

ACCOUNTS

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FUNCTIONS OF ACCOUNTS DEPARTMENT

Historical Background

There were 33 separate Railway administrations (4 by Govt., 5 by Indian states & 24 run by Private Companies) headed by an **ICS** officer who was assisted by 1 Secretary, 3 Deputy Secretaries, 4 Under secretaries & 4 Assistant Secretaries and the Accounting and auditing was being done by the Accountant General of the Public Works Department. It was increasingly felt that the Railway Finances should be separated from the General Finances as though the Railway demands were only 2 out of some 100 demands of the General Finances and any fluctuations in the railway demands caused violent fluctuations in the General Finances.

The most important land mark in the history of the financial administration on Railways in India was the appointment of the Financial Commissioner for Railways in April, 1923 with the sanction of the Secretary of State for India, as part of the scheme of re-organization of the Railway Board as recommended by the Acworth Committee (1921). The declared object of this appointment was to secure, firstly, economy in the expenditure of public moneys, and secondly, the coordination of financial policy of IR with the general financial policy of the Government of India. This was followed by the Separation Convention of 1924 by which Railway finances were separated from the General Finances of the Government of India.

The Financial Commissioner is the professional head of the Railway's Financial Organization and represents the Government of India, Ministry of Finance on the Railway Board. In his capacity as ex-officio Secretary to the Government of India in the Ministry of Railways in financial matters, he is vested with full powers of the Government of India to sanction Railway expenditure subject to the general control of the Finance Minister. This arrangement is intended to ensure that financial control over operations of the Railway Department is exercised from within the Organisation by an officer who shares with the Members and the Chairman, Railway Board the managerial responsibility as a senior partner in the

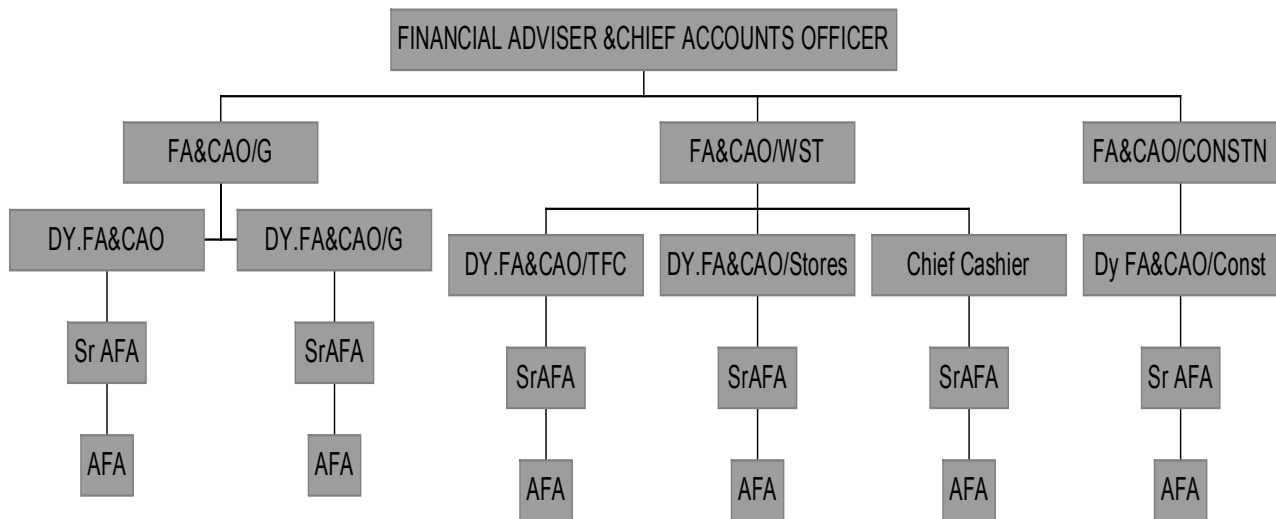
common enterprise of efficient and economic working of the Railway undertaking. In the event of a difference of opinion between the Financial Commissioner and other Members & the Chairman of the Railway Board, the former has the right to refer the matter to the Finance Minister. The Financial Commissioner is assisted by Additional Member Finance and Additional Member Budget and Advisor Accounting reform and Advisor Finance Commercial Establishment. The various directorates of Finance at Railway Board deal with Accounts matters, Accounting reforms, Finance, Finance (Budget), Finance (Commercial, Establishment), Pay Commission, Statistics and Economics. These are headed by various Executive Directors belonging to the Indian Railway Accounts Service.

Evolution of **Financial Systems** **of Indian Railways** **: In 5 Stages**

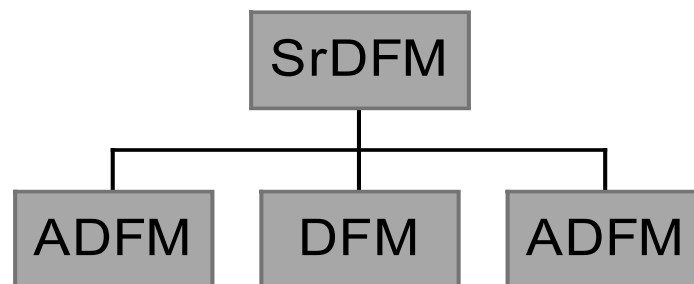
- i. Railway finance was a part of Finance department and Accounting was done by the AG,
- ii. Appointment of Financial Commissioner in 1923.
- iii. AG replaced by Controller of Railway Accounts and Director of Railway Audit under Auditor General. Beginning of IRAS.
- iv. Railway accounts under GM. Chief Accounts Officer reports to GM. Change of designation to FA&CAO.
- v. Distinct Finance branch under FA&CAO.

Officers of the Accounts Department

At Headquarter Level: Junior Scale-Assistant Financial Advisor, Senior Scale-Sr. Assistant Financial Advisor.



At Division Level: Junior Scale- Assistant Divisional Finance Manager, Senior Scale- Divisional Finance Manager, JAG-Sr. Divisional Finance Manager



FUNCTIONS OF ACCOUNTS DEPARTMENT- The functions of the Accounts Department can mainly be categorized as follows:-

- Keeping the accounts of the Railways in accordance with prescribed rules
- Internal check of transactions affecting the receipts and expenditure of railways.
- Tendering financial advice
- Compilation of budget

- Other management accounting functions
- Ensuring financial propriety
- Inspection of Essential offices

The probationers are advised to read chapter-1 of the Accounts Code Vol.-I.

MAIN DIVISIONS OF WORK- The work in Railway Accounts generally falls under the following main divisions-

- Administration
- Booking and Compilation
- Budget
- Cash and Pay
- Compensation Claims
- Engineering Accounts
- Establishment accounts
- Finance and planning
- Fuel Accounts
- Inspection (Executive and Accounts Officers)
- Expenditure accounts
- PF and Pension
- Traffic Accounts
- Stores Accounts
- Traffic costing
- Workshop accounts

(The probationers are advised to read Para 117 to Para 130 of the Indian Railway Accounts Code Volume-I for further reference.)

The Accounts of a Railway have to facilitate a General review of the finances of the Railway as a Commercial Enterprise as well as in accordance with the requirements of Government Accounts. Therefore, the objectives of securing the essential requirements of Commercial Accounting and practices of Government Accounting is met by maintain the link between the two to show how much is coming into the government coffers through the Railways and how much is going out as capital or revenue expenditure out of government coffers as the money being spent on the activities of the railways.

A. RAILWAY ACCOUNTS AS A COMMERCIAL ENTERPRISE

- Capital and revenue transactions
- Capital and revenue accounts
- Profit and loss account and balance sheet prepared at close of financial year

B. RAILWAYS ACCOUNTS AS A GOVT. ENTERPRISE

Government accounts are maintained in 3 parts:

- I. Consolidated Fund of India(Part I)Article 266
- II. Contingency Fund of India(Part II)Article 267
- III. Public Accounts of India(Part III)Article 268

Part-I comprises of three main divisions namely Revenue, Capital and Debt. In the case of Railways Traffic earnings are the main source of revenue. The second division deals with expenditure incurred with the object of increasing assets of a material character and also receipts intended to be applied as a set-off to capital expenditure. The third division comprises, so far as Railway Accounts are concerned, of loans and advances made by Government together with the repayments of the former and recoveries of the latter.

Part-II i.e. contingency fund of India- In this part are recorded transactions connected with the Contingency Fund set up by the Government of India under Article 267 of the Constitution.

Part-III i.e. Public Account of India has two main divisions i.e.

- i. Debt and deposits
- ii. Remittances. (These are all adjusting heads such as transfer between different accounting circles)

CANONS OF FINANCIAL PROPRIETY

Rule 21 (of GFR): Standards of financial propriety: Every officer incurring or authorizing expenditure from public moneys should be guided by high standards of financial propriety. Every officer should also enforce financial order and strict economy and see that all relevant financial rules and regulations are observed, by his own office and by subordinate disbursing officers. Among the principles on which emphasis is generally laid are the following:-

- (i) Every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.
- (ii) The expenditure should not be prima facie more than the occasion demands.
- (iii) No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.
- (iv) Expenditure from public moneys should not be incurred for the benefit of a particular person or a section of the people, unless -
 - (a) A claim for the amount could be enforced in a Court of Law, or
 - (b) The expenditure is in pursuance of a recognized policy or custom.
- (v) The amount of allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole a source of profit to the recipients.

Statutory Audit

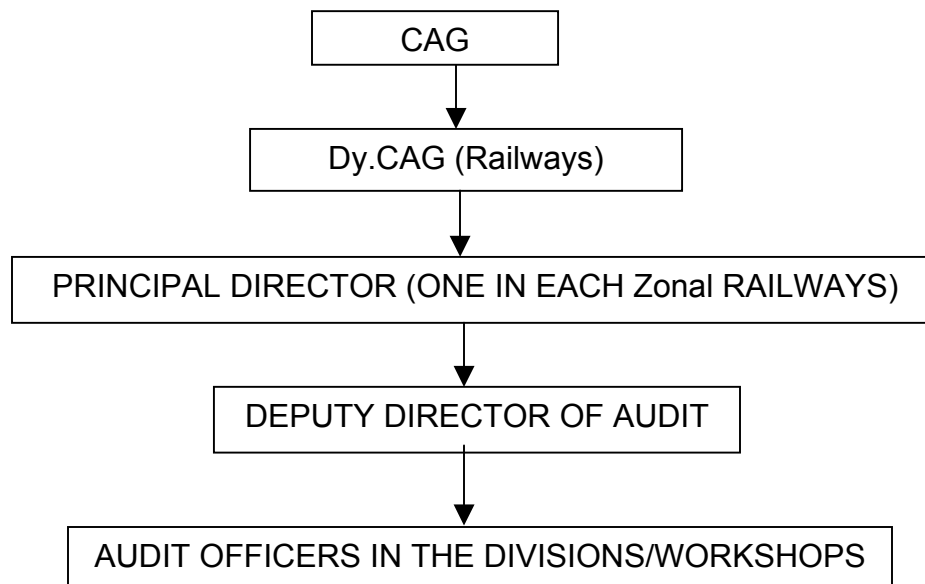
Under the constitution of India (Art. 149-151) CAG is the authority for conducting audit of the accounts of the union, states and union territories. CAG's functions are as follows-

- To audit all expenditure from the consolidated fund of India.
- To audit all transactions of the union and states relating to contingency fund.
- To audit all trading, manufacturing, profit and loss accounts and balance sheet kept in any department of the Union or State.

