

# Financial Management

## Lesson-2

### Organisation and Functions of Finance & Accounts Department on Indian Railways

#### 1. Basic Responsibilities of the Department

The Finance and Accounts department of Indian Railways is responsible for-

- (a) Checks with reference to rules or orders affecting all receipts and expenditure of railways.
- (b) Prompt settlement of proper claims against the railways.
- (c) Keeping the accounts of railways.
- (d) Rendering financial advice to the railways administration whenever required, or considered necessary, in all matters involving railways' finances.
- (e) Seeing to it that there are no financial irregularities in the transactions of railways.

#### 2. An Overview of Functioning of Railway Finance and Accounts

##### 2.1 Integration of Financial Advice and Accounting

In other government organisations, responsibility for accounting is on the Accounts General, or Pay and Accounts Officers, and that of financial advice on the Internal Financial Advisors. In the Indian Railways, however, the two responsibilities are integrated in the Finance and Accounts department.

##### 2.2 Comprehensive Association of the Department in all Activities.

It is often remarked that, on railways, nothing moves without the matter being scrutinised in Finance and Accounts Department. Its comprehensive association is reflected in the following gamut of functions:

- Right at the stage of survey of commercial prospects and techno-economic feasibility of any new railway line as well as of projects of doublings, gauge conversion, electrification and other works and assets on the lines already open for traffic for scrutinising estimates of cost and appraisal of financial rate of return expected of a project.
- Financial concurrence prior to entering into any monetary commitments by way of, for example; Creating any posts- their number and pay-scales in keeping with requirements of work along with need for economy essential for a commercial concern. Placing orders for supplies of materials their quantity, quality, and competitive rates and conditions. Awarding works to contractors at competitive rates and conditions.
- Internal pre-check of all outgoing of money i.e. on all claims and bills payable with reference

to accepted rates, terms and conditions.

- Arranging payments to staff spread over 7000 stations and also to outsiders.
- Compiling financial accounts of all receipts and payments under the prescribed heads of accounts month by month, and working of final accounts, viz. profit and loss accounts, Balance Sheet and Block Account of Assets at the end of financial year.
- Cost accounting of repairs to rolling stock in workshops as well as working out unit costs of traffic operations.
- Timely post-check of realisation of all traffic earnings and other amounts due to railways.
- Inspection of stations and executive offices to see basic records of monetary transactions that do not come to accounts office.
- Physical verification of stocks of stores lying in depots, construction sites, works and other points of maintenance of assets.
- Preparation of Budget-Estimates and Revised Estimates under prescribed Demands for Grant for submission to Parliament.
- Exercising control over expenditure with reference to proportionate budget allotment and preparing budgetary reviews.
- Preparing Appropriation Accounts for submission to Parliament, showing the actual expenditure against appropriation sanctioned by the Parliament under each demand and explaining variations between the two.
- Data processing on computers leading to compilation of statistics for all aspects of railway working.
- On the whole, ensuring that there are no financial irregularities, frauds, losses of money and material, wasteful expenditure, infructuous, investment and that propriety is observed in all transactions.

### **2.3 Observance of Propriety in financial transactions.**

As a government undertaking, Indian railways are required to observe, what are called, “Canons of financial propriety”. The foremost parameter of propriety laid down is that the public servants (and railway personnel) shall exercise as much care in spending public money as a common man of ordinary prudence. The Accounts and Finance department helps in this regard in the course of their scrutiny of proposals of expenditure and investments.

## **3. Organisation of Finance and Accounts Department.**

### **3.1 At Railway Board Level.**

The organisation of Finance and Accounts Department is headed by the Financial Commissioner (Rlys) aided by Additional Member (Finance), Additional Member (Budget) and Adviser (Finance). They are assisted by-

- (i) Executive Director (Accounts) who consolidates and analyses the monthly, and later, the Annual Financial Accounts of all zonal Railways, Production Units and other centralized project organizations,
- (ii) A number of Executive Directors Finance in charge of project-expenditure, stores, budget, commercial, establishment, loans and foreign exchange, besides Executive Directors dealing with statistics, matters concerning Pay Commission etc.

