and the methods of solving them. The answers to these exercises should be examined by

the senior superintendent of the Circle and any mistakes pointed out. From time to time the Circle Officers should ascertain the progress made by men under training. When the main principles have been grasped by these men they should read important reports prepared by the Officers of the Branch. Men under training will be expected to read their text books at home. During office hours they should be employed in assisting at audits or investigations.

312. A confidential report should be submitted by the Circle Officer concerned to the Director of Commercial Audit by name after a man has been under training for six months. The report should give a list of the books read and the concerns visited by each man and the officer's opinion as to what advantage has been taken of opportunities offered. A second report will be submitted a month before the completion of the period prescribed for training and in this report the Circle Officer should state his considered opinion as to whether or not an extension of the period of training is necessary. In cases where the officer considers that an extension of the period of training is necessary the period of extension recommended should be stated.

Travelling Allowance.

313. The Government of India have sanctioned a minimum daily allowance of Rs. 3, Rs. 2-8-0, and Rs. 2 to Superintendents, Divisional Accountants and clerks respectively of this Branch (File No. 99-Admn. of 1925).

Peons of the Commercial Audit Branch draw daily allowances at annas eight for days on which they travel by rail or steamer and at six annas for other days during the tour.

[Government of India, Finance Department letters No. D./243-F.E., dated 30th January 1925 and 1856-F.E., dated 7th June 1924 to the Auditor General regarding the peons of the Director and the Assistant Directors respectively, File No. 746-E. of 1924.]

Travelling Allowance as on transfer.

314. Travelling allowance as on transfer may be allowed, at the discretion of the Director of Commercial Audit under Supplementary Rule 164, to clerks and accountants sent for training in Commercial Accounts.

[Auditor General's letter No. 137-N.G.E./206-28, dated 19th January 1929. File No. 310-1-Com. of 1929.]

Attendance at S. A. S. and other Departmental Examination.

315. A Government servant required to attend an obligatory departmental examination or permitted to present himself at an examination the passing of which is a condition of preferment in Government service, may be treated as on duty under Fundamental Rule 9(6)(b) during the day or days of the examination and during the reasonable time required for the journey, if any, to and from the place of examination.

[Government of India, Finance Department No. F. 17-R.-I/29, dated the 23rd January 1929, File No. 301-1-Com.-29.]

Travelling allowance is admissible for attending the Subordinate Accounts Service examination, as being an examination the passing of which is a condition of preferment in Government service.

Free medical attendance for staff at Nasik Road.

316. The staff of the Director of Commercial Audit stationed at Nasik Road and their families are under the orders of the Government of India entitled to the concession of free medical attendance and free ordinary medicines and dressings at the Dispensary of the Government Central Distillery at Nasik Road, in consideration of the payment by the Commercial Audit Branch to the Bombay Government Central Distillery at Nasik Road of—

- (1) Rs. 20 per mensem as an allowance to the medical officer for the additional work devolving on him, and
- (2) the cost of any medicine that may be issued to the staff.

The term "family" as used in this rule includes wife or husband, children, father, mother, sister or minor brother, wholly dependent on and residing with a member of the staff. All others treated will be charged for medical attendance and medicines.

(File No. 234-Com. of 1928.)

Advances for the purchase of conveyances.

317. Under Articles 156—158, Civil Account Code, Volume I, read with note 4 under Article 156 and paragraph 3(b) of the Introductory Notes to the Code, the Director of Commercial Audit, as the Head of a Department is competent to sanction advances for the purchase of conveyances to Government servants under his control. The advances will ordinarily be granted only to permanent men.

Service Books.

318. Instructions regarding the maintenance of Service Books and Service Rolls are to be found in Supplementary Rules 197 to 205 and in Articles 73 and 74 of the Civil Account Code, Volume I. Every member of the establishment must have a service book. New employees must obtain a service book immediately they are permanently appointed to the office or after they have continued as officiating or temporary incumbents for a month. Service rolls in the prescribed form are maintained for inferior servants.

All service books will remain in the custody of the Circle Officer or the Assistant Audit Officer (Headquarters) who is responsible for their correctness and their being written up-to-date.

319. Every Government servant in the office will be permitted, on application to the Circle Officer or the Assistant Audit Officer (Headquarters) to examine his service book in the officer's presence, should he at anytime desire to do so. (*Vide* Government of India, Supplementary Rule 202 regarding the duty of Government servants in this respect.)

320. At the time of opening service books entries regarding date of birth will be made after comparison with the original horoscope, baptism certificate or other evidence of age in support thereof which will have to be produced and shown to the Circle Officer or the Assistant Audit Officer (Headquarters). No

alteration may be made in the date of birth of a subordinate as recorded in his service book, except in the case of a clerical error, without the sanction of the Auditor General.

321. If apportionment of leave salaries among different Governments is necessary, it should be made as soon as leave to a non-gazetted Government servant is sanctioned. The allocation of leave should be recorded in column 13 of the Service Book and an intimation sent to the Audit Officer to enable him to check the allocation and raise the necessary debit against the Government or Governments concerned.

The information regarding the debit raised against another Government in respect of leave salary paid should be noted in the Service Book as soon as the debit is raised against that Government, so that it may be easily furnished in the Pension Application Form.

[Auditor General's No. 1329-Admn./446-28, dated 1st December 1928,
* File No. 40-Com., 1928.]

322. The clerks preparing establishment pay bills are responsible for recording in service books all changes of appointment, increments, leave, etc., at the time of preparation of the monthly pay bills and for submitting the entries for attestation by the Assistant Audit Officer (Headquarters) or by the Circle Officers.

The entries in the opening page of each service book will be reattested by the officer in charge, every five years, as required by the instructions on the opening page of the book.

Every year, in April, the entries in the Service Books should be verified with the pay bills of the past year, and a certificate recorded in the Service Book in the following form :—

“Service verified upto 31st March—from the pay bills for.....”.

In the Establishment returns as on the 1st April a certificate should be recorded that the entries in the Service Books have been verified with the pay bills for the past official year.

[File No. 306—15-Com.-29.]

An index register of the service books in the custody of the officer in charge, will be maintained, wherein details regarding the receipt and disposal of the books in question will be recorded.

Leave accounts.

323. The Cashier is responsible for maintaining the leave accounts of the members of the establishment and for certifying to the admissibility or otherwise of leave on applications received from such members. He shall prepare the application for pension, whenever a member of the staff retires.

Regular Leave.

324. Applications for leave are required to be made in Form S. Y. 258 (new). When, however, the applicant has not made the application in the prescribed form the Circle Office or the establishment clerk at headquarters will, on

receipt of such an application, have the necessary entries made in Form S. Y. 258 (new). The admissibility of the leave will then be examined and a certificate of title for the leave will be recorded in the form and submitted to the Superintendent, who will report as to :—

- (1) whether the applicant's work is up to date or not,
- (2) whether the applicant can be spared without inconvenience, and
- (3) what arrangements are necessary for carrying on the applicant's work. All applications for leave made by members of the Branch (except those of inferior servants for whom no substitute is required) must be forwarded to the Director of Commercial Audit.

At headquarters the applications will be submitted to the Director through the Assistant Audit Officer (Headquarters).

The address of an applicant while on leave should be mentioned in the application, and any change in the address during the leave must immediately be reported to headquarters and to the Circle Officer. A copy of the leave applications should be retained in the Circle Offices, the original being forwarded to the Head Office. If no substitute is required, a Circle Officer may presume the consent of the Director to leave in the case of a Superintendent for one month, and in the case of a clerk or peon up to four months. In the case of a peon the sanction of the Director is not necessary even if a substitute is appointed provided that no extra cost is involved on account of the arrangement. All sanctions of leave should be reported to the Director.

325. The Government of India have decided that a Government servant cannot be compelled against his wishes to take leave on half-average pay when leave on full average pay is admissible to him, unless it be deemed necessary in the public interest and in the interest of the individual also to prevent the too rapid exhaustion of the limited amount of full pay leave available under the Fundamental Rules. These orders must not be interpreted as interfering with the discretion entrusted to an authority competent to grant leave to determine whether leave should or should not be granted.

[Auditor General's letter No. 588-A.-72-23, dated the 30th April 1923]

326. In the case of leave on medical certificate the head of the office or department may at his discretion accept the statement from the applicant's medical attendant without the countersignature of the Civil Surgeon provided that such medical attendant is a medical practitioner registered in the province in which the certificate is issued.

327. Clerks should not be recalled from leave without the orders of the Director of Commercial Audit in each case.

328. Any member of the establishment who absents himself from duty without the definite approval of his Gazetted Officer does so at his own risk. He cannot assume that leave will be sanctioned to cover his absence as a matter of course. Wilful absence from duty without leave may be regarded as misbehaviour under Fundamental Rule 15.

329. If absence from duty in anticipation of formal permission, or of formal grant of leave, is necessitated by serious illness or accident which renders it unsafe or impracticable for the employee to attend duty until sanction is accorded, the authority which has power to sanction the leave will grant such leave as is admissible on production of written evidence of its necessity. If, however the nature of the indisposition is such that an employee can reasonably be expected to continue to attend to his duties for the short time necessary to enable his application for leave to be considered and sanctioned and for his relief to be arranged but the applicant absents himself unnecessarily from duty in anticipation of sanction he is liable to be treated as absent without leave and to be dealt with accordingly.

330. Subordinate Accounts Service probationers not counting against the sanctioned strength of a scale should be treated as apprentices within the meaning of Supplementary Rule 2(2) and as such their leave should be regulated by Supplementary Rule 292.

[C. C. A.'s Endorsement No. 7014-E.-1254-27, dated the 24th December 1927.]

Extension of leave.

331. Except for special reasons, no extension of leave will be allowed and applicants must ask in the first instance for all the leave they require. Applications for extension of leave should ordinarily be sent so as to reach the office at least a fortnight before the expiry of leave already granted.

Return to duty.

332. Government servants on return to duty from leave other than casual leave, should report themselves personally to the officer in charge before resuming duties. If the leave from which they return is on account of ill health whether supported by a medical certificate or not, a certificate of fitness for duty should be produced from a medical officer.

333. A Government servant on leave other than casual leave desiring to surrender any portion of it, should apply formally for permission to do so at least a fortnight before the date of his proposed return.

Compulsory retirement of ministerial Government servants.

334. The Government of India have ruled that the date on which a ministerial Government servant must compulsorily retire is for the purposes of Fundamental Rule 86, ordinarily the date on which he attains the age of 60 years, but in the case of a ministerial servant who is required to retire between the ages 55 and 60, the date of compulsory retirement is the date from which he is required to retire. The restriction imposed by Fundamental Rule 86 does not operate in the case of a ministerial servant between the ages of 55 and 60 unless an order is passed requiring him to retire.

335. Leave to men who have been allowed extension of service beyond 55 years should not be granted except in cases where the leave was applied for before the applicant reached the age of 55 and was refused by the sanctioning

authority and except on the conditions laid down in the Government of India letter referred to in Audit Instruction No. 23 of Chapter X, Section I, Manual of Audit Instructions.

336. Applications for being retained in service beyond the age of 55 should be submitted for the orders of the Director of Commercial Audit with the recommendations of the Gazetted Officers, in sufficient time to enable orders to be passed and received by the applicant before he reaches the age of 55 or the date up to which his service has been extended.

Pension applications.

337. In dealing with applications for counting temporary service for pension under Article 361-A., Civil Service Regulations the conditions on which the Government of India ordinarily insist are :—

- (i) that the service rendered by the officer must have been long and meritorious ; and
- (ii) that he should not have drawn a higher rate of pay in his temporary appointment than he would have drawn in a corresponding post on the permanent establishment.

[Government of India, Finance Department letter No. 2859-F.E., dated the 4th December 1923.]

Commutation of pensions.

338. Rules regarding commutation of pensions are contained in Government of India, Finance Department Notification No. 158-C.S.R.-25, dated 21st January 1926, and the letter bearing the same number dated 27th January 1926. Applications for commutations of pensions from retired members of the Branch should be submitted to the Auditor General. The following items of information should be furnished in submitting cases for sanction to the commutation of pensions :—

- (a) Whether the application for commutation of pension was submitted simultaneously with the application for pension.
- (b) The exact age of the applicant at the time of submission of application.
- (c) Whether the pension is a " Central " or a " Provincial " charge.
- (d) The name of the treasury from which the pension is payable.
- (e) What will be the capitalized value of the portion of the pension commuted.
- (f) The date after which the capitalized value will decrease.

The rules governing the procedure for the submission of applications for commutation of pensions are contained in the Resolution of the Government of India in the Finance Department No. F. 2-XIV/R.II./1928, dated the 26th June 1928.

[File No. 36-Com., of 1928.]

Compassionate gratuities.

339. The Compassionate Fund is intended for the relief of families of Government servants left in indigent circumstances through the premature death of the person upon whom they depended for support.

Applications from the legal heirs of deceased members of the Branch praying for compassionate grants should be forwarded to the Auditor General in duplicate for transmission to the Government of India, with full particulars of the case. The full name and address of the applicant or other person for whom the gratuity is intended and the treasury at which payment is desired in the event of assistance being granted should also be specified.

The rules regulating grants from the compassionate fund are laid down in Government of India, Finance Department Resolution No. 842-E.B., dated the 5th May 1920.

The applications should be submitted in the form prescribed in the Government of India, Finance Department Office Memorandum No. 2615-R.-II/16th May 1928.

[File No. 36-Com. of 1928.]

Death of an employee.

340. The death of an employee of the Branch should be reported to the Director of Commercial Audit as soon as intimation of the same is received.

Annual establishment return.

341. A detailed statement of the permanent establishment existing on the 1st April, should be prepared in Form C. A. C. No. 3 and transmitted to the Pay and Accounts Officer, Secretariat, New Delhi not later than the 15th May. The detailed rules regarding the preparation of the statement are to be found in Article 62 C. A. C. Volume I.

Transfer of service to another Government Office or Department.

342. The Government of India in Resolution No. 3205-P., dated the 27th June 1910 of the Financial Department (Pensions and Gratuities) have ordered that all Government Officers, who wish to transfer their services to a different Government Office or Department, should obtain the consent of the authority which appointed them to their existing posts before taking up the new employments. The Head of an Office or Department should not refuse permission without strong reasons which should be recorded in writing.

Ordinarily, trained men cannot be allowed to seek employment elsewhere unless the circumstances in which the transfer is desired are exceptional.