Therefore the CAG has the authority to :-

- To inspect any office of account under the control of Union or State.
- To require that any accounts which deal with or form the basis of transaction shall be placed before him.
- To put such questions or make observations as considered necessary.
- The Organizational structure of the CAG's office is as follows:-

CAG's ORGANISATIONAL STRUCTURE



Communications from Audit

The Communications from Audit comprise specific reports which are termed as part-I and II Audit Inspection Reports which detail major and minor

irregularities detected during the course of statutory audit. The part-II Audit Inspection Report can be closed by Associate Accounts of the Executive on receiving a satisfactory reply whereas Part-I Audit Inspection Report is closed by Audit on receiving a reply from the Associate Accounts who have vetted the reply of the Executive to the Audit Objection.

Special letters is the next category of Audit Objections which is a serious Audit Objection highlighting important irregularities. Draft paras are serious Audit Objections and the Railway Administration is given 6 weeks to reply to a draft para failing which/ or Audit not been convinced of the reply a Draft para can be converted into a Provisional Para. Provisional Paras are dealt by the Railway Board and the concerned Zonal Railways must give a reply within 2 weeks to a provisional para and if Audit is not convinced of closing a provisional para, it gets converted into a Audit para in the report of the CAG which is tabled in the house of parliament. The CAG's report is then seen by the Public Accounts Committee.

Object of Statutory Audit:

The Statutory Audit serves a three fold purpose which is as follows:-

- Accountancy Audit- Check the accuracy, all payments are supported by relevant vouchers.
- Appropriate audit- check that expenditure and receipts are properly classified.
- Administrative audit- to check that expenditure is according to prescribed rules.

Accounts inspection of Executive Offices

The basic essence and spirit of the Accounts inspection of Executive Offices is the part of internal check mechanism which ensures the following:-

1. To verify the records kept with executive.
2. To ensure that all returns sent to accounts are based on correct basic records.
3. Scheduled in accordance with an inspection programme.
4. It is drawn in advance. (1712 of a-1)
5. Inform the executive.(1713 of a-1)
6. Information to audit.

The chapter 17 of the Accounts Code Volume outlines the details of the inspection of Executive Offices.

Inspection Reports

After the Accounts inspection is over it includes all items which have not been satisfactorily been explained during inspection and the reports generated are of two kinds:-

1. **PART I Accounts inspection report** - items of major objections.
2. **PART II Accounts Inspection report** -items of minor objections

The Inspectorial staff Associated with the Accounts Inspection are ISAs and SVs for inspection of stores, TIAs for inspection of Stations, and the Section Officers for the inspection of Executive Offices. The Executive must give a convincing reply to the accounts Inspection Report to have them close by the Accounts Office.

The Chapter of 17 of Accounts Code Volume may be read for further details on the periodicity of inspection and guidelines therein.

General Managers' Negative Powers

For efficient functioning of zonal railways, powers have been delegated by Railway Board to General Managers of Indian Railways (vide Finance Code vol. I). Unlike other provisions/rules, etc. powers delegated to General Managers' are negative in nature, i.e. for a limited no. of specified items in the GMs' –ve powers, General Managers are required to obtain prior sanction of Railway Board. In other words, in case any item is NOT LISTED in the GMs' –ve powers, General Managers are empowered to sanction expenditure for them, subject to extant laws and other rules, and in cases having financial implications, in consultation with the Financial Adviser & Chief Accounts Officer (FA&CAO) of the railway.

Schedule of Powers

The Schedule of Powers represents inter-alia delegation of powers to the General Managers as received from Railway Board. These powers are delegated by the General Manager in consultation with the Financial Adviser & Chief Accounts Officer (FA&CAO). The objective of the Schedule of Powers is to detail the powers delegated to the Officers by the General Managers for quick decision making and decentralization. The powers delegated are to be exercised

only by the authority indicated and to the extent specified. The powers are subject to existing codal procedures, rules and other extant orders issued by Railway Board from time to time. The powers are also subject to availability of funds. No re-delegation is permissible unless specifically authorized by the General Managers.

The delegation is grouped mainly under 3 headings

- a) PHODs / HODs
- b) DRM/ ADRM/ SAG Officers in field units.
- c) Divisional / Extra Divisional Officers and Officers in headquarters.

The schedule of power is divided into several parts, viz. relating to works matters, miscellaneous matters, Establishment matters, Commercial matters, Stores matters, Medical matters, etc.

There are certain powers, which cannot be delegated even by the General Managers to the officers down the line. There is an attached annexure to the Schedule of Powers on every Railway which outlines the list of items requiring the personal approval / sanction of the General Manager. The General Manager's powers are termed as negative powers because the powers outline what the General Managers can not do which implies the approval/ previous sanction of higher authority is necessary.

Tenders and Contracts

In current era of privatization and outsourcing, most of the organizations both in private and public sectors, are engaging other agencies for doing various works, supply of materials and maintaining assets. Therefore, they have to enter into contractual relationships in their day-to-day affairs. As such, it is absolutely essential for all managers to be aware of basic ingredients of contract so that they do not commit mistakes, causing loss to the organization.

Contract has following basic elements.

- (1) There should be minimum two parties.
- (2) The object of contract should be lawful.
- (3) There has to be a consideration, whose quantum is not material, provided there is free consent of the parties.

- (4) There has to be free consent. Any agreement/contract entered by force is illegal.
- (5) There should be offer by one party and its acceptance by other party.
- (6) The acceptance has to be unconditional, if there is conditional acceptance; it is nothing but a counter offer, which has to be again accepted by other party, for a valid contractual relationship.
- (7) Both the parties to the contract should be of sound mind and should not be minor.

(For details refer to Indian Contract Act 1872)

As for, the tender notice (Notice Inviting Tenders-NIT for short) published in newspapers is concerned; it is neither in the category of an offer nor that of acceptance. It is only an invitation to offer. However, it is very important because the tender forms are filled up on the basis of information available in the NIT and in the tender form.. Therefore, if the printed information is either incorrect or incomplete, then the whole tender process and the contract entered into on that basis may become irregular and the whole process may have to be canceled.

Private sector is way ahead in taking work through contracts but there is a lot of difference between the tender system of private sector and public sector / government departments. Private entrepreneur or head of private enterprise can call any party and assign contract to him, taking into account his company's interest. However, Government Departments or PSUs cannot do so, as it will amount to contravention of Article 14 of The Constitution of India. Apart from ensuring reasonableness of rates, they have to ensure that the tender is selected without any discrimination, by giving equal opportunities to all and in a transparent manner. They have to demonstrate themselves as a model contractor. The whole tender process, starting from calling of tenders to the fixing of agency has been prescribed, keeping in view the objectivity and transparency

In order to accomplish any work or get supply of any material, tenders can be called in various modes, which may be selected as per need of the hour. The tenders may be open/global/advertised, limited or single. The details are as under.

(a) Open/Advertised/Global Tenders

These modes are open to all eligible parties and are advertised in national and local newspapers of repute for informing all concerned that the particular work is to be done on a contract basis. Normally, this mode is adopted for high value tenders, because the cost of advertisement is quite high and the economy expected from publicity should be always more than the expenditure likely to be incurred on publication. Besides, the stipulated notice period has to be given, which also entails certain inevitable delay. It has been noticed that tender notices are sometimes advertised indiscriminately without any regard to the economics of the case, causing financial loss to Indian Railways. The newspapers in which such notices are to be published should be selected very carefully, taking into account their circulation to the likely tenderers. While releasing the advertisements, one should be careful to see that the newspapers are of repute and are widely circulated.

(b) Limited tenders

Under this system, every railway unit is supposed to have an approved list of contractors/suppliers/manufactures. Tender forms are sent to only approved parties, for which, they are short-listed and registered after screening by a committee available at the divisional and headquarters level. An accounts officer is always one member of the committee. The financial position and past experience of the parties is examined before registration. After due verification of all the credentials submitted by them, they may be registered under various categories based on the value of work. They are required to submit standing earnest money with railways and are not required to submit earnest money with each and every tender separately. Selection of the party is comparatively easier in this system because the tender committee has to concentrate only on the rate portion, as the credentials are already verified. However, the capacity of the tenderer has to be kept in view.

(c) Single tender

This system is adopted only when the work is of petty nature and going for limited or open tender will be economically unviable, or the work is of special nature and there is only one party, who can do it, or the work is to be completed very urgently and there is no time for tendering. Normally the rates are higher than other modes and as such this should be an exception rather than rule. Also this requires higher sanction and typically, higher level tender committee, as per respective SOP.

(d) Various stages of tender process

The process of calling tenders, selection of the agency, entering into contracts and getting work done involves following stages. All officers are advised to be very careful at every stage.

- (1) The competent authority should have sanctioned the detailed estimate before calling tenders.
- (2) Budget should be available in the year to discharge contractual liabilities.
- (3) The detailed plans, designs, technical specifications, quantity of works and special conditions must be finalized and suitably incorporated in the tender papers and tender papers must be available for sales before the date indicated in the tender notice.
- (4) The mode of tendering must be decided taking into account the financial interest of railways.
- (5) The tender notice must be drawn very carefully indicating name of the work, brief particulars, estimated cost, earnest money and its form, the date and place of sales of tender papers, the last date and time of sending or depositing tender papers in the tender box, the time and date of opening and the qualifications of contractors (eligibility) etc.
- (6) The publicity should facilitate and competition and the cost of publicity must be less than the expected benefit.
- (7) The tender box must be sealed at the appointed time.
- (8) The tenders received before the time of opening but after the due date and time are called “delayed tenders” and they should also be opened and dealt with in the same manner as tenders received before the due date and time.
- (9) The tenders received after the time of opening should be opened by the concerned officer and marked “late” as such in red ink prominently on the envelope as well as tender paper.
- (10) A suitable remark in regard to both delayed and late tenders should be made both in the tender register as well as the comparative statements.