In short, the organisation at this apex level of Railway Board is meant to take care of matters of policy in all financial and accounting matters, processing of budget preparation, allotment and review of expenditure vis-a-vis budget, dealing with cases of financial transactions concerning works and stores that are beyond the powers of zonal railways, and consolidation of Account and statistics for Indian Railways as a whole. The Executive Directors are assisted by Director/ Joint Directors, Deputy Directors, Accounts Officers/ Section Officers and support staff.

### **3.2 At Zonal Railway Level**

As against the Railway Board which is a policy-making, monitoring and co-ordinating body, the Zonal Railways are the units of actual operations of railways that generate all the earnings and incur almost the entire expenses. Therefore, it is at this level, where the entire gamut of activities of financial control and accounting detailed in the preceding paragraph, take place. To fulfill these activities, and to discharge the responsibilities cast on it, the Finance and Accounts department has the following organization.

3.2.1 Each Zonal Railway has a Principal Financial Adviser and Chief Accounts Officer (Principal F.A. and C.A.O.) as the overall in charge of the department, including its Divisional and Workshop accounts offices. He is assisted by:

- FA & CAO Workshop, Stores and Traffic (WST)
- FA& CAO Finance and Budget, (F & B) and
- FA & CAOs, Survey Construction (S & C)
- Dy.CAO (Cash and Pay)

#### **3.2.2. Each FA & CAO is assisted by a number of-**

Deputy Financial Advisers & Chief Accounts Officers (Dy. FA & CAOs), Senior Assistant Financial Adviser, Assistant Financial Adviser at headquarters, workshops etc and

Sr. Divisional Finance Managers, Divisional Finance Managers, Assistant Divisional Finance Managers in divisions,

#### **3.2.3 Variation in Organisations**

While the general pattern of organisation has been described above, there is certain flexibility so that on some railways there may be a separate FA & CAO exclusively for Traffic Accounts, and Finance, and on some, there may be FA & CAO for 'General Branch'

which on most other Railways is looked after by a Dy. FA& CAO.

In construction organisation of some railways and in production units, there are more than one FA && CAO, depending upon the volume of construction activity and number of projects.

Similarly, a divisional Accounts Office may be headed by a Sr. Divisional Finance Managers or Divisional Finance Managers depending upon the work-load in that division.

3.2.4 At the grass root level however every accounts and finance office has a number of supervisory and inspectoral personnel designated as

- Senior Section Officer (Accounts) i.e. S.S.O. (A) & S.O. (A)
- Travelling Inspector of Accounts (T.I.A)
- Inspectors of stores Accounts (ISA) and a large number of clerical staff such as:
- Senior Accounts Assistants
- Accounts Assistants (previously called Sub head)
- Accounts Stock Verifiers.
- Junior Accounts Assistant (previously Clerk Gr. 1)
- Accounts Clerks (Clerk Gr.II)

#### 4. Functional Structure of FA & CAO's office

While the preceding paragraph gives the over-view of the organisation of finance and Accounts department in terms of designations of officers and the staffing pattern, its structure in terms of the functions performed and the branches or charge for each function, is as under—

<b>Functional group</b>	<b>Branches or Charge</b>
1. Finance	Financial advice: Establishment Finance Works Finance Stores Finance
2. General Accounts	Administration Establishment bills gazetted non-gazetted Provident fund & Pension Accounts Expenditure Bills Books (maintaining books of accounts) Inspection (of executive office)

- |    |                   |   |
|----|-------------------|---|
| 3. | Stores Accounts   | Stores bills<br>Stores Accounts<br><br>Inventory control<br>(including Accounts Stock verification)<br><br>Sales, or scrap Accounts.                  |
| 4. | Workshop Accounts | Fuel Accounts<br>(where they are not included in stores Accounts)<br><br>Workshop Accounts including cost accounting<br>of workshop<br><br>operations |
| 5. | Traffic Accounts  | Coaching Accounts<br><br>Goods Accounts<br><br>Miscellaneous<br><br>Station Inspection  |