Health Certificate.

343. No person will be appointed substantively to a permanent post in the department without a medical certificate of health in the prescribed form (*vide* Fundamental Rule 10 and Supplementary Rule 3) unless he is transferred to the department from another department where he held a permanent post substantively. A candidate for appointment will be furnished with a letter

addressed to the Civil Surgeon of the place, requesting a medical examination.

When the certificate is received from the Civil Surgeon it should be submitted to the Gazetted Officer in charge for inspection.

344. When literate persons, who can sign in English, are sent for medical examination, with a view to appointment, or for grant of leave, the examining officer or Medical Board should be asked to obtain on the medical certificate the signature of the candidate in his or its presence, and the head of the Office should verify by comparison the signature in the medical certificate with that in the Service Book. In the case of illiterate persons, the Medical Officer or Board should be asked to obtain on the medical certificate the left thumb and finger impression of the candidate and these impressions should be compared with those in the Service Book by the head of the Office.

The Government of India consider that it is not desirable to dispense with the taking of finger prints in the case of medical certificates for invalid pensions and commutation of pensions.

[Government of India letters Nos. F. 67-R. I.-28, dated the 19th May 1928 and F. 67-R. I.-28, dated the 17th September 1928. File 35-Com.-28.]

Gradation list.

345. A list of the gazetted officers and the staff of the Commercial Audit Branch, showing the sanctioned strength and the distribution of work as on 1st of April should be printed annually. The names of the members of the establishment will be shown in this list in order of seniority and particulars such as date of birth, date of entry into service, etc., will be shown against the name of each individual. If the seniority of the men concerned has not been determined for any reasons, a remark that the names are not arranged in order of seniority should be given in the Remarks Column against the relevant entries. To enable headquarters to issue the list, each circle office should submit on the 15th March a copy of the current printed list corrected as far as can be foreseen up to the first day of April of the same year. Any corrections necessary after despatch should be intimated to the Director.

The list should also contain information on the following points in the form given below :—

- (a) Distribution of work among Gazetted Officers.
- (b) Gradation List of Subordinate Accounts Service and Clerical establishment.
- (c) Distribution of menial establishment.

(a) Distribution of work among Gazetted Officers.

Serial No.	Gazetted Officer.	Circle.	Superintendent.	Clerks.

(b) Gradation List of Subordinate Accounts Service and Clerical establishment.

No.	Name.	Date of Birth.	Community.	Educational and other qualifications.	Date of admission to Government Service.	Date of appointment to the Commercial Audit Branch.	Date of admission to present pay.
Pay. Personal pay and special pay.		Date from which next increment is due.		Circle to which attached.		Date of appointment to present post.	Remarks.

(c) Distribution of menial establishment.

No.	Name.	Date of Birth.	Date of appointment in the establishment.	Date of admission to present pay.	Pay on 1st April.	Circle to which or officer to whom attached.	Remarks.

The total number should agree exactly with the total sanctioned strength of the branch and the number and date of the letter or letters according that sanction should be quoted. The sanctioned strength of the leave reserve and the actual establishment under training should be shown separately and not included in the number of appointments representing sanctioned charges. Four copies of the Gradation List issued by this Branch should be supplied to the Auditor General.

Contingencies.

346. The detailed rules on the subject are to be found in Chapter 6 and in Appendices 4 and 5 of the Civil Account Code, Volume I.

Permanent Advance.

347. The permanent advance sanctioned for the Branch is Rs. 400 of which Rs. 100 is held by the Cashier at headquarters on behalf of the Director

of Commercial Audit. The remaining Rs. 300 is distributed among the Circle Offices as below :—

	Rs.
Madras	50
Calcutta	50
Calcutta Port Trust	50
Bombay	50
Northern India	50
Rangoon	25
Army Factory Test Audit	25

The Director of Commercial Audit has to furnish an acknowledgment for the whole amount *viz.*, Rs. 400 to the Pay and Accounts Officer, Secretariat whenever there is a transfer of charge of the office of the Director and on the 15th of April of every year, and he has in turn to obtain similar certificates of acknowledgment from his Circle Officers when there is a transfer of charge and on or about the 7th April of every year.

348. The permanent advance and the money drawn from the Pay and Accounts Officer on contingent bills should not be mixed up with undischarged pay and travelling allowance and miscellaneous receipts of Cash in the office.

349. The balance of the permanent advance and other cash in hand will be verified by the Circle Officer or by the Assistant Audit Officer (Headquarters) monthly.

Sanction for contingent expenditure.

350. No contingent expenditure should ordinarily be incurred without the previous sanction of the gazetted officer in charge. Where a comparatively large amount of expenditure is involved, such as in the purchase of office furniture, and for all unusual or recurring expenditure, the previous sanction of the Director should be taken by the Assistant Audit Officer (Headquarters) and by the Circle Officers. For ordinary expenditure the previous sanction of the Director is not necessary.

Purchase of Government publications.

351. Priced publications of the Central Government should be obtained on payment from the Central Publication Branch, Calcutta, in accordance with the rules issued from time to time by the Government of India in the Department of Industries and Labour. Under Article 89-A. of the Audit Code, the Director of Commercial Audit has full power to purchase priced official publications issued in India, if the cost can be met within his budget provision made for the purpose or by a re-appropriation within his power of sanction.

[File No. 376-2-Com. of 1929.]

Books and Newspapers.

352. The Director of Commercial Audit is authorised to purchase such books and papers as may be necessary from his grant for contingencies.

Telephone charges.

353. Under Article 100(f) C. A. C. Volume I the Director is competent to sanction telephone rents for connections of Government offices with existing telephone systems whatever the amount.

Buildings occupied or required for offices.

354. Application for the leasing of buildings for the accommodation of accounts office establishments should be submitted to the Auditor General who has full power to sanction the payment of rent for such buildings.

[Government of India, Finance Department No. 1453-F.E., dated the 11th November 1918.]

Any request for additional accommodation made to the Auditor General should be based upon statistics showing the existing accommodation floor space occupied by the officers and staff.

[Auditor General's endorsement No. 3546-744-23, dated the 15th August 1923.]

Supply of liveries.

355. Hot weather and winter liveries will be supplied to the Jamadars, peons and other inferior servants at headquarters in accordance with the scale laid down in Government of India, Home Department Memo. F. 291-24-Public, dated the 18th December 1924 and amendments thereto. Those attached to Circle Offices may be supplied with liveries on the scales sanctioned for men of the corresponding rank in the office of the Accountant General of the Provinces in which the headquarters are situated.

[Files Nos. 262 and 332-Com. of 1928.]

Temporary peons are not entitled to winter liveries.

[Government of India, Finance Department No. 41-1-F.E.-27, dated the 9th April 1927 in File 8-Com. of 1927.]

The office peons who are required to convey messages, letters, etc., may be supplied with umbrellas which should last for two years, at a maximum cost of Rs. 2-13-0.

Washing charges.

356. The peons who have been supplied with complete sets of summer and winter uniforms are entitled to washing charges at Re. 0-8-0 per month for 7 months from April to October, and at Re. 0-2-0 for the remaining months from November to March.

Dusting allowances.

357. The peons attached to the Gazetted Officers and to the sections will be held responsible for cleaning and dusting the furniture of the rooms to which they are attached. An allowance of Re. 1 a month is allowed to the peons attached to headquarters who dust the office furniture. Not more than one peon attached to each Gazetted Officer or section may receive the allowance. *Jharans* will be supplied to the peons entrusted with dusting work on the return of the old ones.

III. GENERAL.

Powers of the Director of Commercial Audit.

358. The powers of the Director of Commercial Audit are those of the "head of a department" with reference to the Fundamental and the Supplementary Rules and the Civil Account Code, and those of the "head of an Audit Office" or an "Accountant General" with reference to the Audit Code. These powers have been incorporated in Appendix 3 to the Audit Code and Appendices II and III to the Supplementary Rules.

359. In addition the following powers have also been delegated by the Governor General in Council or the Auditor General :

- (1) Power to approve alterations in the date of birth as recorded in the Service Books of non-gazetted Government servants.
- (2) Power to sanction the grant to Assistant Audit Officers of advances from the General Provident Fund.
- (3) Power to sanction the re-employment of pensioners after superannuation or retiring pension.
- (4) Power to authorise a non-gazetted Government servant to undergo a course of training or instruction in any offices in India whenever necessity arises, and power to issue general or special orders allowing acting arrangements to be made in the place of non-gazetted Government servants so authorised to undergo a course of training or instruction.
- (5) Power to deal with arrear reports received from his circle officers, subject to the condition that he should report to the Auditor General the state of arrears in the offices subordinate to him whenever he considers it necessary.
- (6) The power to fill substantively permanent vacancies in the grade of Assistant Audit Officers provided that no supersession is involved that has not already received the approval of the Auditor General.
- (7) Power to approve scale of accommodation occupied by general list officers under him.
- (8) Power to grant one extra chance to a candidate in the Subordinate Accounts Service examination.
- (9) Power to fix the relative seniority of senior accountants and accountants in accordance with principles accepted by the Auditor General.
- (10) Power, after consultation with the Controller of Civil Accounts to address the Accountants General and Comptroller, Assam direct requesting them to depute Accountants and clerks for training in the Commercial Audit Branch under the usual condi-

tions. On completion of the period of training, the Director of Commercial Audit will have the option of retaining the men trained for service in the Commercial Audit Branch; provided that Vacancies exist in the Branch. An extension of the period of training and matters in which he differs from the Accountants General should be submitted to the Auditor General or the Controller of Civil Accounts for orders.

- (11) Power to address the Government of India in the department concerned in matters connected with the Audit reports of the concerns under the administrative control of the departments which he thinks sufficiently routine as not to necessitate a reference to the Auditor General.
- (12) Power to correspond with local Governments and Accountants General throughout India on Commercial Audit matters. Notes of all important interviews with local Governments and departments of the Government of India should be submitted to the Auditor General. Important deviations from current practice in accounting which requires the order of the Auditor General or the Controller of Civil Accounts should, however, issue from the office of the Auditor General.
- (13) Power of undertaking accounting investigations required by the various Governments concerned, provided the cost of the investigations at the prescribed rates is recovered from the Government concerned and no extra staff is required.

[File No. 165-Com. of 27.]

- (14) Power to change and fix the headquarters, and to regulate the posting of the General List Officers attached to the Branch for training, but the orders issued by the Director should be worded as conveying the orders of the Auditor General.

[File No. 291-2-Com. of 1929.]

Method of calculation of the cost of commercial accounting and auditing work-

360. The following method is adopted with the approval of the Government of India for calculating the cost recoverable for accounting investigations carried out by the Commercial Audit Branch when they are estimated to last three months or less.

The number of days the officer, superintendent, clerk or clerk-typist and peons are engaged on work connected with a concern is multiplied by the daily rate prescribed below. To this, the actual expenditure on travelling allowance (or a reasonable portion of the expenditure on travelling allowance on a single trip if the staff do several audits or investigations during the trip), a contribution for leave and pensionary charges and the estimated cost of examining the report at headquarters are added.

The register should be submitted to the Assistant Audit Officer (Headquarters) every time a fresh entry is made and on the 15th of every month.

Headquarters.

364. The Auditor General has decided that with effect from the 1st April 1928 the headquarters of the members of the Commercial Audit Branch (whether under training in the Branch or holding any of the sanctioned posts in the Branch) will be the headquarters of the circles to which they are posted from time to time.

[File No. 80-Com.-1928.]

Railway receipts in support of claims for the transport of personal effects.

365. All claims by members of the Branch for the cost of transporting personal effects under S. R. 116(a) 1 (iii) should be supported by Railway Receipts for the satisfaction of the countersigning officer.

[File No. 109-Com. of 1928.]

Travelling Allowance.

366. The Government of India have sanctioned the exemption of the officers of the Commercial Audit Branch from the provision of Supplementary Rule 192 and to their being authorised to present their travelling allowance bills for encashment in anticipation of the signature of the Controlling Officer.

[Government of India, Finance Department letter No. 1856-F.E., dated the 7th June 1924 to the Auditor General, File No. 746-E. of 1924.]

367. In exercise of the power conferred upon him by entry No. 26 in Appendix III to the Supplementary Rules the Auditor General has sanctioned the general exemption of the officers of the Commercial Audit Branch and their establishments from the provision of Supplementary Rule 73.

[Auditor General's Endorsement No. 574-E.-91-25, dated the 7th February 1925, File No. 99-Estt. of 1925.]

368. The Government of India have sanctioned the general exemption from the operation of Supplementary Rule 128 of the Director of Commercial Audit and his staff with effect from the 1st March 1928 where the visit to the hill station is on duty.

[File No. 39-Com. of 1928; Government of India, Finance Department, No. D.-844-R.-II of 13th February 1928 to Auditor General.]

The Director a "recessing officer".

368-A. The Government of India have decided that the Director of Commercial Audit should be treated as a recessing officer (Government of India, Finance Department letter No. D.-1660-R. II, dated the 26th March 1929 in File No. 348-Com of 1928) and that his recess in Simla should be governed by the conditions laid down in the Government of India, Finance Department, Office Memorandum No. F. 9 (81)-R. I-29, dated the 22nd August 1929.

[File No. 304-6-Com. of 1929.]

CHAPTER 13.**OFFICE PROCEDURE.****Office hours.**

369. At Headquarters the hours of attendance are from 10-30 A.M. to 4-30 P.M. daily, Sundays and holidays excepted. Between the 1st of April and 31st of October the hours of attendance on all Saturdays, except the last in each month, which is a full holiday, are the same as on other week days. Between the 1st of November and the 31st of March the hours of attendance on Saturdays are from 10-30 A.M. to 2 P.M.

370. Circle Officers may prescribe the hours of working of their offices, provided a minimum of 33½ hours a week is worked up to.

371. It is the duty of Superintendents to prevent the accumulation of arrears and they are authorised to require the attendance of their subordinates before and after the usual hours, and if necessary, with the sanction of the head of the office, on holidays.

372. At Audits, the staff should conform to the working hours of the concerns at which they attend.

Attendance registers.

373. The attendance registers will be initialled in ink by each clerk as he comes into office. For this purpose they are kept on the tables of the Superintendents who will place a circle in red ink against the names of those who have not initialled the books by the proper time and submit the registers to the officers. The late comers should initial within the appropriate circles, the time of arrival being neatly recorded by the Superintendent.