- (11) Delayed and late tenders should be dealt with as per instructions issued by Railway Board from time to time.
- (12) The tenders are opened in the presence of the contractors or their nominated representatives. Tenderers are invited to witness the opening but we should not wait for their presence.
- (13) The tender opening committee will include an accounts representative if the value is more than the prescribed amount.
- (14) The tender opening committee will mark the numbers on the envelopes and tender papers as 1/5, 2/5, 3..... 5/5 (e.g. say, five tenders have been received). It is essential to encircle the rate, amount and financial conditions with red ink. While encircling, care should be taken to ensure that avoidable space is not left inside the encircled area as it can be misused by unscrupulous elements that can effect manipulations. All members of the committee will authenticate the encircled areas.
- (15) If there are cuttings etc. they have to be indicated. Similarly if the rates are not quoted in words, this should be highlighted.
- (16) The particulars of earnest money should be also indicated.
- (17) After opening, the OS of executive departments prepares comparative statement (tabulation statement) indicating abstract information available on the tenders.. This statement is verified by Accounts after comparing rates and financial conditions etc. available in the tender papers. This statement is helpful to the tender committee in selecting tenderers on the basis of their rates etc.
- (18) The tender committee should be constituted by the competent authority as per SOP. There is normally a standing tender committee for routine matters of works/ procurements.
- (19) Along with the tabulation statement, a briefing note, duly authenticated at an appropriate level, is provided to the Tender Committee. This note should, inter alia, give information to the tender committee about the following:
 - i) Complete and latest information about lowest contract rates for same or similar materials or work in the particular or contiguous area,

- ii) Related conditions,
 - iii) Latest data regarding availability and prices of material etc.,
 - iv) Special conditions if any, related to the above. (Para –612, F 1, para 1253 Engineering Code)
- (20) Tender committee is responsible for making clear and specific recommendations with regard to the tenderers and the terms and conditions on which the contract could be awarded.
- (21) The accepting authority may accept the recommendations, may modify the recommendations with reasons or remit the case back to the tender committee for reconsideration on certain points.
- (22) If any of the members of the tender committee wishes to differ with other member/s, he must record his views in the body of the tender minutes and other members should place their comments thereafter, so that the accepting authority can decide the case.
- (23) The accepting authority should accord acceptance only on the body of the tender committee minutes and not on the noting side of the file.
- (24) The acceptance letters/purchase orders can be issued after acceptance by the competent authority after Accounts vetting wherever required as per SOP.
- (25) The tenderer is called to sign the agreement after the agreement format has been vetted by law and finance.
- (26) The contractor completes the work as per the terms and conditions of the contract and railway is bound to pay his bills after following due process of measurement and certifications.
- (27) In case of dispute, the contractor may ask for arbitration and concerned officers need to know how to deal with arbitration in terms of the Arbitration clause related the respective contract. (For this, it would be useful to refer to The Arbitration and Conciliation Act, 1996. There is always an Arbitration clause in GCC i.e. General condition of contract (for works matters) and IRS, i.e. Indian Railway Standard conditions of contract (for stores matters). All arbitrations in India are governed under the Arbitration and Conciliation Act 1996.

Earnest money

The earnest money is required to test the earnestness of the tenderers and to discourage non-serious parties. The earnest money of unsuccessful tenderers is refunded, whereas the earnest money of successful tenderers is adjusted in the security deposit. In case of works tenders, earnest money is essential and any tender unaccompanied by earnest money is to be summarily rejected. However, in case of stores tenders, earnest money may be waived for certain categories of firms. (Para 620 F-I)

Security Deposit

Security deposit is for due fulfillment of contractual obligations by the contractor and is forfeited in case of default. Normally it is deducted from the running bills of the contractor. It is kept in deposit and is refunded to him after certification of the executive officer about the due fulfillment of contractual obligation and no dues. In case the contractor is ready to give bank guarantee (BG) of equal amount then no deduction is required from his bills. The bank is responsible for meeting the loss if any. BG is released only after necessary certification. However the custodian of BG should be careful about the validity of BG because bank will not indemnify railway in case loss is reported after the expiry of the validity period. (Para 620 F-I)

All contracts of Railways to be in the name of President of India

As per Article 299 of the Constitution of India, all contracts made in the executive power of the Union should be expressed to be made by the President and shall be executed on behalf of the President.

Conclusion

From the above discussion on tender and contracts, it should be evident that the objective of tender system is to get the work done with reasonable cost and quality. All railway officers, irrespective their department, will be required to select parties for discharging contractual obligations. Therefore, they should give special attention in acquiring expertise in this area.

Important Readings:

It is suggested that for a good command over the subject, it will be very useful to refer to the following.

- 1) Indian contract Act 1872,

- 2) Chapter 12 of the Engineering Code,
- 3) Chapter 6 of the Finance Code,
- 4) Chapter 4 of the Stores Code,
- 5) Commentary on Articles 14, 299 and 300 of the Constitution of India,
- 6) Arbitration and Conciliation Act, 1996
- 7) General conditions of Contract. (For works matters)
- 8) Indian Railway standard conditions of Contract. (For Stores matters)

Question Bank

Part-1: Functions and structure of Accounts Department

- (1) Financial objective of IR is -----

- (2) Accounting may be defined as -----

- (3) All the major decisions of IR are subject to approval of -----

- (4) IR get power to spend money through -----

- (5) Two main tasks of accounts deptt. are ----- and -----

- (6) Internal checks means -----
- (7) -----settlement of ----- claims is also the job of accounts Deptt.
- (8) Job costing is done in ----- on IR.
- (9) Five most important functions of accounts deptts are -----
- (10) Accounts Deptt. on IR is headed by -----
- (11) Financial commissioner was first appointed in the year -----
- (12) ----- Committee appointed in -----recommended the separation of railway finances from the general finances.
- (13) Two purposes behind appointment of FC were ----- and -----
--

- (14) In case of disagreement between FC and the Board Members/CRB, FC has right to refer case to -----
- (15) Zonal/UP accounts Deptt. is headed by -----
- (16) Pension section in FA&CAO office is under -----
- (17) Traffic Accounts is under -----
- (18) Statistical officer reports to -----
- (19) Sr. EDPM reports to -----
- (20) Traffic Costing officers reports to -----
- (21) Cash and pay office is directly headed by -----
- (22) Only a traffic officer can become traffic costing officer (true/false)
- (23) Only accounts officer can become statistical officer (true/false)

Part– 2: Accounts Inspection of executive office by accounts deptt.

- (24) Accounts conducts inspection of executive offices to ensure that -----

- (25) Account inspections are conducted as per pre planned and approved Programme (true/false)
- (26) Accounts inspection sections are available in -----
-
- (27) Station inspections are normally done by -----
- (28) Store accounts and stock keeping is inspected by -----
- (29) Accounts inspection report part-I can be closed by executive officers by Taking corrective measures. (true/false)
- (30) Accounts inspection report part II is closed by the audit deptt. (True/False)
- (31) The objection which deals with shortage/excess of stock is -----
--
- (32) Account inspection report part I is prepared in ----- copies.

- (33) Accounts and audit conduct simultaneous inspections (true/false)
- (34) Stock verification is done as per the provisions of -----
- (35) Station accounts are inspected as per the guidelines available in -----

Part-3: Statutory Audit

- (36) CAG means -----
- (37) CAG derives his powers from-----
- (38) Audit is responsible for audit of -----
- (39) The head of Zonal audit is-----
- (40) Main purpose of audit is to ensure that-----
- (41) CAG can be removed in a manner prescribed for-----
- (42) Article-----prescribe for mode for his appointment.
- (43) Audit deals directly with the executive deptts. (true/false)
- (44) In case of disputes between audit and account the matter is referred to-----
- (45) Special letters can not be issued by the divisional audit officer. (true/false)
- (46) The annual audit report to parliament is examined by-----
- (47) Draft Paras are issued by Divisional Audit Officer (true/false)
- (48) Draft Paras are issued by-----
- (49) Draft Paras are addressed to-----
- (50) Reply to draft Para must be sent within-----weeks.
- (51) The reply of draft Para is to be approved by Railway Board. (true/false)
- (52) Draft Para is issued in-----copies.

Part – V – SOP

- (53) What is the nature of GMs power?

- (54) What is role of finance in re-delegation?
- (55) What is a correction slip?
- (56) What is register of correction slip?
- (57) Who is in-charge of SOP at Zonal headquarters?
- (58) How can you get more power?
- (59) What are cannons of financial propriety?

Part- VI- Tenders & Contracts

- (60) Please indicate type of tenders.
- (61) What are basic ingredients of a valid contract?
- (62) What is the purpose of earnest money?
- (63) What is purpose of security deposit?
- (64) What precautions should be taken by the members of tender opening Committee?
- (65) Why the vetting of comparative chart is needed?
- (66) What is role of briefing note?
- (67) What is role of tender committee?
- (68) What is a dissenting note?
- (69) Why contract agreement needs legal and financial vetting?
- (70) What is late tender?
- (71) What is delayed tender?

BUDGETING ON RAILWAYS

INTRODUCTION

Budget is a statement of the estimated annual receipts and expenditure both on capital as well as Revenue transactions of an organisation. It is a process of planning and reviewing the activities of an organisation. Railways, being Government of India Department, receipts and payments of the system were merged in the General Budget of the Government of India. As a result of the recommendations of the Acworth Committee during 1920-21, it was decided to separate the finances of Railways from General finances with the object of securing stability for general revenues and to strengthen the Railways finances. This is generally known as "**Separation Convention of 1924**". Since, then separate Railway Budget is submitted in advance of the General Budget to the Parliament.

These statements are submitted to both the Houses of Parliament viz. Lok Sabha and Rajya Sabha. Railways are not run purely on commercial considerations. At

the same time, as the finances of Railways are independent of the general finances, Governmental outlook cannot also be applied. The system of accounting adopted in Railways is such that the commercial as well as Government accounting is bridged.

The expenditure on Railways may be either voted or charged. The expenditure covered under the former category requires the approval of Parliament. After President gives assent, money becomes available for the different activities. In respect of charged expenditure, the sanction of the President is conveyed without the budget being submitted for the vote of parliament. It is one of the means by which Parliamentary control on Railway finances is exercised. Parliament has got the powers to give assent to or to reduce or to modify the amounts proposed by the Railways Ministry during the course of discussion on Railway Budget. Such powers are exercised through cut motions. The votable part of expenditure together with the charged appropriation are presented to Parliament in the form of Demands for Grants. As at present there are 16 demands for grants, these have been evolved over a period of years through the Accounting and Budgetary Reforms process. The growing requirements, accountability to Parliament and also the changes in the accounting system have necessitated the review of the forms of Railway Budget from time to time.