*Note :A substantial portion of General Accounts work, and a part of Finance work are performed in Divisional Accounts Offices, Workshop Accounts Offices and Construction Account Offices.*

## 5. Functioning of FA & CAO's office in Finance Branches

- 5.1 **Establishment Finance:** Whenever it is considered necessary to create any additional post to deal with additional work load or to deal with new activities, a proposal therefore is sent to FA & CAO's office for scrutiny & concurrence. The number of staff proposed is scrutinised with reference to approved yardsticks for staffing norms. Secondly, it is examined as to why the activity under consideration cannot be performed by readjustment amongst the existing staff because there is a ban on creation of additional posts of staff in the context of the realisation that Indian Railways are overstaffed in comparison with railway organisations of other countries. However, when the proposal relates to operation of newly created assets like a new railway line, or operation and maintenance of additional rolling stock, it has to be seen as to why the demand cannot be met by
- Deploying staff rendered surplus due to closure of steam traction, mechanised maintenance of track etc.
  - Training of maintenance staff in multi-skills so that one person can carry out various job not requiring full-time personnel for each,
  - Rationalisation of man-power by work-studies and work-rationalisation procedures, and by automation and use of computers and other innovative measures of work-simplification.

Posts rendered surplus by such methods are constituted into a surplus staff “bank” so that the minimum number of new posts found justified for the new or additional activities can be created against the surplus posts in the bank. Where the ‘bank’ has no surplus, the concerned department has to make matching surrenders of existing staff. The Establishment Finance branch accords its concurrence to creation of new posts under such exigencies only.

## **5.2 Stores Finance**

The office of Controller of stores works out quantity of stores to be procured after taking into account the past consumption rate, quantity in the purchase ‘pipeline’, and the quantity of stores already lying in stock. This is vetted in stores finance branch before any procurement action is taken. The main object of this exercise is to ensure that not more than the optimum quantity of stores is kept in stock. This is because on the capital blocked in unconsumed stores lying in stock at the end of the financial year, the railways have to pay dividend to general revenues.

The tenders floated for purchase are evaluated in finance branch with reference to the comparative statement of rates and conditions offered by various tenders and by taking into account their respective delivery periods, and the comments of the Stores Officers on the quality of the samples offered by the tenderes for the materials of the given specifications. The remarks of financial scrutiny help the tender committee in its recommendations for selecting the suppliers and the rates and conditions therefore.

The purchase orders so finalized are also vetted in stores finance branch before their issue to see that they are in keeping with the rates, delivery-periods, specifications and other conditions sanctioned by the competitive authority viz. GM or the Controller of Stores, and his officers as per the delegation of power-taking into account the recommendations of the tender Committee.

## **5.3. Works Finance**

5.3.1 Before any project is sanctioned, ‘Finance’ is associated in working out the estimate of the cost of construction, traffic prospects and earnings generated by it in the case of new lines or savings in expenditure on operation and maintenance, as for example in the case of change over from steam to diesel and electric traction and the net return on investment. In the case of all major projects, the internal rate of return (I.R.R) is required to be worked out by discounted cash flow (D.C.F) technique. The Finance branch checks these computations.

5.3.2 At macro level, the annual works programme of the zonal railway-both at the preliminary and the final stages is finalised in consultation with the FA & CAO before it is sent to the Railway Board for sanction after discussion with reference to the

- Overall availability of funds for the Indian Railways as also the likely allotment for each zonal railway,

- The rate of return ( ROR) on investment expected in respect of each individual work or project as per its financial appraisal to makes sure that the ROR is more than, or atleast equal to the minimum rate prescribed which is presently (as in 1996) 14% and
- The priority for the project in terms of operational requirements and policy considerations.

One of the points checked in finance is the Correctness of allocation of the project to one of the various sources of fund viz. capital, Depreciation Reserved Fund, Development Fund and Open Line works (Revenue) in keeping with the nature of the project and the prescribed rules of allocation prescribed therefore.