Leaving Office.

374. No clerk should leave the office during office hours without the permission of his superintendent nor a superintendent without that of the Officer in-charge.

Luncheon recess.

375. A quarter of an hour is allowed for luncheon but this should be taken between 2 and 3 P.M., and those who avail themselves of this recess time should work till 4-45 P.M.

Penalty for late attendance.

376. Great importance is attached to punctuality of attendance and persistent late attendance will jeopardise claims to increments of pay. One day's casual leave will be forfeited for four days' late attendance. If no casual leave is at credit in a particular year deduction will be made from the casual leave ordinarily admissible during the next year. At the end of each month the superintendents should examine the attendance registers of their respective sections and have the number of days of late attendance in respect of each clerk entered in the casual leave registers.

Tidiness of office rooms.

377. The following rules should be carefully observed :—

1. Clerks should tidy up their tables every evening before leaving office.
2. No files, registers or papers may be kept on the floor.
3. Waste paper should be placed in receptacles provided for them and not thrown about the floor.

Cleanliness of rooms, etc.

378. Peons doing duty under gazetted officers or in the sections will be held responsible for the cleanliness of the rooms to which they are attached. Every evening they will lock the doors and close and secure all the windows of the rooms for which they are responsible, and leave the keys with the watchman, and on opening the room next morning they should see that nothing is lost or has been tampered with. They should themselves dust the tables, bookcases, etc., and see that the sweepers have done their work properly. Those attached to sections are also expected to remain in the section to which they are attached till the last clerk leaves the section and should see, before leaving office, that all fans and lights are switched off.

379. Smoking in office is prohibited.

Weekly inspection of tables by Superintendents.

380. Every Saturday before leaving office each Superintendent should see that everything in his section is in order. As far as possible, clerks should have no files on their tables except those actually in use. Superintendents should overhaul the papers on their clerks' tables, racks, pigeon holes, drawers, etc., to see that nothing escapes disposal and should insist on clerks, whose tables are untidy, remaining till 4-45 P.M., on Saturdays to clear them up. The result of each inspection should be briefly reported to the Gazetted Officer in charge every Monday morning through the progress report. Order, neatness and system will be taken into account in deciding on merits for promotion or the grant of increments.

Monthly inspection of office by Gazetted Officers.

381. The Assistant Audit Officer (Headquarters) will inspect the general condition of the headquarters office once a month, without fixing any particular date. Circle Officers are also recommended to make similar inspections of their offices when at their headquarters.

Missing papers.

382. When papers are found to be missing, a report should be made in writing to the Gazetted Officer concerned. The Superintendent of the section concerned is responsible for seeing that this is done as soon as the loss comes to his notice, but this does not absolve the persons losing the papers from the responsibility of making an immediate written report.

Taking papers home.

383. Superintendents and clerks are prohibited from taking office papers to their houses except with the specific sanction in writing of a Gazetted Officer.

Handing over charge.

384. A superintendent or clerk, when taking over charge of his duties from another, even temporarily, is expected to ascertain whether the work is absolutely up-to-date, and to report at once to his immediate superior any arrears or irregularities he may notice, in order that prompt action may be taken. If no such report is submitted the superintendent or clerk assuming charge remains responsible for the state of work under his charge including any arrears or irregularities which may exist. When a clerk makes over charge to another he must take a receipt in detail for all the papers he hands over, and the Superintendent of the section must see this receipt before he allows the clerk to leave his section.

Access to headquarters files.

385. Officers, Superintendents, or clerks from Circle offices are not entitled to have access to headquarters files and these files will not be given to them without the approval of the Director. All Circle Officers should have full information in their own files regarding the accounts of the concerns audited by them.

[Director of Commercial Audit's order, dated the 8th December 1928
File 202-Com./28.]

Admission of strangers to offices.

386. Strangers should not be admitted into the office rooms without the permission of the Superintendent concerned and this should be given only in exceptional cases.

Government servants' conduct rules.

387. All Gazetted Officers and members of the establishment are expected to be acquainted with the rules contained in the Government Servants' Conduct Rules. A copy of these Rules will be supplied to each Gazetted Officer; each Superintendent will also be supplied with a copy which should be kept in the section for general use.

The Auditor General exercises the powers of a Local Government under the Government Servants' Conduct Rules in respect of all Government servants under his administrative control.

Giving information to outsiders.

388. No Superintendent or Clerk is permitted to give out any information connected with office matters or copies of office papers, nor is he permitted to communicate or correspond with any newspaper on official matters without the sanction of the Director of Commercial Audit.

Communicating with members of the Legislatures.

389. Members of the Branch are prohibited from approaching members of the Legislatures with a view to having any individual grievance made the subject of interpellations as such a practice usually entails the disclosure to non-official persons of information which has been obtained from official sources or has come into the possession of the member of the establishment concerned in the course of his official duties ; and any such disclosure is a breach of rule 17 of the Government Servants' Conduct Rules.

Representations.

390. Members of the office establishment may represent their grievance in writing to the Head of the Office. The representations should be submitted through the Superintendent and the Gazetted Officer in charge who, when forwarding them, will state any facts within their knowledge and their views on the case. The Head of the office may entertain representations about grievances of a general nature submitted by recognised associations but should not discuss the case of any individual with an association.

All papers relating to representations should be filed after disposal. The papers should, under no circumstances, be made over to the clerks concerned. They may, if they so desire, be allowed to keep copies of orders passed thereon.

Personal interviews with Gazetted Officers.

391. In no case will any member of the office establishment be allowed to interview the Head of the Office without previously obtaining his permission. No clerk will be allowed to enter the rooms of Gazetted Officers in their absence except under orders.

Holidays.

392. 1. *Classes of Holidays.*—Holidays may be divided into four classes, namely :—

- (a) those prescribed by the section 25 of the Negotiable Instruments Act (XXVI of 1881);
- (b) those declared by the Local Government Notifications under section 25 of the above Act to be public holidays ;
- (c) those announced by Government to take effect in offices either in respect of—
 - (1) all classes of Government servants, or
 - (2) the class who observe the fast or festival on account of which the holiday is announced, and
- (d) local or special holidays not announced by the Local Government' e.g., the last Saturday of the month.

2. *Grant of Holidays.*—As a general rule, the office will be closed entirely in the case of holidays under classes (a), (b) and (d), subject to the condition

that they may be disallowed to any person guilty of idleness or inattention to duty, unless the day is deemed specially sacred by the members of the religion which the Government servant professes.

As regards class (c), the general rule should be to close the office only when the absence of the persons on whose behalf the holiday is given will prevent the work of the office from being properly done.

An hour's leave should be given on Fridays to such Mohammadan employees who wish to take it for the purpose of saying their Juma prayers.

The days other than Sundays on which the Headquarters office of the Commercial Audit Branch will be wholly closed during a Calendar year, are the same as those prescribed for the offices located at Delhi in the Consolidated statement of holidays issued annually by the Auditor General's office.

The offices subordinate to the Director of Commercial Audit will observe the holidays prescribed for the offices of the Local Accountants General of the Provinces concerned and the test audit staff will follow the local practice of the offices to which they are attached.

[*Vide* Auditor General's U. O. I.No. 210-NGE/697-28, dated the 31st January 1929, File No. 290-2-Com. of 1929.]

Circulation of holiday memorandum.

393. On the approach of a holiday, the Superintendent in charge will submit a memorandum showing the class of holiday, the state of work of the section and what provision is necessary for urgent or arrear work. The memorandum should, in the case of Headquarters, be submitted to the Director of Commercial Audit for orders through the Assistant Audit Officer (Headquarters) and in the case of Circle Offices, to the Circle Officer at the latest by 2 P.M. on the day preceding the holiday.

Casual leave.

394. The casual leave admissible to the regular members of the staff, and officers, accountants and clerks under training in the Branch, is ten days in a year counting from 1st April and may be sanctioned by Circle Officers. Sanctions of casual leave in excess of ten days in a year require the concurrence of the Director of Commercial Audit. The leave granted should be confined to cases of urgent necessity and must not ordinarily exceed three or four days at a time. When casual leave for a number of consecutive days is applied for on a plea of ill-health it shall be open to the officer granting the leave to require a medical certificate in support of the application.

395. A casual leave register should be maintained to record the casual leave taken and the number of days forfeited by late attendance by each non-gazetted member of the staff. Previous permission to take casual leave should ordinarily be taken from the competent authority. All applications for casual leave will be submitted with the casual leave register to the Gazetted Officer in charge through the Superintendent who will note thereon whether the person is entitled to and deserving of the leave and whether arrangements

can be made for carrying on his work. When on account of sudden and serious ill-health or other causes, it has not been found possible to obtain previous sanction for the leave, the circumstances should be reported at the earliest possible moment to the competent authority.

When a member of the Non-gazet'ed Staff is transferred, number of days casual leave availed by him during the financial year should be ascertained and recorded in the casual leave register of the office to which he is transferred.

396. Clerks who are required by their Superintendents to attend during holidays in the interests of the office are eligible for compensation leave for the number of days they attend provided such attendance is not due to arrears on the part of the clerk concerned. Compensation leave like casual leave will go by the financial year, and no balance will be carried forward from one official year to another.

NOTE.—Sundays will be omitted from calculations of the number of days spent on casual leave. Other Gazetted holidays may be omitted at the discretion of the Officer granting the leave. (File No. 267-Com. of 1928.)

Enforced absence on account of infectious diseases.

397. All members of the office establishment who have infectious diseases in their household should report the matter at once, in order that measures may be taken to prevent their bringing the infection to the office. The report should be accompanied by a certificate from a qualified medical practitioner stating on what date the infectious stage is likely to be reached, and another certificate should be submitted when all danger of infection has passed. The absence between these two stages will be treated as casual leave, every two days of absence reckoning as one day's casual leave. If the maximum of 10 days be exceeded by this calculation the case should be submitted to the Director for special orders. See also Part V (2) of the Government of India Finance Department Resolution No. 205-C. S. R., dated the 8th February 1924 issuing Administrative Instructions in connection with the Fundamental Rules.

NOTE.—When a clerk himself is laid up with an infectious complaint and is thereby rendered incapable of carrying on his duties, the provisions of this paragraph will not apply. his absence will be treated as ordinary casual leave or regular leave as the case may be.

Register of addresses.

398. A register will be maintained at Headquarters and in the circle offices, showing the addresses of all members of the office establishment. The register will be in the custody of the despatching clerk ; but each member of the establishment will be responsible for the entry of his own address and of all subsequent changes.

Attendance of Inferior Servants.

399. The durwan should attend at 9 A.M., open and air the rooms and have them swept out. In the afternoon as the officers and clerks vacate each room he should see that the various articles of furniture, stationery, etc., are intact,

take charge of any personal property of value inadvertently left exposed, see that the bolts of the doors and windows are securely fixed and lock up the rooms. He should be present on all Sundays and holidays throughout the day as a guard to the office.

400. The peons should attend at 9-30 A.M., dust and tidy the rooms and see that no articles are missing. They should attend immediately to all calls from the officers or sections to which they are attached and supply drinking water whenever called upon to do so. Peons attached to sections should not leave the office without permission until the last clerk in that section leaves the office.

401. The daftries should attend at 10 A.M. Each daftry should supply ink in the rooms for which he is responsible; clean the pens, inkstands, etc., see that the stationery racks of the officers and superintendents are adequately supplied with forms, and set and wind the clocks. He is also responsible for keeping the old records in proper order, for seeing that they are not damaged or destroyed by damp, white-ants or otherwise and for supplying references which may be requisitioned.

402. All Government articles including livery, belt, cross-belt, umbrella, blanket, etc., in the possession of any jemadar, peon or daftry should be deposited with the cashier before the man goes on leave. Failure to comply with this rule will involve disciplinary action.

Responsibility for petty losses.

403. Each clerk is primarily responsible for the stationery and other articles supplied to him by the office. He is expected to take proper care of articles in his possession. In the event of loss, he should at once bring the fact to notice, explaining the measures he has regularly taken to protect the article from loss and how, despite those measures, the loss has occurred.

The peons attached to the section are held equally responsible with the durwan for losses, occurring in that section. If responsibility for the loss can be fixed on any particular individual, he will be called upon to make good the cost of the article lost.

Leave to Inferior Servants.

404. Ordinarily no leave except leave on substitute is granted to an inferior servant. Leave may be granted to a peon by his circle officer if no substitute is required; otherwise the sanction of the Director will be necessary.

Leave reserve of Inferior Servants.

405. Instead of creating a number of posts of reservists, each head of an account office, has been given a grant of one-eleventh of the cost of the inferior establishment with effect from 1st March 1926. So long as this amount is not

exhausted, the head of the office is empowered to grant leave on full pay to inferior servants and to entertain substitutes in their places.

[Government of India, Finance Department No. 35-I. F. E., dated 18th March 1926, received with endorsement No. 1735-E.-588-24, dated 4th May 1926 and Auditor General's No. 986-E.-588-24, dated the 1st March 1926.]

When the amount placed at the disposal of the Head of the Office is exhausted, the ordinary rules about the entertainment of substitutes in leave vacancies of inferior servants will apply. The amount of this grant cannot be increased by reappropriation or otherwise.

Leave to menials paid from contingencies.

406. The Government of India have decided that menials paid from contingencies can only get hospital leave and leave without any allowances.

407. Character rolls for the inferior servants of the Branch will be maintained by Circle Officers and at Headquarters by the Assistant Audit Officer (Headquarters).

Fines on inferior servants and menials.

408. Gazetted Officers are authorised to impose fines on the inferior servants and menials working under them.

Daily post.

409. All inward letters should be opened by a Superintendent every morning, who should also mark the several sections or persons who should deal with them.

Papers not marked urgent arriving after 2 P.M. may be left over for the next morning. Covers addressed by name should however be made over to the officer concerned immediately on receipt. Those marked "confidential" should be opened only by the Director, or in his absence on tour, by the Assistant Audit Officer (Headquarters) (or by the Gazetted Officer in charge of circle offices) who should hand them over to the superintendent concerned or dispose of them himself according to the degree of secrecy to be attached to the document.

Immediately after opening and marking of sections, all letters should be sent for perusal to the Gazetted Officers who should initial and return them without delay to the Registering Clerk. The Registering Clerk should register the letters, sort them, and distribute them to the persons concerned taking their initials in the Inward Register.