DEMANDS FOR

GRANTS

Prior to financial year 1924-25, the entire expenditure of Railway department was divided into two categories only viz., Capital and Revenue. After separation of the Railway Finances from general Finances, as a result of recommendation of the separation convention, the revenue expenditure on Railways used to be presented under 14 demands as follows:

- Demand No.1 **Railway Board**
- Demand No.2 **Inspection**

- Demand No.3 **Audit**
- Demand No.4 to 11 **Revenue working expenses**
- Demand No.12 **Appropriation to reserve Fund**
- Demand No.14 **Interest charges**

Demand No.16

The above change were brought into use as a result of the decision to group the ordinary revenue working expenses into 8 functional abstracts, such abstracts being further subdivided into 3 functional sub groups representing Administration. Repairs and Maintenance and operation. This system was found defective due to the form of initial accounting being different from the form in which the Demands for grants are submitted to Parliament for approval. Subsequently, during 1934-35 certain modifications were made in the Revenue abstracts. Similarly, in 1941-42 also certain changes were made. As a result of the recommendations of the task force set up in 1973 to analyse the Budgetary, accounting and management practices of the Railways restructuring of demands for Grants and revision of accounting classification representing a specific activity or a group of homogeneous activity was identified. This activity was further to be analysed into various components such as wages, materials etc., going into the cost of the activity. There could be a direct relationship between the initial accounting and its consolidated presentation to Parliament in the form of Demand for Grants. At the same time, the Demands for grants should present the accounting date in a simple and lucid manner. In restructuring the Demands for Grants, the following basic considerations were kept in mind.

- A) The demand should represent a homogeneous activity controlled by a single departmental authority;
- B) The Demand should equally correlate costs to results duly bringing out the variable and fixed items of costs, to the extent possible; and
- C) The Demand should be equally balanced from the point of view of total expenditure. The above considerations could not be fully met due to certain practical restrictions such as
 - i) The Railways being a Government Department a budgetary structure with an accent entirely on commercial lines is too difficult to build up:

- ii) Introduction of vital physical data being time consuming and, consequently leads to delays in compilation; and
- iii) The system should be easier to work for the lower formations.

Ultimately, the task force recommended 16 Demands for Grants, grouped under 7 categories, viz.

GROUP		NO.	DEMANDS
I	Policy Formulations and services common to all Railways	1	Railway Board
		2	Miscellaneous expenditure(General)
II	General Superintendence and services on Railways	3	General Superintendence & service on Railways
III	Repairs and Maintenance	4	Repairs and Maintenance of Way & Works
		5	Repairs and Maintenance of Motive Power
		6	Repairs and maintenance carriage & Wagons
		7	Repairs and Maintenance Plant and equipment
IV	Operations	8	Operating expenses - Rolling stock and equipment
		9	Operating Expenses - Traffic
		10	Operating expenses - fuel
V	Staff Welfare and Retirement benefits and Misc	11	Staff Welfare and Amenities
		12	Misc. Working expenses
		13	PF/ Pension and other retirement benefits
VI	Railway funds Payments to General Revenues	14	Appropriation to Fund
		15	Dividend Loan repayment and amortization of over capitalization

VII	Works expenditure	16	Assets Acquisition construction and replacement
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Before explaining the features in respect of the existing Demands let us see the difficulties encountered in framing the Budget prior to 1978-79.

As mentioned already there were 8 functional abstracts with 3 functional sub heads under each abstracts. For example, Abstract A represented maintenance of structural works and Abstract B represented maintenance and supply of Locomotive Power. Both the Abstracts had the sub heads Administration Repairs and Maintenance and operation. While the initial accounting was made under each Abstracts and also under the main heads, the Demands for Grants were presented to Parliament in a different manner viz. Demand No.4 was working Expenses Administration For this Demand the data is to be consolidated from all the Abstracts under Sub Head Administration". Similarly was the case for Repairs and Maintenance- So under this method, the initial accounts maintained cannot be presented to Parliament in the same fashion without a further consolidation. Similarly the executive Departments were also required to estimate their total expenditure under different demands, for purposes of budgeting and thereby resulting in experiencing much difficulty in controlling the expenditure. Now, by the restructuring of Demands, the above difficulties have been reduced though not completely eliminated. For example, in the present system, Demand No.4 represents Repairs and Maintenance of Way and Works. The entire demand relates to Engineering Branch except for the General superintendence and services all the other expenditure of the Engineering Department with regard to the Maintenance of Permanent way are accommodated under this grant and are also accounted accordingly in the accounts. Of course, the Engineering Branch has to budget separately for staff welfare and other amenities under Demand No.11, and for the Plant and equipment under Demand No.7. Though the above functions are quite distinct for each grant, the technical and administrative control continued to be vested in the Civil Engineering Department. A further decentralization may not be healthy and the primary objective should be the technical supervision and direction duly correlating the method of accounting and compilation of annual Budget. The traditional budgeting techniques normally take into account the expenditure incurred in the previous year and provide for increments, escalation in cost of stores and the new programmes, if any, without going much deeper into the physical targets set for the year. Of course, during the course of the year a constant review of these estimates is made through the

medium of "August review" "Revised Estimate" and Final Modifications, when the additional available information and data are made use of.

The budgeting as such should originate from the grass root level namely the lowest subordinate who is executing the physical work and as such he must have better knowledge about physical work and as such he must have better knowledge about accounting and budgeting. He is the right person to report to his immediate superiors and monetary effect of any changes to his immediate superiors the monetary effect of any changes in his day-to-day routine. Such data is collected from the various subordinates and then consolidated at sub divisional or divisional level to compare or to review with the statistical data to see how far the monetary terms reflected by the subordinate justifies the physical targets envisaged. It is the first stage where the middle management decisions are to be taken either to continue or to modify the existing way of working.

But the same concept may not be applicable in respect of works grant. Here the physical target for the various works is the criterion for basic budgeting. The works may be at various stages of completion - some of them being in progress and some of them at the preliminary stage or the initial stage of planning. The availability of materials to complete the balance of work and other factors come in the way of budgeting which are to be sorted out and taken note of. Budgeting for works grant needs an in-depth study in respect of each work invariably. Here again, subordinates in charge of individual works should be the grass root estimator. The information so collected should be consolidated and presented at the Divisional level. At the Divisional level the DRM is the Officer in-charge of budgeting having the over all control of the various branches in a division, He is assisted by an ADRM in framing and reviewing the Budget with the Association of Accounts Offices. This does not however absolve the HODs from the budgetary responsibilities. The HODs are equally responsible as they are responsible for the physical targets efficiency of services. The various factors such as increase in cost of labor, the availability of materials, escalation in cost of stores and any new factors that got to increase or decrease the money allotted budgeting is to be made. Each and every new accounting new policy decision should be examined from the budgetary angle and the consequent modifications effected at the proper stage for budgetary reviews. A good estimator should take note of such development. Apart from recording the expenditure under various abstracts and detailed heads and sub-detailed heads representing a particular activity the component of such activity are further analyzed under different units, called Primary units of expenditure. This primary unit-wise analysis enables easy assessment of fixed, semi variable and variable costs. Each demand is

supported with specific annexure of physical performance to have better appreciation of the relationship between the cost and performance.

There is a move to introduce progressively the concept of **ZERO BASE BUDGETING** in Railways. Budgeting is done for each year while the planning is done for certain longer periods. As the very name implies, budgeting under this system for each year is done taking the base as zero. In other words the budgeting for each year is to be done from scratch. It does not mean that the present system adopted by Railways is insufficient or inefficient. It is only a means for improving the quality of reporting through budget to the management rather than introduction of a new system of budgeting. Under this system each executive is to explain in greater detail the need for the money he has sought for each decision unit a department or a unit of the Dept in terms of decision package. The main criterion for budgeting under this system is decision packages. Such decision packages are analyzed in the order of priority. The provisions required during the year are to be sought for on the basis of these priorities. If for any reason the allotment for a decision unit is reduced decision package (s) having the least priorities will have to be given up during the year.

In the present set up the heading of each grant is self-explanatory. Yet an attempt is made here to bring out the scope of each grant together with the peculiar or special features involved in each.

Grant No.1 Revenue Railway Board:

This grant is for expenditure on Railway Board. This grant is supported by details of expenditure on Group A & B establishments, Group B and C establishments and other contingent charges together with the primary unit wise distribution. The amount received from the CPWD (Ministry of works Housing and supply) towards maintenance of Rail Bhavan are taken as Credits under this grant and are outside the scope of the demand.

Grant No.2 Miscellaneous expenditure(General)

This grant will cover expenditure on Surveys, RDSO, Railway Inspectorate attached to CBI, Statutory Audit, Share of net earnings payable to Branch lines, Railway Recruitment Board, Railway Claims, tribunal, Publicity for tourism promotion, Institutional Membership to Indian and International Institutes and other misc. expenditure (Genl) etc. Survey expenses though accommodated

initially under this grant are, however, written back to the appropriate head of account on sanction of the project (under Minor Head preliminary Expenses)

Grant No.3: General Superintendence and Services:

This grant covers expenditure on the zonal Headquarters and Divisional Offices of the Railway Administration. Each Department of the Railway system such as General Management/Financial Management/Material Management Rolling stock Management and other departments are detailed as minor heads of this grant. Commission charges recovered from the defence department for audit of warrants and credit notes connected with military traffic are taken as Credit outside the scope of the grant.

Grant No.4: Repairs and Maintenance of permanent way and Works:

This grant covers expenditure on repairs and maintenance of permanent way assets such as track, other building and structures, as detailed in abstract B. The credits under this grant are for materials released from works charged to revenue and share of freight charges of Railway materials. Apart from the primary unit wise distribution of the amount, statistical data as to number of staff involved in each activity compared to the previous year separately under Group C and D are furnished. This grant is also supported with a statement of performance unit for major activities indicating the no. of direct staff, equated Track KM in respect of Permanent Way maintenance, linear metres of waterway in respect of bridge work and square metres of plinth area in respect of service building etc.

Grant No.5: Repairs and Maintenance of Motive Power:

This grant corresponds to Abstract C of the Revenue classification and covers expenditure on steam locomotives, Diesel locomotives, Electric Locomotives rail car and ferry services etc. In this Demand also the statement showing the No. of staff involved in respect of each activity separately for Group C and D compared with the previous year is attached. The performance units for expenditure in respect of this grant are engine holdings both on line and in use, POH and IOH and special repairs with the no. of direct staff involved.

Grant No.6: Repairs and Maintenance of carriages and wagons:

This grant corresponds to Revenue Abstract D and covers expenditure on repairs and maintenance of carriage and wagons and EMU coaches. The running repairs and repairs in sick Lines periodical overhauls and other special repairs

are distinctly exhibited for each category of stock. The staff statement as in grant nos.4 & 5 and also the performance units are presented as annexure to this grant.