The final works programme for the next year containing the work/projects meriting to be sanctioned on the above parameters is submitted to Parliament along with Annual budget.

At that stage, the annual programme of acquiring rolling stock duly concurred in Finance (of zonal railways and then by Finance Directorate of Railway Board) is also submitted to Parliament in the consolidated works and rolling stock Programme called the 'Pink Book'.

5.3.3. Thereafter, in the case of sanctioned projects, their detailed estimates are scrutinised in work finance branch in regard to estimated quantities of detailed items of work and their estimate rates as obtained in recent past for similar work in comparable areas.

5.3.4. At the time of scrutinizing the tender-bids, the work finance branch helps in making a comparative evaluation of the rates and conditions quoted by various bidders. Their comments help the tender committee in making their recommendations of the party to whom- and the rates and conditions at which-the work may be awarded. After the sanction of the competent authority (i.e. the GM, the Chief Engineer or the Divisional Engineer), the agreement entered into with the party and the work orders issued to it are scrutinised by 'Finance' with reference to the approved rates, specifications and conditions of work.

5.3.5. The Finance branch also deals with proposals of miscellaneous items of expenditure with reference to code-rules and policy guidelines laid down by the Railway Board, and accords its concurrence to the extent financially justified.

## **5.4 Budget Branch**

After the Appropriation Bill (Railways) is enacted by the Parliament, (and the allocations of zonal railways are issued by the Railway Board), the Budget branch of FA & CAO's office distributes budget allotment to various executive departments. It also prepares monthly budgetary review, comparing the actual expenditure vis-à-vis the proportionate budget allotment of each spending unit. The review of August is particularly important as it brings out the early trends of spending; and the review of November takes into account the revised budget requirements of funds and also leads to preparation of Revised estimates of the current financial year and of the Budget Estimates of the next Financial year.

One more exercise is made in February when Final Modification in budget requirements

is prepared and sent to the Railway Board so that, within a given Demand for grant, additional requirement of some zonal railways is met from reduced requirement of other railways.

The Budget branch also deals with audit observations, and matters relating to Public Accounts Committee and Railway Connection Committee of Parliament.

## **6. Functioning in General Accounts Branches**

6.1 Internal pre-check of bills is one of the major activities. While the salary bills are processed on computers, the basic data therefore, by way of fixation of pay and allowances on promotion, leave salary, deductions of house rent, Provident Fund etc. is finalized in Establishment (gazetted and non-gazetted) branches for all departments. One of the points checked is the actual staff strength shown in salary bills with its sanctioned strength. Similar establishment work for the personnel of Accounts department itself is done in the Administration branch.

The Provident Fund Accounts including withdrawals and advances from PF are maintained in PF section which issues statements of PF balances after the end of financial year, for each individual personnel.

The Pension branch issues authorisations to banks, post offices etc for disbursement of pension to retiring employees after scrutinising the entitlement of the amount of pension as per prescribed rules. It also post-checks the correctness of the account of pension-disbursements received from banks, post offices etc., and consolidates the railway's outgo on pensions.

### **6.2 Sections dealing with Outsider's bills:**

Payment of bills of stores-suppliers and of works-contractors is processed in Stores bill section and Expenditure bill section. The main point seen in the course of internal check is the correctness of rates charged and quantity of work done/stores supplied with reference to purchase orders and contract agreement/work orders. Further, it is seen whether the inspecting officers have certified that the supply of store/execution of works is satisfactory as per the specifications and that where there are delays, deduction from the total amount payable have been made as per prescribed conditions.

For miscellaneous expenditure e.g. advertisements, telephones and electricity, rent for hired houses, bills are checked in Expenditure Section.

6.3. **Books Section** carries out the important professional work of proper posting of General Books (cash book and ledgers) and subsidiary books (Revenue and Capital Allocation Registers) of accounts. Every item of receipt and payment is booked under the prescribed head of accounts. In this regard, a unique feature of Indian Railway is that its structure of detailed heads of accounts is activity-oriented, i.e. basically in terms of maintenance or operating activities and not merely in terms of primary nature of charges such as pay, allowances etc. This helps in budgeting on railways also getting related to performance.