Receipt of U. O. files.

410. On receipt of a U. O. file, the Registering Clerk should first check the papers received with the list of papers placed in the file. If all the papers detailed in the list have been received, he should endorse on the slip "checked" initialling and dating the endorsement. All U. O. Files should be treated as urgent.

Register of Inward letters.

411. All receipts should be entered in an "Inward Register" in Form No. S.-31. Each receipt in this Register will be given a serial number which will run consecutively for each calendar year. This number will be quoted in the receipt itself. By this number the receipt will be quoted in office notes, the year and the sectional lettering being also mentioned. All receipts, whether letters, telegrams, extracts from notes or unofficial references will run in one series from January to December. The subject of each receipt should be briefly and carefully described in the Inward Register.

Remarks on Inward letters prohibited.

412. Remarks should not, as a rule, be written on Inward letters by superintendents or clerks except such as are required for permanent record thereon. The order to "put up papers", "file", "make up a separate file" or any other short direction may, however, be entered on them under initials of the Superintendent; but other directions to clerks are not to be written on the original document. A separate slip should be attached with the necessary directions.

Letters and documents received in original to be returned or forwarded to another office should not be defaced by any writing or initials thereon. Such entries should be made on a separate sheet to be attached to the papers by the receiving Clerk.

Safe custody of documents.

413. All confidential papers should be in the custody of a gazetted officer and under lock and key when they are not being dealt with. Confidential files handed over to a Superintendent for putting up disposal should be returned the same day with the disposal or for safe custody overnight.

Despatch of confidential papers.

414. When confidential papers are sent out of office, they should be placed in double covers, the inner cover being sealed and marked 'confidential', the name of the officer for whom they are intended appearing thereon. The outer cover will be addressed to the officer's official designation only and without the addition of his name. The packet or envelope must invariably be registered "acknowledgment due" when sent by post.

Loss of secret documents.

415. In view of the serious nature of the responsibility of the custodian of secret documents, steps should always be taken to trace the missing documents whenever a loss is reported and the responsibility fixed therefor.

Reminders from the Government of India, Local Governments and the Auditor General.

416. Every reminder received from the Government of India, Local Governments, or the Auditor General should be submitted to the Director of Commercial Audit for his perusal, with a note as to the cause of the delay and

the date on which the case will be ready for disposal. A similar procedure should be adopted in Circle offices when reminders are received from the authorities mentioned above and from the Director of Commercial Audit.

Express letters and telegrams.

417. All telegrams and express letters should be opened by the Superintendent immediately on receipt and submitted to the Gazetted Officer in charge for perusal. They should ordinarily be disposed of in the course of the day.

Outward telegrams.

418. All telegrams issued should be numbered in the same way as ordinary letters and the numbers given should invariably be quoted in the outward telegrams. In issuing telegrams the general principles prescribed in Rule 12 (b) of Appendix 5, C. A. C. Vol. I, should be observed. Telegrams should be used sparingly and only when really necessary. When early information is required it will generally suffice to send an express letter in Form No. S-6. No telegram should be sent 'Express' without the orders of the Gazetted Officer.

State telegrams must not contain matters of a private character.

419. No Government servant may send State telegrams on matters of a private character concerning himself, *e.g.*, pay, leave, promotion, appointment and similar matters. His immediate superior may however do so, if, in his opinion, it is in the interests of the public service that a telegram should be given.

Post copies of telegrams.

420. Post copies of telegrams should be prepared and despatched the same day under the signature of the Superintendent of the section concerned.

Abbreviated telegraphic addresses.

421. The telegraphic address of the Director of Commercial Audit is 'Comit' New Delhi and with one exception that of the circle offices of the Branch is 'Comit' followed by the name of the Headquarters of the Circle. The telegraphic address of the Calcutta Port Trust Circle is "Portaudit" Calcutta.

Fair copies of letters, etc.

422. Draft letters, statements, etc., which have to be typed or copied should be sent before 4 P.M. to the typists. All letters and memoranda issuing from an office should bear the signature of a Gazetted Officer except copies of enclosures and post copies of telegrams which should issue over the signature of the superintendent concerned. The typist should initial the draft as soon as he finishes his work. The fair copies will then be compared with a reader by a senior clerk who will initial the fair copy and send it to the Gazetted Officer who originally approved the draft. Fair copies of all drafts, etc., received in the typists' section must be prepared on the date of receipt and submitted for signature, unless permission to the contrary is obtained from the Assistant Audit Officer (Headquarters) or the Circle Officer.

True copies of letters, etc.

423. True copies of letters, etc., which are to be sent to the Government of India, Local Governments or to the Auditor General should be signed by the Superintendent in charge. They should always be carefully read through by the officer who signs.

Instructions for typists.

424. Letters for the Government of India, Local Governments and the Auditor General should be entrusted to the best typists in the office. At Headquarters the Stenographer should do such work. The typist should ordinarily type not only the approved draft but also the accompaniments which are to go with it, if they are to be copied, and return the papers complete to the examiner.

425. When a letter is to be registered the word "Registered" should be written in the top left-hand corner. Enclosures which have to issue with a letter should be indicated by a slanting line drawn from the reference in the body of the draft to the enclosure to the blank margin of the draft and full information as to where the papers, copies of which are to be enclosed are to be found should be recorded in the margin. All enclosures must be submitted to the officer along with the fair copy for signature. Urgent and immediate papers should be returned to the examiner immediately after being fair-typed instead of being included in the batches of ordinary papers.

Camp Dak.

426. When papers are sent to the Director of Commercial Audit while on tour or at Simla a list of files, etc., sent each day should be prepared in duplicate, one copy being retained at headquarters and the other sent to the Camp Office along with the Dak. Immediately on receipt of the Dak, the Camp Office clerk should check the contents with the list. Similarly the Camp Office clerk should prepare lists of papers sent to headquarters in duplicate sending one copy along with the papers and retaining the duplicate.

On receipt of the Dak from Camp, the papers will be checked with the lists received therewith and any discrepancy should be intimated to the Camp Office without delay.

Circulation of important letters, etc.

427. Copies of all important letters, circulars, notifications, and resolutions received in or issued from the headquarters should be supplied to the Circle Officers concerned. Weekly issues of "The Accountant" are circulated to the Circle Officers and the Gazetted Officers attached for training. An officer should not keep an issue with him for more than three days.

Signature on documents.

428. The following letters and statements will be signed by the Director of Commercial Audit :—

- (1) those referred to in Articles 79 (a) and 80, Audit Code.

- (2) all letters, statements, accounts, etc., for the Auditor General and all communications to the Military Authorities except letters of a purely routine nature ;
- (3) all letters laying down a general principle, altering existing practice, or affecting personal matters in dispute, such as pay, leave, etc., and conveying a final decision on an appeal.
- (4) covering letters on all audit reports. The Madras Circle Audit reports are issued direct by the Officer in charge of that circle.

Replies to unimportant references received direct from local Governments by Circle Officers may be signed by them. When an important reference is received by a Circle Officer he should draft a reply and submit it to the Director of Commercial Audit for perusal and approval. If, however, an important reference is of a very urgent nature, a Circle Officer may reply direct stating at the same time that his decision on any particular point is subject to the concurrence of the Auditor General and the Director of Commercial Audit.

Despatch.

429. The signed fair copies will be made over to the despatcher who in issuing them will follow any directions given by the sections on the drafts. He will enter the word " Issued " with his initials and the date on the draft, and also write the issue number and date on the fair copy, the draft and in the appropriate place in the notes section of the file. The despatcher is responsible for seeing that before a letter issues, the enclosures, if any, are correctly attached and, in the case of unofficial files, that the Government of India papers and proceedings are intact and that no papers belonging to this Branch are inadvertently returned, with the files. In the case of unofficial files, the despatcher should also record a certificate " All papers returned " on the slip as well as in the office file.

430. All letters, etc., sent out of the office will be entered in a Register of Outward Letters in which the sectional issue number, the name and address of the person to whom the covers are sent, and the value of the stamps affixed shall be noted. In this Register entries should be made also of Service Stamps received from time to time. On the morning of the first working day of each month the balance of stamps on hand should be worked out by the despatching clerk in the register and submitted to the head of the office for inspection and verification of the balance.

Submission of papers to Auditor General.

431. The Director of Commercial Audit should consult the Auditor General when important points of principle arise out of his audit reports and should keep him informed of serious irregularities discovered and other matters of importance in his Branch. Files belonging to this Branch which do not

require to be noted on by the sections of the Auditor General's Office, should have a slip fastened on the flaps on the file boards "For submission to the Auditor General direct".

[Auditor General's orders, dated 30th November 1929, file No. 25-1-Com./29].

Call for papers, books, etc., by Gazetted Officers.

432. When the Gazetted Officer calls for papers, books, etc., for reference from a section, the Superintendent should satisfy himself that the demand is obeyed at once.

Noting.

433. 1. As a general rule papers should be submitted to the Gazetted Officer in charge with a note as to the action to be taken within four days of receipt in the office. Difficult and complicated cases may, however, be held over for a longer period with the permission of the Superintendent concerned. All audit reports received at headquarters should ordinarily be despatched within a fortnight of their receipt in the office.

2. Notes should be free from remarks of a personal nature. When a case is submitted for orders it should not contain more than one note from the office, the Superintendent of the section rewriting or modifying the note of the clerk if he cannot accept it. The office note may be similarly treated by the first officer to whom the case is submitted.

3. In some cases nothing is required beyond a brief suggestion for action. When a note is required it should be a statement of the case, showing more or less in detail, according to the importance and stage of the case, the question for consideration, the circumstances leading up to it, the rules and precedents bearing upon it and suggestions for action.

4. When discussing many points in one note each point should be discussed on a separate sheet so that all notes on the same point may appear together. It shall always be assumed that the paper under consideration will be read by the officer to whom it is submitted. Consequently no paraphrase should ordinarily be permitted in the notes. When the paper under consideration is to go out in original or is of great length and complexity, a précis of its contents shall be made. A précis should also be made when several papers under consideration are dealt with simultaneously.

5. Notes should be written legibly on both sides of the paper with a quarter margin. The notes and correspondence should be kept separate, each being arranged chronologically and paged neatly for purpose of reference. Papers should be attached to the file cover with 2 tags 4 inches apart, and the tags should be passed through holes in the note sheets, etc., which should be made with a punch after the parts of the sheets through which the holes are made have been reinforced by adhesive tape. All letters written on flimsy paper, whether issued or received, should be pasted to sheets of ordinary blank paper of foolscap size before being brought on to the files. Demi-official letters or any other correspondence written on paper smaller in size than

foolscap should be treated similarly. Superintendents should see that the papers in files are properly arranged and the pages numbered and that immediate steps are taken to repair any damage to files or papers.

6. No file should exceed one inch and a half in depth. If necessary several parts of the same file may be opened. Unrecorded files should always be placed in file-boards or file bands.

7. Whenever it is noticed that, out of a file belonging to one subject, a question arises which really concerns another subject, a new file should be opened and copies of the notes or extracts from the old file relevant to this new subject should be incorporated therein. Superintendents should be careful in submitting cases to see that they are sent up with all connected papers and properly referenced.

8. In referring to previous notes or letters, the file number and the page of notes or correspondence and the number and date of the letter should always be mentioned. A mere reference to a slip such as slip "A" should never be made as this conveys nothing to anyone subsequently reading the notes when the slip has been removed. The reference should take some such form as "Correspondence page 17 of 98-Com. of 1928", Slip "A", as this gives information which will always enable anyone to call for, and inspect, the reference mentioned. Lettered or numbered slips should also be pinned to previous papers referred to in the notes, the letter or number being quoted in margin. In putting up cases on each occasion, all the previous slips should be removed and fresh ones attached to only those papers relevant to the case under consideration.

9. Enquiries and instructions between the assistants in a section, when such have to be in writing, will be made and issued on separate slips of paper. These slips may not form part of the papers and may be removed before the latter are submitted for orders. If, by any chance, an important enquiry is started on such a slip, it should either be pasted on to a sheet of proper size or its contents should be copied on to such a sheet and all further noting should be carried on in the proper form.

10. The section last dealing with an office note should see that there is at least one blank page attached on which the officer can record his remarks.

11. A transfer slip should be attached to each file, on which every member of the office who has dealt with the file should enter the date of receipt and disposal. If there has been any delay, an explanation should be given on the slip.

12. Unofficial files received from the Departments of the Government of India should be treated as confidential. They should not be sent to any officer outside the Headquarters office without the specific consent of the Department to which they belong.

13. Cases, which the Gazetted Officer in charge considers as strictly confidential, should be taken to the officer in person and should not be seen by any superintendent or clerk in the office, except by the person to whom it is made over.

14. All members of the office should note carefully that they must not communicate directly or indirectly to Government servants not belonging to this office, or to non-official persons, any official information which has come into their possession in the course of the performance of their ordinary duties in this office or otherwise, whether from confidential or non-confidential sources. Any neglect of this injunction will be severely dealt with as a breach of the Government Servants' Conduct Rules.

15. No member of the office should have access to files or papers belonging to a section other than that in which he works or relating to work in his own section with which he is not immediately concerned unless he first obtains permission from the Superintendent of the section in which these papers are.

16. No member of the office may have access to the dak and after issue cases without the permission of the Superintendent of the section.

Drafting.

434. At the top of every draft there should be a brief description of the subject matter of the letter. Drafts should be worded as clearly and as concisely as possible, and the instructions in Article 79 of the Audit Code should be strictly observed. They should be divided into paragraphs which should be numbered, a fresh paragraph being devoted to a new statement or to a fresh argument. The tendency to use unduly long sentences should be resisted.

Each draft whether official, unofficial, or demi-official should contain clear and complete directions in regard to the names or designations and addresses of the addressees and the number and particulars of the enclosures. The dealing clerk is responsible for furnishing this information.

The dates for the issue of the reminders and the dates of their issue should be noted in the space provided for the purpose in the draft form.

Copies of replies drafted in the notes section of a file should be brought on to the correspondence portion in their proper place.

When confidential letters are sent, the persons handling them should first paste the envelopes before handing them over to the daftries for sealing.

Superintendents' responsibility for drafts written by Gazetted Officers.

435. When the Director or any Gazetted Officer drafts a letter himself it must be understood that the Superintendent concerned is responsible for checking the accuracy of the facts mentioned as if the letter had been drafted by the Superintendent himself. Superintendents are therefore responsible for bringing to notice any orders of Government or other authority which the Director or Gazetted Officer may have overlooked.