Grant No.7: Repairs and Maintenance of plant and equipment:

This corresponds to abstract E covering maintenance of all plant and equipment owned by all the branches of Railways such as Civil, Mechanical and Electrical and signaling staff statement and also the performance unit are shown as annexure. No. of machinery a No. of trains are the performance units in respect of this grant.

Grant No.8: Operating expenses-rolling stock and equipment:

This grant covers expenditure on the operating expenses of Mechanical, Signaling, Electrical and Tele-communication equipments including rolling stock. The credit under this Grant represent receipts from non-government railways, hire and haulage charges in respect of rolling stock and also cost of electrical energy charges recovered. As usual, share of credit for freight charges on Railway materials also form part of the credit.

Grant No.9: Operating expenses: Traffic:

This grant caters for expenditure on traffic operating and traffic commercial departments. Claims organisation are, however, excluded from the scope of the Demand and are accommodated under grant No.12.

Misc. Expenses on conference hire and penalty charges on interchanged stock as well as inter-railway financial adjustments relating to rolling stock are covered in this grant. The performance units for this grant are no. of trains, shunting engines hours and train kms.

Grant No.10 Operating Expenses Fuel :

This demand covers expenditure on coal, fuel oil for loco purposes and electric energy charges for traction purposes. Freight, handling charges including fueling of engines, sales tax, excise duty and cess on coal are also accommodated under this grant. Credits on account of sales of cinder and coal ashes and credits on account of inspection charges on coal are the recoveries under this demand, over and above the freight charges on railway stores and coal as appearing under Demand No. 5 to 8. This demand is supported with the performance statement showing gross tone kms for passenger, goods and shunting engine in

respect of steam and diesel separately. The staff statement is also sent as an annexure as in other grants.

Demand No. 11. : Staff welfare and Amenities:

This demand covers the expenditure on educational, medical facilities, health and welfare services, other staff amenities such as canteens etc., maintenance and improvement of railway colonies, staff quarters and other welfare buildings. The cost of released materials and also grants-in-aid to railway schools received from state govt. and fees collected are taken as credits or recoveries under this grant. The performance units for this grant are no. of students, no. of employees, plinth area of residential and welfare buildings.

Demand No. 12 : Misc. Working Expenses:

This demand caters to expenditure on security branch and compensation claims for goods loss or damaged and also payments arising out of Workmen's Compensation Act and catering. Apart from the above, this demand takes into account the transactions under the Suspense head "Demand Payable" and " Misc. Advances Revenue" while the budgeting in respect of the final heads as well as MAR are made for gross debits, in respect of "Demands payable" the provision is made for the "Net" only viz. un discharged liability pertaining to a year. The amounts recouped from Accident Compensation Safety and passenger amenities fund are as credits or recoveries under this grant.

Demand No. 13 : Provident Fund, Pension and Other Retirement Benefits:

Retirement benefits covered under this demand may be categorized as

- items met out of pension fund and
- payments of gratuities and other contribution to provident fund.

Out of these, the payment in respect of pension is met out of "Pension Fund" and the amount recouped from this fund is shown as credit under this grant. The other payments of gratuities and contribution to PF are met out off revenue.

Demand No. 14 : Appreciation to DRF, Pension Fund, Development Fund, and Capital fund:

This demand deals with appreciation to DRF, Pension Fund, Development Fund, and capital fund. Appropriations are made out of revenue. Appropriation to DRF is divided into various branches the railway system such as Engg., Mech., Sig, etc.

Demand No. 15 : Dividends to General revenue, repayment of loan taken from general revenue and amortization of over capitalisation:

This demand deals with dividends to General revenue, repayment of loan taken from general revenue and amortization of over capitalisation. This demand covers grants to states in lieu of passenger fare tax also.

Demand No. 16 : Assets : Acquisition, construction and replacement:

This grant is otherwise known as "**Works Grant**". This grant caters to the expenditure on acquisition of new assets, construction of new lines, replacements and renewals of the existing assets. The finances for these assets are met either through "Capital" otherwise known as loans obtained from the General Exchequer or internal resources of Railway system namely the Depreciation, Reserve fund, Development fund and capital fund.

It may not be out of place to mention here that the items included in this grant are finalized long before the presentation of budget during February. During Aug-Sep every year, the works, machinery and plant programme to be executed during the next following financial year is suggested by the individual Railways to Railway Board in the form of preliminary works programme. This programme is generally divided into 3 categories namely, works in progress, new works and works clearly sanctioned not to be commenced. The individual works, the estimated cost thereof, the actual outlay to end of the previous year, the outlay proposed for the budget year in question and the balance of funds to complete the work are the details furnished in this programme. After a preliminary examination at the Railway Board's level, the individual railways are call for a detailed discussion and the items to be included are finally decide and this document is known as "**final works programme**".

This final works programme will be the basis for the preparation of budget estimate figures in respect of this grant. In the case of Revenue Grants, budget estimate together with the revised estimate for the current year and the budget estimate for the ensuing year are exhibited, but it is not the case with this grant. Here the budget estimate figures are decided in advance through the medium of works programme. The revised estimate figures for the current year are only advised.

Apart from the source of finance, this grant exhibits the expenditure under different plan heads as decided by the Planning Commission. These plan heads comprise of Final Heads of Accounts, such as new lines, Gauge Conversion, Doublings, Traffic Facilities etc., and also the Suspense heads such as Stores

Suspense, Manufacture Suspense and Misc. Advances Capital. While in the case of Final heads, the Gross Expenditure during the year is the criteria for budget purposes, the credits or recoveries, representing the value of stores released are taken outside the scope of grant. But the Suspense heads have some peculiar features in them. The figures of debits and credits, in other works, Receipts and Issues are separately budgeted under all the suspense heads. The credits or the issues, include an element of work done for the various final heads within the same grant. They are normally known as " Issues within the demand" and are exhibited as "Deduct Entry" under each suspense heads and the vote of parliament is obtained in the gross debits less the deduct entry. The object behind this mechanism is to avoid double voting inherent in the system of budgeting under suspense. These peculiar features should not be lost sight of. The vote of parliament is obtained as far as this grant is concerned for the gross debits under the final heads and the gross debits excluding issues within the demand. Re-appropriation from one source of finance to other is not permitted. Similarly the re-appropriation funds from among the plan heads, for which funds are allotted after a detailed and thorough examination by the planning commission, such as new lines, track renewals, doublings, restoration of dismantled lines, etc., are also not permitted. This grant is supported by an annexure showing state-wise investments in road services. In respect of works expenditure there are only 17 primary units.

BUDGETARY EXERCISE

Budgetary exercise is a concurrent one spread over throughout the year, watching the progress of expenditure against the allotment. When once the Railway Budget is voted by Parliament, Budget allotments under each grant pertaining to each Railway are communicated by Railway Board through an advice known as Budget Order.

August Review

During August, a review is conducted of the performance done by individual railways bringing out the modifications necessary in the allotments already made consequent on the trend of performance noticed then. This is known as August Review.

Budget Estimate

The second review is done during Nov-Dec. known as Revised Estimate for the current year and Budget Estimate for the ensuing year. Based on the

progressive expenditure booked by individual Railways, the Railway Board after making necessary re-appropriation amongst the Railways concerned in respect of each grant with the available funds, decide upon the necessity or otherwise of the supplementary grant. Pending approval by Parliament of the supplementary grant, if necessary revised allotment is fixed by Railway Board and communicated to individual Railway based on which the individual Railways are to regulate their expenditure.

Final Modification

During the end of Feb. another review is conducted, known as "Final Modification ". And by the late-March, telegraphic modification statement, if necessary, is also called for from individual Railways.

Final Grant

By 31st March, final grant as pertaining to individual Railway under individual grant is fixed by the Railway Board and communicated.

Monthly Review

As a means of controlling the expenditure, a monthly review comparing the actual expenditure with the **proportionate budget allotment** is made and an appreciation report bringing out the Special features in respect of each month account are also submitted to Railway Board. While working out the **budget proportion**, certain guidelines as contemplated in the code are adopted. The establishment charges such as salaries, wages, TA etc., are of a routing and uniform nature. The total expenditure on this are divided by 12, while the expenditure on stores and other adjustment transactions are generally divided by 14, this is because the March accounts are spread over till the end of June every year to enable booking of expenditure under adjustment transactions completely. The difference of 2 (14 - 12) is distributed quarterly i.e. at 25 each for the first 3 quarters and the balance of 1.25 taken to the last quarter.

This monthly review would help in controlling the expenditure effectively if carried out at Divisional or Sub-Divisional level. This would also help in managing the finance in a better manner by the respective Departmental heads by directing Postponement or Modifications in the physical activity contemplated.

BUDGET SUMMARISED CONCEPTS

Definition

Budget is a financial statement prepared prior to a defined period of time (financial year) of the policy to be per during that period for the purpose of a given objective.

Objective

To define objectives in financial terms for execution at all levels. To allocate scarce resources to important activities, to co-ordinate complex plans for action facilitate controls by:

- 1) Establishing departmental budgets
- 2) Fix responsibility
- 3) Comparison and reviews
- 4) Corrective measures

Types of budgets

- 1) Capital budget
- 2) Revenue budget
- 3) Performance budget
- 4) Zero based budget
- 5) Responsibility budget

BUDGET DOCUMENTS

- 1) SPEECH OF RAILWAY MINISTER
 - Part I
 - Part II
- 2) KEY TO BUDGET DOCUMENTS
 - GLOSSARY OF TERMS
- 3) BUDGET OF THE RAILWAY REVENUE AND EXPENDITURE FOR THE ENSUING YEAR
- 4) EXPLANATORY MEMORANDUM TO THE RAILWAY BUDGET
 - PLAN PROGRESS,
 - INVESTMENTS BY PLAN HEADS,

- TRAFFIC PLAN,
 - TARGETS/ACHIEVEMENTS,
 - FINANCIAL RESULTS
 - OPERATING RATIO,
 - SURPLUS/SHORTFALL,
 - NET RETURN
 - BUDGET ESTIMATES
- 5) MEMORANDUM-ADJUSTMENTS IN FREIGHT AND FARE
- COMMODITY WISE ADJUSTMENTS,
 - FARES SLABWISE,
 - SUBURBAN FARES
- 6) DEMANDS FOR GRANTS
- PART I - RAILWAY AS A WHOLE
 - PART II - ZONAL RAILWAYS/PRODUCTION UNITS
- 7) WORKS, MACHINERY AND ROLLING STOCK PROGRAM (PART I/II)
- 8) Green Book
- 9) INDIAN RAILWAY YEAR BOOK, SAFETY BULLETIN
- 10) INDIAN RAILWAY ANNUAL REPORT AND ACCOUNTS
- FINANCIAL RESULTS
 - BALANCE SHEET
 - LOAN ACCOUNTS
 - BLOCK ACCOUNT
 - ECO REVIEW
- 11) INDIAN RAILWAY ANNUAL STATISTICAL STATEMENTS

BUDGET CYCLE

Sample : Revenue Budget 2004-05

Budget Estimate	Nov/Dec 2003
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Budget presented to Parliament (Demands)	Feb'04
Grant (Budget Order Issued) August Review	March'2004
August Review	August/Sept'2004
Revised estimate 2004-2005 and Budget estimate 2005-2006	Nov/Dec/04
Revised Grant	Jan 2005
Final Modification	Feb2005
Final Grant	March 2005
Cash Closing	31.3.2005
Transfer Transactions	April-May-2005
Closing of 2004-05 A/C	20.6.2005
Appropriation A/C	Sept 2005

STRUCTURE OF RAILWAY BUDGET

DEMANDS FOR GRANTS

DEMAND NO.	DESCRIPTION
1	Railway Board
2	Miscellaneous expenditure (General)
3	General superintendence and services on Railways
4	Repairs and maintenance of Permanent way and Works
5	Repairs and Maintenance of Motive Power
6	Repairs and Maintenance of Carriages and Wagon
7	Repairs and Maintenance of Plant and Equipment
8	Operating Expenses-Rolling Stock and Equipment
9	Operating Expenses-traffic
10	Operating Expenses-Fuel
11	Staff Welfare and Amenities
12	Miscellaneous Working expenses
13	Provident fund Pension and other Retirement benefits
14	Appropriation to Funds
15	Dividend to General revenues repayment of loans taken from General Revenues and Amortization of over capitalisation
16	Acquisition Construction & replacement of Assets

Demand No.11 is for expenditure on educational and medical facilities, health and welfare services, canteen and other staff amenities, repairs maintenance

and improvement of Railway colonies, staff quarters, residential and welfare buildings.

REVENUE ABSTRACTS

Abstract	Demand	Activities	Department
A	3	General Superintendence and Services	All
B	4	Repairs+ Maintenance of Way and Works	Engg
C	5	Repair and Maintenance of Motive Power	Mech/Elect
D	6	Repair and Maintenance of carriage and wagon	Mech.Elec.EMUP-TL
E	7	Repair and Maintenance of Plant and Equipment	Elect.Mech.S&TCivil
F	8	Operating Expenditure (Rolling Stock and Equipment)	Mech/Elect
G	9	Operating Expenditure (Traffic)	Optg/Comml
H	10	Operating Expenditure (Fuel)	CoalDieselElect
J	11	Staff Welfare and Amenities	Edn Health Residential building
K	12	Miscellaneous working expenses	Security Claim comp. catering Training
L	13	Pensionary benefit	All Depts
B	4	Repairs+ Maintenance of Way and Works	Engg
C	5	Repair and Maintenance of Motive Power	Mech/Elect
D	6	Repair and Maintenance of carriage and wagon	Mech.Elec.EMUP-TL
	14	Appropriation to funds	
	15	Dividend Payment	

PRIMARY UNITS (OBJECTS) OF EXPENDITURE

- 01 Salaries and Wages
- 02 Dearness Pay and Dearness Allowances
- 03 Productivity Linked Bonus
- 04 House Rent allowances
- 05 Compensatory (City) Allowances
- 06 Interim Relief
- 07 Transport allowance
- 08 New Pension scheme
- 09 Wages of Casual Labour
- 10 Kilometer allowance
- 11 Overtime allowance
- 12 Night duty allowances
- 13 Other allowances
- 14 Fees and honoraria
- 15 Transfer allowance
- 16 Travelling expenses
- 17 Air Travel Expenses sanctioned in lieu of privilege passes
- 18 Office expenses
- 19 Rental for P&T telephone and call charges including Trunk calls
- 21 Advertising expenses
- 22 Utilities
- 23 Rental for office equipment (other than Data Processing)

- 24 Printing and stationery including Publications
- 27 Cost of materials from stock
- 28 Cost of materials-Direct purchase
- 31 Fuel for other than traction
- 32 Contractual payments
- 33 Transfer of debits
- 34 Adjustment of Wages on POH and other repairs from WMS account to Revenue Heads
- 35 Adjustment of materials on POH and other repairs from WMS to Revenue Heads
- 36 Excise duty paid/payable for purchase of materials
- 37 Customs duty paid/payable for purchase of materials.
- 38 Sales Tax paid/payable for purchase of materials.
- 39 Air Travel (Domestic)
- 40 Air Travel (Foreign)
- 99 Other expenses.

Demand No.16

Assets- **Acquisition,**

Construction and replacement

Plan Heads	Name
11	New Lines
12	Purchase of new lines
13	Restoration of dismantled lines
14	Gauge conversion
15	Doubling
16	Traffic facilities, yard remodeling
17	Computerization
18	Railway Research
21	Rolling stock
29	Road Safety Works-level crossing
30	Road Safety works-Road Over/under bridges
31	Track renewals
32	Bridge works
33	Signaling and Telecomm works
34	Taking over line wires from P&T dept
35	Electrification projects
36	Other electrical works

41	Machinery and Plant
42	Workshops including Production units
51	Staff quarters
52	Amenities for staff
53	Passengers amenities
62	Inv. in Govt. Comm. undertaking
64	Other Specified works
71	Stores Suspense
72	Manufacture suspense
73	Miscellaneous advances
81	Metropolitan Transport projects
82	Transfer to SRSF

Primary Units (Objects) Expenditure for Works

1	Pay& allowances of Departmental Establishment	01
2	Payment to Casual Labour	02
3	Payment to contractors and others for Engineering works or supply and erection contracts etc.	03
4	Direct supply of material	04
5	Stores supplied from stock	05
6	Freight on stores	06

7	Credits for released material	07
8	Others	08
9	Transfer of debits/credits affecting capital works expenditure/ suspense accounts	09
10	Productivity Linked Bonus	10
11	Excise duty paid/payable for purchase of materials	11
12	Custom Duty “	12
13	Sales Tax “	13
14	Interim Relief	14
15	Travelling Expenses	15
16	Air Travel(Domestic)	16
17	Air Travel(Foreign)	17

DEMAND 16-CAPITAL

INTERNAL GENERATION	DRF		Depreciation Reserve Fund	For renewal and replacement
	DF	DF1	Development fund	Passenger Amenity
		DF2		Staff Welfare
		DF3		Un- remunerative works
		DF4		Safety

	RSF			
	OLWR		Open line works Revenue	
	CAPITAL FUND		Internal sources i.e. Capital fund (w.e.f. 1.4.93)	For works that are remunerative
	RAILWAY LIABILITY RESERVE FUND			
EXTERNAL SOURCE	CAPITAL		External Sources (Loan from Central Govt. i.e. Budgetary support)	
			Public borrowings through IRFC	
			Public Partnership	Private
			Joint ventures/support from State Governments	

The position of fund balances under the various Railway Fund are described hereunder:-

- Railway Depreciation Reserve Fund-Appendix XII
- Railway Development Fund-Appendix XIII
- Railway Pension Fund-Appendix XIV
- Railway Capital Fund-Appendix XV
- Railway Safety Fund-Appendix XVI
- Special Railway Safety Fund-Appendix XVII

- Deferred Dividend Liability Account-Appendix XVIII, of Explanatory Memorandum of Railway Budget 2004-05 for Total Government Railways
- Social service obligation on Indian Railways-Appendix XIX of Explanatory Memorandum of Railway Budget 2004-05 for Total Government Railways
- Glossary of terms as referred to in Railway Budget-Para 308 FI
- Exchequer Control Para 540 FI
- Monthly financial review Para 513 F1

Question Bank on Budget

1. What is the need for a budget?
2. Explain briefly the role of the budget as an instrument of planning?
3. Explain the role of the budget as an instrument of management?
4. Trace the evolution of the Railway Budget and its separation from general budget?
5. Why was the Railway Budget separated from the general budget?
6. Explain the role of the budget as an instrument of control?
7. What is the structure of a Govt. Budget?
8. What is voted expenditure?
9. What is changed expenditure?
10. What is the structure of Railway Budget?
11. How is Revenue Expenditure identified?
12. How is Capital Expenditure identified?
13. What are demands for grants?
14. What do you understand by Activity Based system of classification of Accounts?
15. What are plan Heads?

16. Discuss two indices of profitability
17. What is operating ratio?
18. What do you understand by Return on Capital
19. What do you understand by Capital Budget?
20. What do you understand by Capital at charge?
21. What do you understand by loan account and block account?
22. What do you understand by internal accounts?
23. What is entire budgetary financing?
24. What is entire budgetary support?
25. What is dividend liability and what is its rate ?

TRAFFIC EARNINGS

The Indian Railways are in the business of selling transport. Earnings of the Railways are broadly divided into 3 categories: -

- Earnings from Coaching Services, (Abstract X)
- Earnings from Goods Services, (Abstract Y)
- Earnings from Sundry Other Items/ Services (Abstract Z)

(Like sale of grass and trees on line, rent for land and buildings, advertisements, etc.)

The Portion of earnings that is physically realized is called "Receipts" and the portion earned but yet to be realized is called as "Suspense".

(For detailed classification of earnings, please refer to Finance Code – Volume – II)

The money thus earned is not directly available for expenditure to be done by the Railways as it flows into the Consolidated Fund of India.

For the purpose of expenditure, money is drawn from the Consolidated Fund of India (CFI), after passage of the budget, as discussed in details, separately. This expenditure, which is made from the CFI, pertains to two broad categories:

- Revenue Expenditure and
- Works Expenditure.

REVENUE EXPENDITURE

This comprises of:

- i. Ordinary Working Expenses incurred by various departments on the Railways in their day-to-day working. For example, General Superintendence and Services, Repairs and Maintenance of Assets, Operating Expenses, Staff Welfare Expenses etc. (Demands # 3 to 13),
- ii. Other Miscellaneous Expenditure, like Expenditure on Railway Board, Audit, Surveys, Centralized Training Institutes, RDSO etc. (Demands #1 and 2),
- iii. Appropriation to Depreciations Reserve Fund, Pension Fund (Demand #14), and
- iv. Dividend paid by Railways to General Revenues (Demand 15),

(For details of Demands for grants and two-way classification of expenditure, please refer to “Key to budget documents” page-4, items 10 and 13. Please also refer to Finance Code – Volume – II)

MISCELLANEOUS RECEIPTS AND EXPENDITURE

Besides the above said Traffic receipts and expenditure, there are certain “Miscellaneous Receipts and Miscellaneous Expenditures resulting into “Net Miscellaneous Receipts” These receipts comprise of Receipts from RRBs, Subsidy from General Revenues towards Dividend Relief and other concessions, Contribution of General Revenues for Railway Safety Works (which helps build Railway Safety Fund), Receipts of safety surcharge on passengers (which help build SRSF), etc.