Superintendents' responsibility for facts and figures.

436. All information prepared in the office for the Government of India, Local Governments, the Auditor General and other authorities must invariably be checked by the Superintendent concerned. This responsibility extends to all facts and figures which find a place in letters and reports, as well as regular statements and statistical returns.

Ad interim disposal.

437. *Ad interim* replies to references received should be issued when final action has to be delayed for any reason.

Initials to be dated.

438. Except in the case of initials (or ticks) made during the course of audit or check of audit reports all initials should be dated. The year, as well as the date and month should be shown.

Reminders.

439. The clerks dealing with files will be responsible for putting up reminders to outward letters concerning the subjects dealt with by them. The routine clerk will also note in the register of outward letters the due dates for the despatch of reminders to outward letters from the drafts approved. He will close the register of outward letters once a month and submit it to the officer in charge with a list of letters to which no replies have been received for a fortnight in the case of ordinary letters and for two months in the case of letters forwarding audit reports for the orders of the Governments concerned. (File 26-Com. of 1928).

System of filing.

440. All papers in the office relating to one subject, whether inward or outward letters, or office notes, are collected together in files which are numbered and registered in a Register of Files. The office notes on a file are filed separately from the correspondence and the pages of notes and correspondence are separately numbered. On the file cover there is provision for the entry of the file number, the major and minor heads and the catch words of files, subject of files, previous references and later references.

2. The file number consists of a group of three distinct numbers, for example, 24-9 of 29. The first number is the index number of the file showing the major subject to which a file belongs. Each concern under the audit of this Branch and each major subject (like establishment pay) will be given an index number. For example, the major subject, "Security Printing, India," is given an index number "3" and all files relating to the Security Printing, India bear numbers "3-1," "3-2," and so on. The index number does not change from year to year.

3. A separate page or pages in the Register of Files of a year are allotted for each index number and the subject denoted by the index number is written prominently at the top of the page. Immediately a file is opened it is entered in the Register of files under the relevant index number and the clerk responsible for the file during its currency enters his dated initials in the column "Date on which indexed." All files under each index number are numbered serially for each calendar year. The date of record of each file and the acknowledgment of the clerk responsible for the custody of old records are recorded in the columns provided for the purpose in the Register of Files.

4. Letters of a trifling nature should be filed in a guard file under the written orders of the Superintendent.

5. All files in which the correspondence is not complete by the end of a calendar year should be brought on to the Register of the next year under the same numbers as they bore in the previous year. The file will then be treated in all respects as one belonging to the new year.

6. The subject dealt with in a file should be entered precisely on the cover of the file in the space set apart for the purpose. Superintendents should carefully scrutinise the heading of a file newly opened to see that it expresses clearly the subject matter to be dealt with in the file before the entries relating to the file are made in the Register of Files. When during the currency of a file, a subject different from the main subject matter of the file arises for discussion as a side issue, a new file should be opened to deal with it and extracts from the original file recorded therein. Cross references to the new file and the old file should be given in the old and the new files. Superintendents should see that new files are opened immediately when the opening of a new file becomes advisable under this rule. When recording files it should be seen that the description of the subject matter in the file cover is sufficient and any necessary alterations made, as otherwise the tracing of papers will be very difficult. Though a file can be numbered only under one index number, to facilitate reference it should also be entered at the time of recording under the other index numbers connected with the subject matter of the file.

7. When action has to be taken on an Inward Letter which pertains to an existing file not immediately available, a temporary file may be opened with the same number as the original file, but preceded by the letters K. W. I. (or II and so on as the case may be). When the main file is received, the papers in the K. W. File should be arranged in it in chronological order.

8. When a K. W. File is opened an entry will be made below the number of the main file in the first column of the list of files in the following manner :—

K. W. I. (or II and so on as the case may be) Register No. of

The number in Roman figures after the letter K. W. will indicate the number of the K. W. Files opened but not yet amalgamated with the main file while the register number within brackets will indicate the register number of the receipt for the disposal of which the K. W. file is opened. The registering clerk will examine these entries twice a month and prepare a list thereof for circulation to the assistants concerned. The latter will certify in the list whether the K. W. file or files have or have not been amalgamated with the main file. The registering clerk will, on the authority of these certificates, score out the relevant entries in the list of files. The Superintendent will check the list to see that no unnecessary K. W. file is maintained.

Custody and maintenance of files.

441. Files of only the preceding and the current years may be kept in the sections. Superintendents of sections should see that all files whether recorded or not are carefully and methodically arranged on the racks of the clerks responsible for them.

442. In order to ascertain where a particular file is at any time, each clerk should maintain a register in which he should keep a record of all the files, for which he is responsible, and which go out of his possession, the receiving clerk's initials being taken in the register in token of receipt.

443. When no further action is required on a file, the clerk responsible for it should get orders for record endorsed on it without delay and transfer it to the clerk in charge of old records taking an acknowledgment for it. The record clerk should see that the file is complete and properly arranged, have the file stitched by the daftly and arrange for its safe custody.

444. In January of each year the recorded files for the year but one preceding should be sent to the clerk in charge of old records. The file should be kept serially arranged in racks properly labelled showing the year to which the files belong. Files should be supplied by the record clerk only on requisitions drawn up in the prescribed form. On receipt of the requisition a duplicate copy should be prepared by the daftly and kept in the place from which the file has been removed. The clerk in charge should enter in the Register kept for the purpose, the number of the file, by whom it was taken, and the date it was supplied. Requisitions should be suitably filed.

445. In the first week of every month a statement showing the files supplied to different persons more than three weeks previously and not returned should be issued with a request that the files no longer required may be returned immediately.

Destruction of records.

446. Before being handed over to the clerk in charge of old records, all records, registers, etc., should be properly bound or otherwise secured and should have recorded on them, in big letters on a printed slip in the prescribed form, in a conspicuous place, and over the dated signature in full of the person authorised, the year in which they are to be destroyed.

447. The clerk in charge of the old records should enter the relevant particulars in a register in the prescribed form, special care being taken to fill in correctly the column relating to the year of destruction. The register will be a permanent record and should be carefully preserved. Immediately after the close of a calendar year the weeding of records for destruction should be taken in hand under the supervision of a senior clerk. The entries in the column relating to the year of destruction will indicate which records are due for destruction, in a particular year.

448. No records should be destroyed except with the sanction of the Head of the Office. For this purpose a list should be made of all records weeded out for destruction, entered in the Register of Old Records, and the approval of the Head of the Office obtained thereto in writing. This register should be carefully preserved as being the actual authority for the destruction of the records detailed in them. When the destruction has been completed, the clerk in charge should, under his dated initials, write against the item in the "Remarks" column of the Register the word "Destroyed" and also give a reference to the orders of the Head of the Office sanctioning the destruction.

Weekly arrear reports.

449. The arrear reports in Form S. 22 should be written up weekly from the Inward Registers. They should show the state of work as at the close of the office on Saturday and should reach the Gazetted Officer without fail on Monday.

450. When the Director of Commercial Audit is at headquarters the weekly arrear reports of the headquarters office will show all cases which have not been disposed of within a fortnight of their receipt in the office, and when the Director is on tour, they will show those cases which have not been disposed of within three weeks of their receipt.

451. At the end of each report a summary will be prepared in the following form :—

Balance as per last report.	..	..
Receipts during the period under report	..	..
Total	..	..
Cases disposed of during the period under report	..	..
Balance outstanding	..	..	..	..

Register of Pending Cases.

452. If the disposal of a case is held up on account of a reference outside the office and the case cannot be disposed of till the receipt of a reply, or when definite orders are passed to hold over a case, the case should not be included in the arrear report but shown in the Register of Pending Cases which should be carefully reviewed by the Superintendents and submitted to the Gazetted Officer in charge at the same time as the arrear report.

Calendars of Returns.

453. At headquarters, a superintendent will maintain a Calendar of Returns both inward and outward, in the prescribed Form S. Y. 264, showing the registers due for submission to Gazetted Officers and all statements, returns, accounts, etc., due from the circle offices and from headquarters, with the dates fixed for their submission or despatch and the actual dates of submission or despatches. The returns will be classified as weekly, monthly, half-yearly or annual, and entered in the Calendar chronologically under each heading. Delay in the submission of any return should be explained in the last column. A copy of the calendar should be with the Assistant Audit Officer (Headquarters).

454. The Calendar of Returns should be submitted by the Superintendent responsible to the Assistant Audit Officer (Headquarters) for inspection by the 8th of every month. The Superintendent is responsible for punctual submission of registers, reports and returns on due dates, and the Assistant Audit Officer should check from his copy the regular submission, receipt or despatch of registers and returns. As an additional precaution to avoid delay in the despatch of returns, the despatcher should also be provided with a copy of the Calendar of Inward and Outward Returns.

455. Similar Calendars of Returns should be maintained by the Superintendents of circle offices and submitted to the circle officers every month.

Statement of returns not sent on due dates.

456. The Superintendent responsible for the maintenance of the Calendar of Returns will prepare from it a statement in the following form showing the returns not sent on due dates and submit it by the last week of every month, to the Gazetted Officer in charge. Full explanation of the delay should be given in the last column of the statement.

Statement showing the returns which have not been sent on due dates.

Name of return.	To whom sent.	Due date.	No. of days by which delayed.	Explanations of delay.
1	2	3	4	5

Superintendent.

Date

Gazetted Officer.

457. A complete list of Inward and Outward Returns will be found in the Appendix to this Chapter.

458. During the period the Director of Commercial Audit is at Simla, he should be supplied on the 15th of each month with a list of all important references to the Government of India to which a reply has not been received within two months. The first list should be sent as soon as the Director of Commercial Audit reaches Simla, together with a list of other important cases which will have to be discussed at Simla.

Half-yearly arrear report to the Auditor General.

459. The report on arrears, prescribed in Article 99 of the Audit Code should be submitted by the Headquarters office to the Auditor General half yearly on the 15th of November and 15th of May. In order to facilitate compilation of the report at headquarters, circle officers should submit their report on arrears drawn up on the same lines as the report prescribed in Article 99 Audit Code on the 7th November and 7th May.

460. Arrears over six weeks should be shown separately from arrears over two weeks and the dates from which cases in arrears over six weeks are outstanding should be mentioned. (File 183-Com./28).

[Auditor General's letter No. 836-Admn./243-28, dated the 19th June 1928.]

461. The report should present the information regarding the progress of audits in the following manner :—

1. Total number of audits due to be carried out during the half-year
2. Number of audits completed during the half-year under report
3. Balance

[Auditor General's letter No. 1310-Admn. C./243-28, dated the 22nd November 1923 (File No. 233-Com./28).]

Purchase of typewriters.

462. The Director of Commercial Audit, as the 'head of a department' under the Government of India, has been given, by delegation, power to sanction the supply of typewriters to the offices of the Commercial Audit Branch. Typewriters should be obtained only by indent on the Controller of Printing Stationery and Stamps and only those makes which are included in the list of approved typewriters, etc., given in the Stationery office price list, will be supplied. It should be stated in the indent whether the typewriter indented for is required to replace an old machine or is in addition to the existing stock. In the former case a new machine will not be supplied unless the old machine has been condemned; in the latter case the necessity for each additional machine should be clearly explained in the indent. After the Controller of Stationery has passed an indent, he will arrange to supply the machine direct to the indenting officer in the manner prescribed in Article 72 of the Stationery Manual. The payment for the bill will be made by the Controller and will not be debited against any monetary allotment.

Care and maintenance of typewriters.

463. The typewriters in the Branch are cleaned and oiled by the Typewriter Companies from which the machines were purchased, in accordance with the agreements entered into with them. The Remington typewriters are cleaned and oiled quarterly and Rs. 9 per machine per annum is paid to the Company for the purpose. Each typist should clean his typewriter every day and carry out the instructions issued by the makers for cleaning and oiling the machine. He should have any defects remedied when the representative of the typewriter companies comes to oil the machines. Each Stenographer or Typist to whom a machine is issued will be held personally responsible for its care and up-keep. He should maintain correctly and up-to-date a typewriter card in form 'X' of the stationery manual. He should lock the cover of the machine every day before leaving office.

464. The Cashier will maintain the Register of Typewriters in Form 'XI' of the Stationery Manual, by allotting a sufficient number of pages for the purpose in the Register of Dead Stock.

Annual indent for stationery.

465. The Director of Commercial Audit and his Circle Officers are included in Appendix 'A' to the Rules for Supply and Use of Stationery Stores, as officers

entitled to free issues of Stationery from the Central Stationery Office. (Government of India Finance Department letter No. 6030-R.-II, dated 23rd November 1928, File 41-Com./28.) Each circle office will prepare its own annual indent for stationery by the 1st of June, in triplicate, in the form prescribed by the Stationery Office, and forward it to headquarters. The indent for the headquarters office will be prepared by the Cashier in duplicate. The indent should include articles sufficient for a year's consumption and should be drawn up in conformity with the instructions contained in the Rules 18 to 30 of the Stationery Manual. The circle indents will be carefully scrutinised by the Cashier of the Headquarters office and all the indents will be valued on the basis of the price list issued by the Controller of Printing, Stationery and Stamps. If the aggregate of the indents of the Headquarters office and the Circle Offices is within the monetary allotment fixed by the Controller, and if the Director is satisfied that the indents are reasonable he will countersign and forward them to the Stationery Office by the last week of June. Supplies of stationery will be made to the Circle Offices direct by the Stationery Office. No office is entitled to submit more than one Supplementary indent. The Controller is authorised to deal with further supplementary indents at his discretion and in all such cases an explanation will be called for.

Stationery allotment.

466. The Controller of Printing, Stationery and Stamps fixes annually a stationery allotment for each audit office and he should be addressed for any modification of the allotment fixed if considered necessary. Issues will be made only within the monetary allotment fixed. The Auditor General should be referred to only if a settlement with the Controller could not be arrived at.

[Auditor General's letter No. 3554-E./865-24, dated the 7th August 1924, to the Accountant General, Bihar and Orissa.]

Check of supplies and custody.

467. After the supplies have been duly checked, the quantities received should be entered by the Cashier in a Stock Book of Stationery in Form 'IX' of Appendix 'D' to the Stationery Manual. The Stationery should be in the custody of the Cashier under lock and key.