The Miscellaneous Expenditure relates to surveys, OLWR (open line works – Revenues – explained later in this chapter), appropriation to SRSF etc.

(For details, please refer to Budget Document: Explanatory Memorandum - Appendix XI)

WORKS EXPENDITURE

It is that expenditure which is incurred on acquisition, construction and replacement / renewals of assets under various “Plan Heads”. It may be met from Capital Outlay provided by the Central Government, known as “budgetary support” (for current year) or “Capital at Charge” (cumulative); from the various funds created by means of provisions / appropriations from Revenue Expenditure or from savings generated by railways. To a small extent, assets are also financed from OLWR (Open Line works (Revenue)) as described later. Of late, schemes for financing the railway assets through alternative means, like taking the assets on lease from Indian Railway Finance Corporation (IRFC), Build-Own-Lease-Transfer (BOLT), and Own Your Wagon (OYW) scheme etc. are also utilized with varying success.

(For details of various Plan Heads, please refer to Finance – Code Vol. II.)

As per Railways’ Financial structure currently in vogue, several funds are operated for various purposes, as detailed below.

VARIOUS FUNDS MAINTAINED BY THE INDIAN RAILWAYS

1. DEPRECIATION RESERVE FUND

This was started with effect from 1-4-1924, to provide for the cost of renewals and replacements of assets, as and when they become necessary.

The scope of the fund has varied from time to time and the present position is that appropriation to the fund is made on the basis of the recommendations of the Railway Convention Committee. Annual contribution to the fund is decided on the basis of an overall assessment for the whole plan period.

Expenditure from the fund is incurred on the general principle that the full cost of replacement of an asset, including the improvement and inflationary elements, is chargeable to DRF.

2. RAILWAY PENSION FUND

This fund was created with effect from 1-4-1964, to even out the pension charges and to provide, on an annual basis, for the accumulated liability for the pension benefits earned in each year of service by the employees, in the same way as provision is made for DRF. Pension Fund is not used for financing assets. Its is only used for making payment of Pensions and DCRG, etc.

3. DEVELOPMENT FUND

The fund was started as a Railway betterment fund in 1946 and was renamed as Development Fund with effect from 1-4-1950. It is financed by crediting to it a part of surplus (excess of Revenue Receipts over revenue expenditure including dividend) as voted by Parliament through 'Demands for Grants' (Demand #14).

It is utilized for meeting expenditure on various items of Passenger and Other Railway users' amenity works; staff welfare works, un-remunerative operating improvement works and safety works etc., costing more than Rs.10 lakhs each.

4. SAFETY FUND

This fund is created partly by appropriation from excess of revenue receipts over revenue expenditure (including dividend) and also by transfer of funds by Central Government from Central Road fund. This fund is used for

financing works relating to conversion of unmanned level crossings and construction of ROB/RUBs at busy level crossing (Plan Heads 29 and 30).

5. SPECIAL RAILWAY SAFETY FUND (SRSF)

Pursuant to the recommendations of Railway Safety Review Committee (1998), under Mr. Justice Khanna, this fund was created w.e.f. 1.10.2001 to wipe out the arrears of renewal of over-aged assets viz. tracks, bridges, rolling stock and signalling gears, besides safety enhancement works, over a six-year period. This Rs 17,000 Crores fund comprises of Rs. 12,000 crores to be given by Central Government and Rs. 5,000 crores to be generated by Railways through safety surcharge on passenger fares. Works financed from this fund appear in the "Green-Book", which is a part of Budget Documents.

All the railway funds are interest bearing, and are kept in deposit with the Central Government

OLWR

OLWR- open line works (Revenue), is not a fund. This is a peculiar kind of revenue expenditure, (a part of Miscellaneous Expenditure as mentioned above) and is used for financing small value capital expenditure related to un-remunerative operating improvements, staff quarters and amenities, safety related works etc.

INTERNAL CHECK OF EXPENDITURE

1.0 INTRODUCTION:

Internal check is one of the main functions of the Accounts Department and involves checking of all transactions affecting the receipts and expenditure of Railways. Accounts, is an integral part of the administration, (as compared to the Statutory Audit, which is an outside body) and hence the name 'Internal Check' has been given to this function.

Internal check is conducted with reference to -

- a. Rules and orders of any authority (President downwards) to whom the power to make rules or to issue orders has been delegated;

- b. Instructions contained in various Indian Railway Codes and further instructions issued by the Board from time to time; and
- c. The recognized standards of financial propriety. (In terms of Para 116- F-I)

(F-I indicates Finance Code – Vol – I)

All financial transactions should be checked 'cent percent' at the clerical level. Subordinate supervisors and gazetted officers should test check the work of the clerks according to the percentages laid down by the FA&CAO. Gazetted officers should, in particular, test check those items, which do not, in the ordinary course, pass through them.

2.0 STAGES OF INTERNAL CHECK

(Para 805 A-1 i.e. Accounts Code, Volume I)

Internal check of expenditure is done in three stages:

- a. Check of the sanction, rule, or order which authorizes the expenditure;
- b. Check of the expenditure itself; and
- c. Check of the bill, which is prepared and presented to Accounts for liquidating the liability incurred.

Check of sanctions or orders: All orders or sanctions issued by the General Manager or his subordinate as well as the orders received from the Board should be made available by the executive to the Accounts Officer at the earliest. No sanction or order should be accepted or acted upon unless it has been so communicated to the Accounts.

All sanctions, rules or orders, whether issued by the President, the Board or any other authority, should be examined by the concerned Accounts Officer from the following angles:

1. that the authority according the sanction is competent to do so;
2. that the sanction is clear and definite. It should be capable of being interpreted and understood without reference to the sanctioning authority or any higher authority;
3. that the rule / order / sanction does not contravene any general or special orders of any higher authority; and

4. that in all orders conveying sanction to a definite amount of expenditure, the sum is mentioned both in words and figures.

If, in the opinion of the Accounts Officer, the rule / order is open to any objection based on facts known to him, he should report the same to the appropriate authority immediately.

All proposals for fresh expenditure on Zonal Railways should be examined by the Accounts Office before sanction is accorded by the General Manager or before the Railway Board is addressed for obtaining sanction. All such sanctions, issued after the examination of proposal by Accounts, should be checked only for the limited purpose of ensuring that the finance has already given its concurrence and that the sanction conforms to the proposal as concurred.

3.0 INTERNAL CHECK OF EXPENDITURE:

Pre-check and post-check (812 A1)

All claims against the railway should be checked by the Accounts Officer *before* payment is made (i.e. claims are pre-checked). As exceptions to this general rule, the following payments may be made before such checks, but they should all be checked in the Accounts office after payment is made i.e. post-checked;

1. Payment from imprest;
2. Payments from station earnings when permitted under rules (para 1405-C);
3. Commission deducted by auctioneers from sale proceeds under their agreement;
4. Payments of certain classes of pay bills, muster sheets and labour pay sheets of open line staff specially permitted to be made by the FA&CAO, under paragraphs 318 & 319 of A1.
5. Payments made in advance to Executive Officers for purchase of stores etc. pending rendering of accounts and vouchers.

Post-check System (813 A1):

The FA & CAO of an open line railway may permit the payment of any class of pay bills, muster sheets or labour pay sheets before internal check, either -

- a. When the ordinary procedure of pre-check in offices under his control is likely to lead to any delay and thereby cause any inconvenience to the staff affected or violate any of the provisions of the extant statutes (e.g. Payment of Wages Act), or
- b. When a system of post-check is found necessary in order to secure an even distribution of work throughout the month either in the bill preparing offices or in the bill checking offices, under his control or in the Pay Department.

SCRUTINY OF EXPENDITURE: (815 A1)

All claims against the railway should be scrutinized with a view to see -

- a. that the expenditure has been sanctioned by competent authority
- b. that the remission of revenue has been sanctioned by competent authority
- c. that all prescribed preliminaries to expenditure are observed, such as proper estimate framed and approved by competent authority for works expenditure;
- d. that it is covered by the grant at the disposal of the officer incurring it or by funds re-appropriated by the competent authority for the purpose;
- e. that the expenditure does not contravene any rules and orders in force, or any special or general orders issued by competent authority;
- f. that the expenditure does not involve a breach of the canons of financial propriety;
- g. that the expenditure sanctioned for a limited period is not admitted beyond that period without further sanction;
- h. that in the case of recurring charges which are payable on the fulfillment of certain conditions or till the occurrence of a certain event, a certificate is forthcoming from the drawing officer to the effect that the necessary conditions have been duly fulfilled or the event has not occurred;
- i. that the expenditure has been properly and fully vouched for and that payment has been so recorded as to render a second claim on the same account impossible;

- j. that the charge is correctly classified, and that,
- k. if a charge is debitable to the personal account of a contractor, employee or other individual or is recoverable from him under any rule or order, it is recorded as such in a prescribed account.

4.0 INTERNAL CHECK OF BILLS: (816 A1)

All bills should, in so far as they represent claims against the railway, be scrutinized as required by the preceding paragraph. They should, in addition be checked to see -

- a. that they are in the prescribed form, are written in ink, and are in original;
- b. that they are in English / Hindi or if in any other language, have been rendered into English / Hindi, that their total is given both in words and in figures, that there are no erasures, and that any alterations in the totals are attested as many times as they are made.
- c. that their totals are given both in words and figures, that there are no erasures, and that any alterations in the totals are attested as many times as they are made
- d. that Fund and Income-tax deductions have been correctly made;
- e. that they bear a certificate, wherever necessary, from the responsible officer that the services for which the payment is claimed, have been actually rendered;
- f. that, if the proof of the correctness of a claim does not accompany the bill, e.g. the leave account of a subordinate for whom leave salary is drawn, a certificate is furnished that the claim has been checked with the relevant document and found correct; that, if the bill is for tools or other articles of equipment for which an inventory is prescribed, it has been certified by the departmental officer that the necessary addition has been made in the inventory.
- g. that if tools and equipments are purchased, entries as prescribed are made in relevant Stock Account.

OFFICE ACCOUNTS

1.0 Contingent Office Expenditure (Para 1001 F1)

This comprises of charges of miscellaneous character, which are incidental to the management and upkeep of an office and are charged to the head 'Contingencies' except where otherwise provided in any of the various Indian Railway Codes. For example,

- Expenditure on stationery, books, newspaper etc.
- Office machines, appliances and furniture
- Liveries and uniforms of Class IV staff
- Conveyance hire
- Advertisement charges / entertainment charges
- Postage, telegrams and telephone charges.
- Telephone charges.