Issues of stationery.

468. The Cashier issues stationery ordinarily only once a month on written requisitions from the Superintendents. The requisitions should be strictly in accordance with the scales prescribed for the issue of stationery. Requisitions for Gazetted Officers' monthly requirements will be signed for by the Superintendent, and the stationery handed over to the da tries who look after the pens, ink, etc., of Gazetted Officers. The da tries, whose receipts will be taken in the general stationery issue book, will be held responsible for stationery supplied to them for Gazetted Officers. The Cashier enters the issues in the Stock Book. All issues of stationery should be acknowledged by the Officer who indents for them in the Stationery Stock Book and the Stock Book should be balanced monthly by the Cashier and checked by the Superintendent. The

Stock of Stationery should be verified every half-year by the Superintendent and a certificate regarding the result of the verification should be recorded in the Stock Book of Stationery.

Rubber stamps.

469. Rubber Stamps, like other articles of stationery, are obtained only from the stationery office. They will be supplied direct to the office by the contractor to whom the contract for the supply of such articles has been given by the Superintendent of Stationery and under his direct orders. The acknowledgment for the receipt of such articles, must have impressed upon it an impression of the stamp supplied, and be returned to the contractor in support of his claim against the stationery office.

Economy in the use of envelopes.

470. All envelopes fastened with slips should be opened by cutting the slips and not the flaps, so that the envelopes may be used again. All envelopes issued by the Branch should be fastened with similar slips except in the case of confidential letters. New envelopes must not be used as long as used ones are available in good order.

Local Purchase of stationery.

471. The Director of Commercial Audit is competent to sanction petty local purchases of stationery usually supplied by the stationery office up to the limit of Rs. 20 in each case subject to a maximum limit of Rs. 250 per annum.

Printing and binding.

472. The rules on the subject are to be found in the pamphlet "Rules for Printing and Binding." All binding work of the Headquarters office should be done as far as possible, by the Government press. A requisition in standard Form S.-99-B, duly signed by the Director of Commercial Audit should be sent to the Central Printing Office. The instructions contained in the rules 44 to 47 of the Rules for Printing and Binding should be observed in preparing the requisition.

Printing rules.

473. Work for printing should be submitted to the Central Printing Office and the specific sanction of the Central Printing Office is necessary for any printing work to be done. No printing work should be done at private presses without obtaining the specific sanction of the Controller of Printing and Stationery.

Requisition form for printing publications.

474. Standard Form No. S.-99-A. in duplicate should be used in the case of "publications" *i.e.*, all books, pamphlets, reports, and other printed matter, copies of which are available for sale to the public, and such other books, etc., which though not available for sale are stocked by the Government of India, Central Publication Branch. Standard Form No. S.-99 should be used for all other classes of work except form work sent for printing. Unless the forms are filled up completely the manuscript is liable to be returned. The forms must

be signed by a Gazetted Officer who will be responsible that the work is submitted in accordance with the printing rules and that it has been properly examined.

Printing work to be complete.

475. No work should be sent for printing unless it is in complete and final form. Copy must be prepared with the greatest care before it is sent for printing and should be on one side of the paper only and type-written. The use of abbreviations in manuscript sent to be printed is prohibited as it causes considerable difficulties in the presses. If any special form of printing is required, it should be indicated clearly in the requisition form but special forms of printing are prohibited except in special circumstances. Marginal notes and references should be avoided as far as possible. When matter has once been set up in the press, it cannot except in very exceptional circumstances be altered either in type or form. The number of copies required must be indicated when proofs are returned for final printing after carefully estimating the minimum requirements.

Proofs.

476. More than two copies of each proof will not be supplied except for special reasons. No second proof should ordinarily be called for.

Return of proofs.

477. Proofs sent by the press for correction must be returned promptly direct to the press.

Indents for forms.

478. Indents for all standardised forms are to be submitted in form S.-96 in duplicate to the Deputy Controller, Forms, Government of India, Form Stores, 166, Dharamtollah Street, Calcutta, by the 1st of December every year. Each Circle Office will prepare its own annual indent in triplicate by the 1st of November and forward it to the headquarters office for scrutiny and transmission to the Deputy Controller of Forms. The indents should be for forms necessary for a year's consumption. Special forms will not be printed by the Forms Office unless they have been sanctioned by the Central Printing Office . . (File No. 358-2 Com. of 1929.)

Register of dead-stock.

479. A register should be maintained in the Government of India Standard Form S.150 and all articles of dead stock entered in it. At Headquarters and at circle offices the term 'dead stock' includes furniture, carpets, typewriters, electric heaters, lamps, trunks, safes and leather bags.

The Register should be closed once a year and the balance of all articles verified by count by the Assistant Audit Officer (Headquarters) or by the Circle Officers as the case may be, and a certificate to this effect recorded in the register.

480. When new articles are bought or when they are sold or written off the necessary entries relating to, and the date of, each transaction should be recorded in the Register under the initials of the officer responsible. Each bill in which the cost is claimed should contain a certificate that this has been done. Whenever any articles are purchased it should be stated briefly in the certificate whether they are purchased to replace old ones or are purchased for the first time. In the former case the manner of disposal of the old articles should be stated and in the latter case the necessity for a fresh supply should be briefly indicated. (The Pay and Accounts Officer, Secretariat Circular letter dated the 1st September 1928. File 343-Com. 1928.)

Books.

481. All books and publications received in the Branch will be entered in the order of their receipt in a register showing the serial number, the name of the book, number of copies received and how disposed of. At least one copy of each new book received in the Branch will be kept in the library at headquarters. The serial number given to the book in the register will be noted on the book.

482. Books supplied direct to Circle Offices will also be entered in the Register and given serial numbers, and remarks showing to which Circles the books have been supplied will be entered against the entries in the register.

483. Sets of commercial books, used for daily reference will be issued to all the Circle Offices of the branch for the use of the Gazetted Officer and the staff and men posted for training in commercial accounting and auditing. Commercial books will not ordinarily be supplied to individuals.

Issue of books and their return.

484. No book shall be issued from the library without a formal requisition signed by the clerk asking for the book on loan and countersigned by the Superintendent. A "Register of Issue of Books" should also be maintained. Any person returning a book should take care to receive back the original requisition as otherwise he is likely to be held responsible for the return of the book at a later date on the original requisition. No book should be out on loan for more than a month at a time, unless the written permission of the officer in charge is taken.

485. The Librarian is responsible for having correction slips promptly pasted in the various codes and manuals in the Library.

486. A book supplied to the Gazetted Officer direct will be shown against him and the librarian should see that it is received back whenever a transfer of charge takes place.

487. The Gazetted Officer in charge shall visit the library at intervals and see that the books are properly arranged and cared for. At the beginning of each year, a verification of books in stock will be carried out by the Gazetted

Officer with the help of the Librarian and missing books, if any, will be listed and the orders of the Director of Commercial Audit taken thereon. The catalogue of the Library should be checked at the beginning of each year and corrections, if any, should be carried out.

Supply of codes, regulations, etc.

488. According to Article 93 of the Audit Code every Gazetted Officer and Accountant should be supplied with a copy of each of the several codes and other general books of reference. Every member of the clerical staff is not supplied with these books on account of the expense involved. Superintendents may, however, recommend that men who have displayed exceptional keenness in their work should be supplied with books. Codes required by candidates for departmental examinations will be issued on loan from the library under the sanction of the officer in charge.

Register of codes, manuals, etc., and correction slips.

489. The Headquarters Office will maintain a register in Form S. Y. 236 showing the distribution to Circle Offices and to members of the Headquarters office, of all codes, manuals, etc., as well as lists of corrections issued thereto. The Circle Offices should maintain a similar register showing the distribution of codes, and manuals and the correction slips thereto. The form has separate columns for each set of corrections. Whenever any correction list is received, the Librarian should see whether the previous list has been received and necessary action taken to distribute it among the Gazetted Officers and respective sections. The correction slips should then be distributed through the Register without delay. The Daftry should see that the codes and manuals of the Gazetted Officers are corrected and kept up-to-date.

Corrections to this manual.

490. Instructions and decisions of a permanent nature affecting the work of this Branch issued by the Government of India, Local Governments, the Auditor General, and the Director of Commercial Audit should be incorporated in this Manual. The corrections should give full references to the file in which the correspondence is recorded in addition to the number and date of the order or letter.

Office Orders.

491. Office orders issued by the Director of Commercial Audit should be circulated in office and kept in a file of "Office Orders".

Strict observance of prescribed procedure.

492. Superintendents are responsible for seeing that the procedure prescribed in this manual and in office orders issued from time to time is strictly observed by the clerks working under their control. If experience shows that any change in the prescribed procedure is desirable, Superintendents should submit their proposals for orders.

Note books.

493. Superintendents and clerks should maintain indexed note books in which special points of importance affecting their work should be noted. These books are office property and should be handed over to the relieving officers whenever there is a transfer of charge.

APPENDIX TO CHAPTER 13.

Calendar of Registers to be submitted to Gazetted Officers.

<i>Daily.</i> Attendance Register.	10-40 A.M. every day.
<i>Weekly.</i> —Register of Arrear Reports and Register of Pending Cases.	Every Monday.
<i>Monthly.</i> —Casual Leave Register	To Superintendent every time casual leave is entered in the Register and to Assistant Audit Officer when sanction is requested for Casual Leave. Forfeiture of Casual Leave for late attendance to be entered before monthly submission to the Assistant Audit Officer. 1st Monday of every month.
Register of Codes supplied and corrections pasted.	1st Monday of every month.
Broadsheet of Inward and Outward returns and of Registers for submission to Gazetted Officers.	Ditto.
Broadsheet of Audit Reports and their disposal.	Ditto.
Register of Outward Letters	Ditto.
Register of Inward Letters	Ditto.
Register of items for inclusion in Audit Reports and Appropriation Accounts.	Ditto.
Registers of files	Ditto.
Transit Registers of cases sent to other sections.	Ditto.
Statement of progressive expenditure of pay, Travelling Allowance, and Contingencies.	13th of every month.
Register of Establishment	1st Monday of every month.
Statement of comparative figures of production, etc., of the several concerns.	15th April, 15th July, 15th September, 15th December.
Register of Bills and Cheques	15th of every month.
Returns not sent on due dates.	Last week of every month.

Calendar of Inward Returns.

No.	Reference to relevant Paragraph, Article or order.	Particulars of return or Register.	From whom received.	Due date of receipt in the Headquarters Office.
		<i>Monthly.</i>		
	Article 88 Audit Code.	Monthly statement showing the progress of expenditure of grant under 23 Audit.	All Officers in independent charge.	7th of each month.
	Paragraph 77 of the Manual.	Monthly report on the state of work.	Do.	5th of each month.
		<i>Half-yearly.</i>		
	Article 99 Audit Code.	Report on arrears ..	All Officers in independent charge.	7th November and 7th May.
	Paragraph 71 of the Manual.	Four programme of Officers and staff on Audit duties.	Do.	15th April and 15th October. (Revision should be intimated as and when made.)
	Article 28, Audit Code.	Report of intentions of Gazetted Officers to proceed on leave.	Do.	15th June and 1st October.
	Article 244 Audit Code.	Statement of pay etc., drawn by Gazetted Officers.	Do.	1st June and 1st December.
		<i>Annual.</i>		
	Article 46 of Audit Code.	Confidential reports on the work of Superintendents and Assistants.	Do.	15th April.
	Paragraph 303 of the Manual.	Statement showing the names of the candidates who intend to appear at the ensuing examination (S. A. S.).	Do.	1st September.
	Paragraph 465 of the Manual.	Indents for stationery.	Do.	1st June.
	Paragraph 478 of the Manual.	Indents for forms. ..	Do.	1st November.
	..	Statement of Income Tax.	Do.	15th April.
	Article 93, Civil Account Code Volume I.	Acknowledgments of permanent advances with Gazetted Officers.	Do.	7th April.

Calendar of Inward Returns—*contd.*

No.	Reference to relevant Paragraph, Article or order.	Particulars of Return or Register.	From whom received.	Due date of receipt in the Headquarters Office.
		<i>Annual</i>	—contd.	
	..	Return regarding amounts recoverable from the Madras Government in respect of accounting investigations.	A. D. C. A. Madras Circle.	15th April.
	..	Materials for executive reports.	All officers in independent charge.	25th June.
	..	Materials for Appropriations Accounts.	Do.	15th October.
	..	Material for the Audit Report of the Director of Army Audit.	A. A. O. A. F. T. A.	15th October.
	Paras. 345 & 521 of the Manual.	Statement of pay, dates of increment etc., of staff.	All officers in independent charge.	1st September and 15th March.
	..	Statement showing the balances of the Government Capital account in concerns working under Chapter 2 of the Account Code.	All circle officers except A. A. O. A. F. T. A.	30th April.
	File 151-Com. of 1921.	Reconciliation of figures for 'Investments in Government commercial undertakings' appearing in the Government accounts with the corresponding figures in the accounts of the commercial concerns.	All circle officers except A. A. O. A. F. T. O. and Calcutta Port Trust.	15th December.

Calendar of Outward Returns.

Reference to relevant Article, Paragraph or Order.	Details of Returns.	To whom due.	Date due.
	<i>Monthly.</i>		
Article 88, Audit Code and File 287-Com. of 1928.	Statement showing progress of expenditure under 23—Audit (Forms 2 and 2-A Audit Code)	Auditor General ..	15th of the month succeeding that to which the return relates. The Statement sent on the 15th October should be accompanied by a memorandum giving a full appreciation of the progress of expenditure up-to-date and its probable course during the rest of the year.
	<i>Half-yearly.</i>		
Article 99, Audit Code	Half-yearly report of arrears.	Auditor General ..	15th May and 15th November.
Article 28, Audit Code	Intentions of Gazetted Officers to proceed on leave.	Do.	1st July and 15th October.
Article 244, Audit Code.	A return showing separately the substantive pay, additional pay for officiating and other forms of pay and allowances drawn by Gazetted Officers.	Do.	Preliminary statement 15th May and 15th November. Final statements 7th June and 7th December.
Paragraph 279 of the Manual.	Recommendations for the grant of Indian Titles.	Do.	1st February and 1st September.
Article 29, Audit Code	Recommendation for extension of service after superannuation.	Do.	Within six months of the date of retirement.
	<i>Annual.</i>		
Article 32, Audit Code	Confidential report on each Gazetted Officer.	Auditor General ..	15th April.
Article 83 A, Audit Code.	Report on the working of the efficiency bars.	Pay and Accounts Officer.	15th April.
	Balance Sheet and Trading and Profit and Loss Accounts and paragraphs regarding irregularities to be included in the Appropriation Account.	Accountants General.	20th November.