Expenditure in respect of rents, rates and taxes, clothing, stationery and other stores required for traffic and running staff, the repairs and maintenance of furniture and office equipment, and rental of and stationery used for electronic computers, is booked under sub-heads other than contingencies and is regulated by rules embodied elsewhere in this and other Indian Railway Codes.

No pay, or additions to pay, or compensatory allowances of any kind may be charged as Contingent Expenditure.

As an exception to this, however, pay and allowances in the following cases are treated as Contingent Expenditure -

- Hot weather establishment
- Staff employed in connection with the upkeep of an office
- Safaiwalas etc. whether whole time servants or not, provided they are not entitled to service gratuity
- Such class-IV staff as Malis and grass cutters etc. specially permitted by the Railway Board to be charged to contingencies.

2.0 Classification of contingent charges (Paras 1004 to 1009, F1)

Contingencies are classified as special and ordinary. Special contingencies are those which are either governed by scales - like uniforms for class IV staff or are not within the power of the head of an office and require the sanction / countersignature of a higher authority e.g. entertainment expenses at a special occasion requiring sanction of higher authority, taxi hire charges for gazetted officers requiring countersignatures of HOD; charges for of recurring nature requiring more than one payment, unless otherwise provided in some Code, require the permission of General Manager.

All other items of contingent expenditure, which may be sanctioned by the head of an office, are classified as ordinary expenditure. Detailed rules regarding contingent charges of various types are available in Chapter 10 of FI.

Bills - should be prepared separately for special and ordinary contingent charges. In regard to scale regulated and periodical charges, it should be stated when the charges were last incurred, to enable the accounts office to see that the expenditure is not incurred before the expiry of prescribed period. The sanction of competent authority must be quoted wherever required. For miscellaneous items bill, it must be certified that the articles have been received in good condition and entered in stock. It is the Duty of Drawing Officer to exercise the same vigilance over contingent expenditure as a person of ordinary prudence will exercise in spending his own money. He should further ensure that

- Vouchers are in proper form, receipted by the proper person and have been so made as to rule out a double claim
- The expenditure is absolutely necessary for the efficient management of the office
- The rates are economical
- The sanction of higher authority is either not required or is properly quoted.
- Adequate budget provisions exist to cover the charges.

Disbursement of contingent charges should be made in the following ways:

1. Payment out of imprest or any other permanent advance
2. Payment by Accounts office direct to the supplier on the authority of competent officer and proof of receipt of supply

3. Payment by head of the office on getting money from Accounts
4. By book adjustment, if supply is made from another department - Railway or Ministry. No.2 includes the charges for service postage stamps.

CASH IMPREST (Para 1050 F1)

It is a standing advance of a fixed sum of money to meet the following:

1. Petty office expenses
2. Cost of raw material for the list of indoor patients of hospital
3. Emergent charges which cannot be foreseen
4. Other petty expenses. Emergent petty advances may also be made on the responsibility of the imprest holder out of the imprest money placed at his disposal. .

The cash imprest is sanctioned by the General Manager of a Railway, or his delegated authority, subject to the advice of Accounts Officer regarding the amount of the imprest. The amount of cash IMPREST should be the lowest possible figure calculated to be sufficient for meeting the charges of the nature previously specified.

An officer's imprest should generally cover every branch under him. Multiplicity of imprest should be avoided, as far as possible. If his subordinate requires petty sums, an officer may spare a small portion of his imprest taking acknowledgements from them in the same way as he himself furnishes to the Accounts Officer. Separate imprests for separate subordinates should not be applied for unless absolutely necessary.

The arrangement for the safe custody of the imprest cash is the sole responsibility of the imprest holder and he should be able and ready at all times to produce the total amount in vouchers or in cash. The account should be kept in duplicate, one copy being forwarded to accounts along with vouchers. The imprest may be recouped as and when required. Preferably it must be closed at least once a month to ensure that maximum number of transactions of the month is accounted for.

4.0 Remittance of Departmental Receipts

All amounts due to the railways from non-government institutions, private bodies and individuals should, as a rule, be paid to the cashier. But there may be exceptional cases where this arrangement is not practicable. In such cases, a departmental officer may receive the amount due to the railways. These are called departmental receipts and should be fully accounted for by paying them in full, without undue delay, into a treasury / bank, a railway cash office, or at the nearest Station.

If the money is paid into a bank, a treasury remittance note should be filled in. This form is printed on blue paper with the name of the railway in bold letters so as to enable the treasury to correctly classify the railway. The form is in three foils. First foil is retained by the treasury officer; second and third foils will be receipts issued - one for cashier's cashbook as credit voucher and one for office record.

When the money is remitted through the Station, the miscellaneous receipt transmit note should be filled up. This is in 4 foils - both remittance particulars and receipt in duplicate, one copy of remittance particulars is to be kept by the station and the other will be sent to the cashier.

EARNINGS ACCOUNTAL

1.0 TRAFFIC ACCOUNTS

1.1 General

The office, which deals with the accounting of Railway's earnings, is called Traffic Accounts. It is the part of HQ Accounts office and has no counterpart in the divisions.

The receipts of the Indian Railways are remitted by Stations to Cash Offices either directly or through the nominated Banks. Stations also send returns indicating their earnings to Traffic Accounts Office. The functions of maintenance

and presentation of the earnings accounts of the railways are under the ambit of Traffic Accounts Office. By internal check of Traffic earnings in the Traffic Accounts Office, it is ensured that the users of the railways have paid the full amounts for services rendered to them, and that these amounts have been correctly accounted for at the stations and the rates charged from the users are in accordance with the specified tariffs

As mentioned earlier, the Traffic earnings of the Railways can be conveniently classified into 3 categories -

1. Coaching (this includes passenger, parcels, luggage etc.)
2. Goods
3. Sundry other earnings.

1.2 Remittance of Cash

The cash and vouchers collected at stations are remitted to the Cash Office in cash bags, which are deposited in travelling cash safes. Travelling cash safes are very heavy cast iron boxes so designed that the leather bags carrying cash can be deposited in such safes but they cannot be taken out unless the lock is opened after breaking the seal. These travelling cash safes are in the custody of the Guard of the nominated train escorted by armed RPF staff. Train carrying such safes halts at all the stations of the concerned section to enable the Station Manager to arrange deposition of leather bags carrying station cash, collected during 24 hours ending the previous midnight. Station Managers are also required to keep two copies of Cash Remittance Note and the vouchers in such leather bags. Some big stations are allowed to deposit the station cash in the nearby bank as per the guidelines given by RBI and Railway Board. In such cases, cash bags to be deposited by the Station Manager in the travelling cash safe would contain only the bank's challan and vouchers along with cash remittance note.

1.3 Accountal of Cash

Cash and Vouchers collected at the stations, are brought to account in various cash books maintained for the Goods, Parcels and Coaching purposes. At any given time of a day, the cash on hand should be equal to the amount accounted for in the cash books. The summary from each cash book is taken to the General Cash Summary Book, which gives the total of cash and vouchers collected in a day and is the amount remitted in the cash safe.

1.4 Money Value Books:

There are a number of money value books in the station; BPTs, EFTs, Invoice Books, etc. A record of their stock in hand as well as issues to booking clerks, TTEs etc. should be kept properly. Printed card tickets also have money value and should be kept safely.

1.5 Station Balance Sheet

The station balance sheet is the personal account of a Station Manager. It is prepared separately for coaching and goods transactions, monthly.

Purpose:

Railway sells transport. The sales are affected through the agency of Station Manager. He, thus in the capacity of Manager, must submit accounts to the head office. This is done through the monthly balance sheet, which shows the financial transactions that arise at the station for which he is accountable to the Railway Administration. Further, it serves the purpose of a basic document for incorporation of the transactions in Railway's Accounts.

Internal Check:

The check of the balance sheets comprises of verifying that the figures in various returns and documents agree with the figures in the balance sheet. Returns are initially checked independently.

ROLE OF TIA

TIA i.e. a Travelling Inspector of Accounts is a senior subordinate of the Traffic Accounts Department. Since the Traffic Accounts Office is centralized at the HQ of the Railway, depending upon the extent of business and geographical spread of the Zonal Railway, it has a contingent of inspectorial staff, called TIAs who are specially trained, to carry out inspections of traffic earnings at the field locations like stations, city booking offices, PRS centers, sidings etc.

FUNCTIONS OF TIAs

- 1. Check of Initial Documents:** The initial documents from which various returns are prepared and submitted to accounts office are checked to ensure that the returns have been correctly prepared and accord with the facts, and that the initial records have been maintained efficiently and in such a way that they can be relied upon and produced in the Court of Law, should an occasion arise.
- 2. Education of station staff:** If the station staff does not understand any instructions, TIA guides them. This helps to prevent leakage of revenue.
- 3. Conduct surprise checks.**
- 4. Special investigations** of frauds and assistance to the prosecution in conducting such cases in courts.
- 5. Collaboration** with other departments at departmental joint enquiries.
- 6. Collaboration with Commercial Dept.** in undertaking special surprise checks.

In sum, it can be said that the TIA is an extended hand of the Traffic Accounts Office.

QUESTION BANK

1. What services do Railways sell?
2. Where do the stations deposit the receipts from sale of services?
3. Can we use the receipts for our expenditure? If so, under what circumstances?
4. From where do we get money for our expenditure?
5. What are the two broad categories of Railway's expenditure?
6. What is meant by works expenditure?
7. What is a budgetary support?
8. Name any three schemes through which alternate finance is arranged.
9. How is the appropriation to Depreciation Revenue Fund decided?
10. Explain whether appropriation to DRF is revenue expenditure or works expenditure. Why?
11. What is the necessity of a pension fund?
12. From where does the pension fund get the money?
13. Why and to whom do the Railways pay dividend?
14. Why is dividend revenue expenditure?
15. How is the development fund financed?
16. To what uses is the DF put?
17. What is "internal" about internal check?
18. Who does the internal check of expenditure and earnings?
19. What are the stages of internal check of expenditure?
20. If an Accounts officer doing internal check opines that certain orders / rules issued by the Board are open to objection, what action is taken?

21. What is a pre-check?
22. What are the exceptions to "pre-check" system?
23. When is the post-check normally permitted?
24. What major checks are exercised while scrutinizing the expenditure?
25. What does a "bill" represent?
26. Give five examples of contingent office expenditure.
27. What is meant by cash-imprest?
28. Who sanctions cash imprest?
29. How often should imprest account be normally cleared?
30. What is the necessity of Traffic Accounts office?
31. Describe how cash collected at stations gets credited to Consolidated Fund of India.
32. How many copies of C.R. note are sent by the station to the cash office?
33. What does the leather bag deposited by Station Manager with the Guard carrying travelling cash safes, contain?
34. What are the functions of a TIA?
35. What is the use of DRF?
36. What are the canons of financial propriety?