Calendar of Outward Returns—*contd.*

Reference to relevant Article, Paragraph or Order.	Details of Returns.	To whom due.	Date due.
	<i>Annual</i>	— <i>contd.</i>	
File 251—24 of 29 and paragraph 207 of Appendix 16 to the Audit Code.	Appendix to the Appropriation Accounts of the Central Government (Civil) Containing reviews of Government Commercial undertakings. Proof copy. Final copy.	Auditor General.	1st March.
Paragraph 3 of Section IV of Appendix 4 to the Audit Code.	A statement showing the names and particulars of candidates who are going to appear in the Subordinate Accounts Service Examination.	Auditor General ..	1st April. On or before 15th September.
Paragraph 513 of the Manual.	Budget Estimate ..	Auditor General and Pay and Accounts Officer, Secretariat.	10th October.
..	Applications for additional staff (for inclusion in Part II of the Budget).	Auditor General ..	15th September.
Paragraph 526 of the Manual.	Memorandum to Standing Finance Committee.	Do.	Within a week of the intimation of Auditor General's approval.
Paragraph 68 of the Manual.	Reappropriation statement. Proposals regarding surrender of allotments and applications for additional allotment.	Do.	10th December.
	Statement of expenditure under pay, Travelling Allowance, and Contingencies, Honoraria etc., for inclusion in the F. and R. Accounts.	Do.	15th October.
Paragraph 465 of the Manual.	Indent for stationery	Controller of Stationery.	1st July.
Paragraph 478 of the Manual.	Indent for forms ..	Government Press, Calcutta.	1st December.
Article 62 Civil Account Code.	Establishment Returns	Pay and Accounts Officer, Secretariat.	15th April.
Article 93(7) Civil Account Code.	Acknowledgment of the Permanent Advance.	Do.	Do.

Calendar of Outward Returns—*contd.*

Reference to relevant Article, Paragraph or Order.	Details of Returns.	To whom due.	Date due.
	<i>Annual</i>	— <i>contd.</i>	
Auditor General's letter No. 771-N. G.E./94-28, dated 10th May 1928.	(1) Communal composition of the clerical staff. (2) Number of permanent appointments made and the communal composition.	Auditor General ..	15th January.
<i>Vide</i> Accountant General, Central Revenues letter dated 1st June 1928 at correspondence page 45 in file 57-Com-/28.	Executive report to Central Government, Civil.	Accountant General, Central Revenues.	2nd week of July. Corrections and alterations 7th of August.
..	Draft paragraphs for Auditor General's covering letter forwarding Appropriation Reports to the Secretary of State.	Auditor General ..	1st May.
..	List of files long outstanding with Government of India.	Director of Commercial Audit (if the Director of Commercial Audit is in Simla).	About 1st May.
..	Materia for the Audit Report of the Director of Army Audit.	Director of Army Audit.	15th November.
File 151-Com. of 1928.	Reconciliation of figures for Investments in Government Commercial undertakings appearing in Government accounts with the corresponding figures in the accounts of the concerns.	Auditor General.	15th January.
..	Trading, Profit and Loss Accounts and Balance Sheets of important concerns for inclusion in Finance and Revenue Accounts.	Auditor General ..	1st February.

Calendar of Outward Returns—*contd.*

Reference to relevant Article, Paragraph or Order.	Details of Returns.	To whom due.	Date due.
	<i>Annual</i>	—concl'd.	
Auditor General's letter No. 714-N. G.E./1130-E.-24 Part II, dated 6th April 1929, File 343-3-Com. of 1929.	Statistical statement in respect of non-gazetted establishment of the Branch.	Auditor General	1st March.
Auditor General's letter No. 865-N. G.E./411-28, dated 30th April 1929, File 371-1-Com. of 1929.	Gradation List as on 1st April.	Do. ..	15th June.
Auditor General's letter No. 1125-Admn.-N/41-28, dated 6th August 1929 (File No. 312-7-Com.-29).	Quarterly statement of recoveries waived by Local Governments and Government of India.	Do. ..	31st January, 30th April, 31st July, 31st October.
File 312-2 of 1929 ..	List of Non-confidential publications issued by Commercial Audit Branch.	Do.	15th March.
Auditor General's un-official I. No. T. 766-Ac/198-29, dated 15th July 1929 in File 151-Com. of 1928.	Statement showing the balances of Government Capital of Government Commercial Concerns working under Chapter 11 of the Account Code.	Do.	15th May.
Paragraph 306 of the Manual and Auditor General's letter No. 294-N. G. E./555-29, dated 20th February 1930, File No. 340-4-Com. of 1929.	Recommendation for advance increments.	Do.	Latest date 15th January.

CHAPTER 14

THE PREPARATION AND ENCASHMENT OF BILLS.

Bills to be drawn on the Pay and Accounts Officer.

494. Funds to meet every class of expenditure of the Branch whether on pay of officers or of establishments, travelling allowances, contingencies, advances or on the recoupment of a permanent advance must be obtained from the Pay and Accounts Officer, Secretariat, New Delhi. Demands for money must be submitted to him in the form of bills and will be met by the issue of cheques on the branch of the Imperial Bank at New Delhi, Delhi or Simla in respect of payments required at those stations, or on any Government treasury at which the payment is desired.

General rules for the drawal of bills.

495. (a) Bills should be nothing more than claims and should not contain any acknowledgment of the receipt of money. A separate acknowledgment duly stamped where necessary, should be given when a cheque is received from the Pay and Accounts Office.

(b) Every officer drawing bills on the Pay and Accounts Office should send four specimen signatures to that office. Special attention to this rule is necessary when a transfer of charge takes place. The Pay and Accounts Office will not meet a claim until it is satisfied that the signing officer is empowered to make it and that the signature agrees with the specimen signature.

(c) The proper classification of the expenditure covered by a bill should be noted on the face of the bill.

(d) A bill should specify the treasury on which the cheque is to be drawn. When an officer drawing a bill desires payment from a treasury on which he has not previously received a cheque, he should give information as early as possible to the Pay and Accounts Office, in order to give him time to convey the necessary instructions to the Treasury Officer. As regards the place of payment, attention is invited to the rules in Articles 56—59 of the Civil Account Code, Volume I.

(e) All bills to be sent to the Pay and Accounts Office on one day by post should be collected and forwarded with a covering memorandum in a registered cover.

Pay bills.

496. The following rules are applicable to the pay bills of Gazetted Officers and establishments :—

(a) Bills for pay and for allowances drawn with pay, which are due for payment on the first day of a month, must be submitted in time to reach the Pay and Accounts Office by the twenty-first day of the preceding month. Any adjustment necessitated by events occurring after the submission of a bill should be made in the bill for the following month.

- (b) Every pay bill must be accompanied by the schedules in the prescribed form showing the particulars of income-tax deducted. Schedules in the prescribed forms should also be furnished for General Provident Fund, Postal Insurance and other deductions.
- (c) When pay is claimed for the first time for a Gazetted Officer who has hitherto drawn his pay from another Accounts Office or on bills from a treasury, a last pay certificate must be obtained from the other Accounts Office or treasury, as the case may be, and attached to the pay bill sent to the Pay and Accounts Office.
- (d) Gazetted Officers who desire to have the amounts of their bills credited to their accounts with any particular bank should make an endorsement to this effect on the bills themselves and the Pay and Accounts Office will forward the cheques direct to the Bank and obtain an acknowledgment from it. A second signature in addition to that on the bill is required for the endorsement in favour of a bank.

Contingent bills.

497. The following rules govern the procedure in relation to contingent bills:—

- (a) If it is desired in order to reduce to a minimum the amount of cash in hand, the sum claimed in a bill will be paid by means of several cheques drawn and sent at one and the same time. Each bill should, therefore, state the number of cheques by which payment is desired, the amount of each cheque and the treasury or bank on which it is to be drawn. If more than one cheque is demanded and received, the officer drawing the bill will keep them in his personal custody and will be responsible for each cheque until it is cashed and brought to account.
- (b) Contingent bills for advances should be followed, as soon as possible by detailed bills in adjustment of the same. Pending their receipt, the amounts of the advance bills will be held under objection in the Pay and Accounts Office.
- (c) When contingent bills are submitted for the purchase of stamps a cheque in favour of the Treasury Officer (or the Pay and Accounts Officer, Delhi Civil Administration, in respect of stamps required at Delhi) will be forwarded to the Officer drawing the bill. On presentation of such cheque to the Treasury Officer or the Pay and Accounts Officer, as the case may be, the required stamps will be supplied to the officer who drew the bill.

Procedure on receipt of cheques.

498. The following rules govern the procedure to be adopted after the receipt of cheques from the Pay and Accounts Office :—

- (a) Except as provided in paragraph 499, cheques will be sent by registered post, to the officer drawing the bill together with a form of acknowledgment.
- (b) On the receipt of a cheque by post, the acknowledgment sent with it should immediately be signed and returned.
- (c) A cheque drawn on a Treasury Officer should be presented to that officer in the first instance, and not to a branch of the Imperial Bank. Cheques payable at New Delhi, Delhi or Simla will, however, be drawn on the Bank and may be presented direct at the Bank.
- (d) Heads of offices who are frequently on tour should, under Article 26 (b) of the Civil Account Code, Volume I, authorise subordinate gazetted officers at headquarters to endorse cheques which cover sums to be disbursed to headquarters establishments.
- (e) Cheques for the amount of pay or establishment bills due for disbursement on the first working day of a month will as far as possible be posted so as to reach the payees before that date. They will, however, bear a stamp 'Not payable till the first of the ensuing month' and the payees should not present such cheques for encashment till that date.

Procedure at New Delhi regarding presentation of bills.

499. Where the officer drawing bills is serving in New Delhi, the following procedure must be observed :—

- (a) Bills must be sent to the counter of the Pay and Accounts Office.
- (b) A token will be issued by the Pay and Accounts Office in exchange for each bill. As the payment of the bills will be made to that person only who actually presents the appropriate token, officers drawing bills should keep the token in safe custody until payment is made.
- (c) On a later date the token together with a separate acknowledgment in prescribed form should be sent to the counter. The messenger should be instructed not to part with the token or the acknowledgment until he has actually received payment of the bill by cheque or in cash.
- (d) Payment will be made by cheque in all cases on the branch of the Imperial Bank at New Delhi, or Delhi, as the case may be.

In respect of bills submitted to the Pay and Accounts Office in Delhi at the time of the move for which payment is required at Simla, bills should

be handed over by messengers through a peon book and cheques will be sent by registered post.

As the Pay and Accounts Office will be occupied with regular monthly pay bills during the last seven and first three days of a month, travelling allowance, contingent, supplementary and miscellaneous bills may not be presented on these days, except in really urgent cases.

Procedure in cases of delay in payment.

500. If, in any case, more than ten days elapse without the receipt of a cheque, the officer who drew the bill is advised to write to the Pay and Accounts Officer, Secretariat, New Delhi, personally by name.

Correspondence.

501. Correspondence on the subject of leave, leave salary, pay and allowances, annual establishment returns, audit objections, reappropriations of funds, provident fund and other fund subscriptions and withdrawals, other deductions from pay, house building and motor car advances, etc., including half-margin references, should be addressed to the Pay and Accounts Officer. References concerning pension and the verification of service for pension should be made to the Accountant General, Central Revenues.

Numbering of bills.

502. Separate serial numbers should be given to all establishment, contingent and miscellaneous bills in each case for every financial year. The numbers given to adjustment bills and bills for service postage stamps should be included in the series of numbers given to contingent bills.

Register of bills and cheques.

503. A register in the following form will be maintained by the Cashier showing the bills submitted to the Pay and Accounts Office and the dates of receipt and encashment of cheques.

Serial Number	Details of claim.	Amount.	Date of despatch to the Pay and Accounts Off.oe.	Date of receipt of cheque.	Cheque number and date.	Amount.	Date of encashment.	Disposal.	Initials of Gazetted Officer.

Separate pages will be allotted to each class of bill.

The Assistant Audit Officer (Headquarters) will review the register on the 15th of every month to satisfy himself that all the cheques have been properly disposed of and that acquittances have been taken for all disbursements.

Preparation of establishment bills.

504. One clerk will be entrusted with the duties of a Cashier both at headquarters and in circle offices. This clerk designated as the "Cashier" is responsible for the preparation of the monthly pay bills of the establishment and of the clerks and accountants attached for training and should take up the work in time to enable the bills for a month to be presented to the Pay and Accounts Officer by the 21st of that month. The previous month's bills form the basis for the preparation of the new bills, the information contained therein being supplemented by the list of promotions, the increments, the leaves sanctioned, by the returns from leave, and by any changes in the men under training. To avoid unnecessary supplementary bills caused by increments that have accrued being overlooked, the Cashier should maintain an index showing the members of the establishment whose increments fall due in the several months. Care should be taken to attach the necessary absentee statements, increment certificates, General Provident Fund, Postal Life Insurance, and Income-tax Schedules and the Certificates necessary to support drawal of special pay for the stenographer, or the drawal of substantive pay in lieu of average pay under Fundamental Rule 87. The health certificate of any Government servant newly appointed substantively to a permanent post in the Branch (see paragraph 343) should be attached to the first establishment bill submitted after his appointment. Separate pay bills should be drawn for the accountants and clerks deputed for training from each audit office and the audit offices to which the pay of the men is debitable should be prominently shown at the top of the pay bills. In the case of men deputed from other departments, it should be clearly indicated in the classification recorded on the pay bills and in entries in the column of remarks that the charges should not be taken against the Audit Department.

505. The office copy of the establishment bill, as drawn up by the Cashier, should be carefully checked by the Superintendent, after which the fair copy of the bill will be prepared. As a check on the correctness of the entries, the totals of the fair copy of the bills should be struck independently and agreed with the office copy. After being thus agreed, the bills should be numbered and entered in the Register of Bills and Cheques. Then the Register together with the office and the fair copies of the bills should be submitted to the Circle Officer, and at Headquarters, to the Assistant Audit Officer (Headquarters), for signature. At Headquarters, after the bills are signed by the Assistant Audit Officer (Headquarters), they are made over to the Cashier who will present them at the counter of the Pay and Accounts Office and obtain tokens in exchange. In the case of the Circle Offices, the bills will be sent by registered post to the Pay and Accounts Officer, Secretariat. On receipt of the cheques the Cashier should first enter them in the Register of Bills and Cheques, get them endorsed and then encash them at the Imperial Bank of India, or the treasury concerned.

Disbursement of pay and leave allowances.

506. The office copy of the pay bill serves the purpose of an acquittance roll and the Superintendent of the section is responsible for seeing that receipts, stamped where necessary, are taken for every payment made and that proper steps are taken for the custody of the undisbursed amounts. When all the

payments have been made and the acquittances taken, the office copy of the pay bill should be submitted to the Officer in charge for recording a disbursement certificate in the pay bill and in the register of cheques. The office copies of pay bills will be bound in annual files and handed over to the Record Clerk.

Undisbursed pay of absentees.

507. Any amount remaining undisbursed for a period exceeding one month should be refunded by short drawal of the amount from the next bill. A non-gazetted Government Servant on leave should authorise some one in the office to receive his leave salary on his behalf and forward a receipt for the amount due supported by a life certificate from a responsible person. Disbursement to the nominee will be made by the Cashier on an order from the Circle Officer or the Assistant Audit Officer (Headquarters).

Travelling allowance bills.

508. Travelling Allowance bills of Gazetted Officers and of the establishments of the Circle Offices in charge of Assistant Audit Officers should be prepared in triplicate. One copy will be sent direct to the Pay and Accounts officer and the other to the Director of Commercial Audit for countersignature and transmission to the Accountant General, Central Revenues, or the Pay and Accounts Officer and the third filed in the office. The legal acquittance of the non-gazetted staff will be taken in the office copy of the travelling allowance bills.

Duplicate Bills for the countersignature of the Director should be forwarded to Headquarters the same day as the originals are sent to the Pay and Accounts Officer for payment.

Drawal of contingent bills.

509. All payments on account of contingent expenditure will be recorded by the Cashier in a contingent register as required by Article 94 of the C.A.C., Vol. I. The entries of the payments in the contingent register will be initialled by the Assistant Audit Officer (Headquarters) or the Circle Officer. The register together with the bill and the sub-vouchers will be placed before the Assistant Audit Officer (Headquarters) or the Circle Officer each time the advance has to be recouped. On the bill being signed the bill with all the sub-vouchers in excess of Rs. 25 will be sent by the Cashier to the Pay and Accounts Office for payment. The sub-vouchers for less than Rs. 25 will be cancelled and filed in serial order, all the vouchers relating to one contingent bill being tagged together. A certificate to the effect that the articles, the cost of which has been charged, were received in good order and have been entered in the Stock Register, etc., as required under Appendix 13 of the Audit Code should be sent along with the bills in which such charges are included.

Postage and telegram charges.

510. Requisitions for service postage stamps should be made in the special form prescribed for the purpose. The cost of state telegrams, if paid in cash, is debitible to this head.

Payments for articles ordered direct from the United Kingdom.

511. (a) All such purchases should be debited in India against the Indian budget provision.

(b) Every officer making the purchases should report the fact direct to the Pay and Accounts Officer Secretariat, sending the necessary vouchers to enable him to pre-audit the payment.

(c) At the close of each month the Pay and Accounts Officer prepares a consolidated statement of the payments to be made, purchases a sterling draft in favour of the Secretary of State for India in Council and forwards the draft, with the necessary details of the payments to be made to suppliers, to the Secretary to the High Commissioner for India.

(d) The Pay and Accounts Officer then brings the cost of the sterling draft finally to account against the Indian Budget appropriation concerned (File No. 37-Com./28).

Encashment of cheques.

512. No temporary peon or other low paid servant should be entrusted with the duty of cashing cheques received in the office. Whenever the sum involved is over Rs. 100 the Cashier himself or a permanent clerk should be sent to the Bank or Treasury. Any member of the staff neglecting to follow this procedure will be held personally responsible for any losses sustained.

CHAPTER 15.

BUDGET ESTIMATES OF THE BRANCH.

Due date for submission of estimates to Auditor General.

513. On the 10th October annually, the budget estimates of the Branch for the next financial year have to be submitted to the Auditor General, in the prescribed form, in duplicate, supported by detailed statements of establishment.

Form of the estimates.

514. Forms for the preparation of the estimates are supplied by the Pay and Accounts Officer, Secretariat. The budget contains figures for three years, *viz.*, accounts of the previous year, budget and revised estimates of the current year, and the budget estimates for the coming year.

515. In the preparation of the budget estimate, the rules laid down in Article 187 of the Civil Account Code, Volume I should be observed. Details should be furnished of the amounts shown against different units of appropriation and full explanations furnished for any variation in the columns of numbers, quoting authority for the same.

Accounts or actuals of the previous year.

516. These should correspond as nearly as possible with the figures recorded in the Pay and Accounts Officer's books, and differences, if any, should be reconciled.

Revised estimates for the current year.

517. The Revised estimates make no provision for any expenditure whatever, and an entry in them carries with it no authority for expenditure of any kind. The revised estimates are not budgets or appropriations of money, nor do they supersede the budget estimates as the basis for the regulation of expenditure. The inclusion of increased expenditure in the revised estimates does not supersede the necessity for applying for an additional appropriation nor are the revised estimates the proper channel for such applications. Similarly the revised estimates do not obviate the necessity for formal surrender of sums unlikely to be spent. It is, nevertheless, essential that the revised estimates should be prepared with great care so that they may approximate as closely as possible to the actuals. No separate figure need be entered in the revised estimate for leave salaries as these should be included with the pay of officers or establishments. Separate figures need not also be entered under each head under the unit "Pay of establishments."

Budget estimates for the coming year.

518. The estimates for receipts will be kept separate from those for expenditure. The estimates for expenditure (votable and non-votable) should be prepared in two parts, *viz.*,

Part I.—Standing sanctions, and

Part II.—Schemes of new expenditure.

Part I refers to the normal recurring expenditure of each department under "Pay of Officers", "Pay of Establishment", "Contingencies", "Travelling Allowance" and the like which should be based on the budget estimate for the current year corrected with reference to changes which have been sanctioned and given effect to up to the time of the preparation of the Budget.

Part II includes all schemes of new expenditure, whether approved by Government or not, to which effect has not been given and for which funds have not yet been provided.

519. Material variations between the revised and budget estimates of the current year and between the revised estimates of the current year and the budget estimates of the coming year should be briefly but clearly explained in the column provided for the purpose. Opposite every item of fluctuating charge, such as travelling allowances, other than fixed travelling allowances, a note should be made of the actual expenditure in each of the past three years together with a brief explanation of any abnormal variation; and in all cases where estimates for the coming year differ from those of the preceding year, full explanation should be given. For all fixed payments (other than establishment charges), the sanction fixing the amount should be quoted.

520. For fixed charges, *e.g.*, "Pay of Establishment" the detailed estimate should show the full amount of the pay, including increments, which is likely to be drawn by men on duty during the year but the provision for those who are on deputation or absent in other ways and unlikely to return to the strength within the period of the budget should be excluded. The system of lump deduction should then be made where experience shows that a saving may be anticipated for other reasons.

(Auditor General's letter No. 3228/GBE/635-Admn./27, dated the 15th September 1928 in File No. 251-Com./28.)

521. Each Circle Officer will supply to the Director of Commercial Audit by the 1st September of each year, a statement showing in detail, in respect of each member of his staff, the pay as on the 1st March of the ensuing year, the dates of increment, and any compensatory, house rent and other allowances to which he will then be entitled.

Revision of establishments and additional appropriations.

522. The budget estimates are not the place for making any proposals for changes in establishment or additional appropriations. Such proposals should be made independently of the budget estimates and sufficiently in advance of them to give time for full consideration by the authority competent to accord sanction.

Procedure for making provision for temporary establishment in the budget estimates.

523. (1) In Part II B of the Estimates, information sufficient for the Auditor General to check the demand for additional establishments should be given.

(2) The lump sum provision of Rs. 1,000 for temporary establishment placed at the disposal of the Director of Commercial Audit should appear in Part I, under, "Temporary Establishment" below the sub-head "Pay of Establishment".

(Auditor General's letter No. 2819/GBE/554-29, dated the 9th September 1929 in File No. 165-Com. of 1927.)

(3) The other forms of temporary establishment for which funds have to be provided are :—

(i) Dulv sanctioned temporary establishment, the period of sanction of which extends into the following year.

(ii) Temporary establishment required in the following year, the cost of which cannot be met from the ordinary grant for temporary establishment, if any, at the disposal of the Director of Commercial Audit :—

(a) Already sanctioned.

(b) Not yet sanctioned.

(4) As regards (i) above, ordinarily a sanction should not extend beyond the end of a financial year. There are three cases in which it so extends :—

(a) In the case of quasi-permanent establishments.

(b) In the case of special establishment sanctioned for long periods.

(c) Where for some other reason the period of sanction extends into the following year.

(5) Provision for 4 (a) should always be made in Part I. Provision for 4 (b) should also be made in Part I if the Standing Finance Committee has accepted a sanction for a prolonged period.

Special sanction of the Auditor General for inclusion of the provision in Part I should be obtained.

(6) Provision for 4 (c) should not be made in Part, I.

(7) Provision for 3 (ii), (a) and (b) should be made in Part II B.

(Vide Auditor General's letter No. 4720-E.-928-23, dated the 3rd November 1923.)

Anticipated expenditure in excess of allotment.

524. The Director of Commercial Audit is informed of the amount placed at his disposal within which he should regulate his expenditure. If, however, it is anticipated in the course of the year that there will probably be an excess, an application for additional allotment should be sent to the Auditor General as soon as the necessity for the excess expenditure becomes apparent with a full explanation of the reasons thereof.

(For control over progress of expenditure see Chapter 6.)

When approval of Standing Finance Committee required.

525. If the Auditor General sanctions an increase of staff which is to come into operation before the 1st of March and funds to meet the cost of the same in the current year can be found within the grant, original and supplementary, for the current year, it will not be necessary to submit to the Standing Finance Committee a memorandum in respect of such an increase. If, however, the proposal is sanctioned from 1st March and the establishment is not to be paid from the lump grant for temporary establishment which is provided annually in the budget estimates it will be necessary to submit in respect thereof a memorandum to the Standing Finance Committee (File No. 112-Com. 28.) The same principle applies to expenditure on "Allowances" and "Contingencies"

Memoranda to Standing Finance Committee.

526. Draft memoranda intended for the Standing Finance Committee, explaining the proposals included in Part II of the Budget should be submitted to the Auditor General within a week of the intimation of his approval of the proposals. The following suggestions should be borne in mind when drafting the Memoranda—

1 A memorandum for the Standing Finance Committee should state the details of the proposed expenditure, and fully and clearly explain the necessity for it.

2. The Financial effect of the proposals, both in the year in which it is proposed to give effect to them and in subsequent years should be clearly brought out. In the case of proposals for additional establishment both the immediate extra cost as well as the expenditure calculated on the basis of the average pay of the additional establishment should be given.

3. Where proposals relate to a Department or organization of which members of the Committee can hardly be expected to have much knowledge, a brief note explaining its functions or sphere of operations should be given as an introductory and various items in the proposals explained with reference to that note.

4. Where proposals relate to a scheme of development or re-organisation, the memorandum might take the form of a sketch of the scheme as a whole and then an explanation of how each item of the proposals fits in.

5. In the case of building programmes or proposals, it should be clearly stated whether the demand covers the whole scheme or an instalment, and if so, the total cost of the scheme, the amount already spent, and the balance to be found in future years should be clearly shown. It should also be stated whether plans and estimates for the building have been prepared, and if any buildings already in existence are vacated in consequence of the new scheme, how it is proposed to utilize the buildings so vacated. If the new buildings are intended for the location of offices at present being held in rented buildings details as regards the rent, etc., should also be furnished. In housing schemes, the number of men in different grades for whom accommodation has to be found should be stated, and whether under the rules rent is recovered or not. Copies of plans and estimates should not be enclosed with the memorandum. It will

suffice, if in the case of new important buildings, *e.g.*, institutes, the plans could be brought for inspection by the officers appearing before the Committee.

6. Analogous information should be given in respect of all other schemes of which the proposals before the Committee refer only to instalments.

7. In all cases, the financial effect of the proposals should be summarised at the end of the memorandum, the distinction between recurring and non-recurring expenditure being clearly marked and all direct or contingent savings or economies or receipts from fees or other sources indicated. It should also be stated whether the cost can be met out of the existing budget provision or whether a supplementary grant would be necessary, and, if so, of what amount.

8. Every endeavour should be made where necessary, to obtain from the local authorities such information as to details as may be required for the clear presentation of the case to the Committee, and copies of relevant papers enclosed where necessary.

9. Lump sum provisions should be avoided as far as possible, except where the necessity for providing for expenditure in advance of detailed estimates can be clearly shown.

10. Reference to previous opinions expressed by the Committee, if any, should invariably be given and copies of the earlier memoranda and proceedings enclosed when a case has been before the Committee on a former occasion.

A summary of the proposals should be appended to the memorandum in the form shown in page 208:—

Demand No. 42—Audit.

Page	of the Demands for Grants for	Rs.
1. Proposal :—		
2. Financial effect of the proposal—		
(a) Total ultimate expenditure involved.	Non-recurring	
	Recurring	
(b) Countervailing receipts or recoveries, if any.	Non-recurring	
	Recurring	
3. Manner in which it is proposed to meet the actual immediate expenditure involved.	By re-appropriation	
	By supplementary grant	
	By inclusion in budget estimates for	
4. Is the proposal complete in itself, or only an instalment of a larger scheme ?	.. ..
5. Has any expenditure already been incurred ?		
6. Has the proposal or any part of it been previously considered by the Standing Finance Committee ?		
7. Will any savings accrue to Government if the proposal is accepted, and, if so how much ?	Non-recurring	
	Recurring	
8. Is the expenditure in respect of a new service ?		

Resumé.

NOTE.—The resume should briefly summarise the case and should also indicate countervailing savings or receipts from fees or otherwise, if any, expected in the event of the proposal being accepted. If any part of the expenditure involved in the proposal is non-votable or a charge on capital, this should also be stated in the resumé.

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