For example, the expenditure of Civil engineering department is booked under separate detailed head for track maintenance, upkeep of residential quarters, office buildings, maintenance of bridges, tunnels etc. In addition, each activity allocation which is expressed in 3-digit numerals, also bears two additional numerals representing the primary unit of charge e.g. Pay, TA Overtime etc.

The detailed expenses of each department, or group of departments, are abstracted into minor heads or 'Abstracts' of accounts. The Revenue allocation registers shows the booking of expenditure in detailed heads under each Abstract. These Abstracts have been designed to remain in alignment with the budgetary Demands for Grants. For example, expenditure of Civil Engineering deptt. is brought under Abstract 'B' of Accounts, corresponding to Demand No.4 for grant of budget.

Finally, all expenses are grouped into the prescribed system of Major heads of over-all accounts of Govt. of India in which Indian Railway have been allotted, Major heads 3002 for recording revenue expenditure of all Zonal Railways on commercial lines and 3003 for corresponding expenditure for strategic lines.

Similarly, the Major heads allotted for recording receipts of Indian Railways are 1002 for commercial lines, and 1003 for strategic line. This separate booking helps in arriving at working results of the two classes of railway lines separately. The receipts are booked under separate main heads and detailed head for coaching, goods and sundry earnings.

On the same pattern, for recording capital investment on the two classes of lines, the Major heads allotted are 5002 and 5003.

These major heads help in grouping monetary transactions of railways in the overall system of government accounts. The books section is responsible for compiling monthly account (called the "Account Current" the first on approximate basis within a few days of the next month, and then on final basis. This is compiled by consolidating the accounts received from divisions and workshops and sent to the Railway Board, where consolidated monthly accounts are prepared for Indian railways as a whole. The data contained therein helps in analysing the expenditure and exercising financial control with reference to the proportionate amount of budget allotment.

At the end of financial year, the books section compiles final accounts viz. Balance sheet, Profit & Loss account and block account of assets to bring out the financial results of working of the zonal and the all Indian railways.

Secondly, for the purpose of Parliamentary control, it prepares Appropriation accounts, comparing actual expenditure with the budget allotment and containing explanations for variations between the two that exceed 5% in case of revenue expenditure and 10% in case of capital outlays. After it is checked and certified by statutory audit, it is sent to Accounts Directorate, Railway Board, where consolidated Appropriation Accounts of Indian Railways is prepared and signed by FC/ Railways, Chairman/ Railway Board and Comptroller and Auditor General, after which it is placed before the Parliament. The

Public Accounts Committee of Parliament scrutinises the Appropriation Accounts.

## 7. Functioning in Stores Accounts Branches

- 7.1 As already mentioned earlier, the Stores Bill section passes bills of stores supplies after internal check on their arithmetical accuracy and rates and conditions as given in the purchase orders.
- 7.2 The other main function performed in stores accounts is to keep an account of receipts and issues of stores.
  - 7.2.1 When an advance payment is made prior to receipt of material, the amount remains in a suspense account called "Purchases". This is cleared when the materials are received; outstanding amounts in 'purchases' account signify non-receipt of materials for which payments has already been made. The Accounts Office has to keep reviewing the outstanding balance in this account and bringing the matter to the notice of stores department to have deliveries effected by suppliers.

The value of materials received in stores departments, as per the receipt-notes issued by them, is then transferred from 'purchase' suspense account to "Stock-in stores' or in short, 'Stores' suspense.

- 7.2.2 The money-value of 'Stores' suspense goes up when fresh receipts come, and goes down when the materials are issued to consuming units. This is because once the materials are drawn from stores depots and consumed in operation maintenance activities of railways, the value of such stores is charged to the final heads of account. Thus, the value of permanent way fitting drawn from stores for use in track maintenance is booked under the relevant 'detailed' head of account in the divisional accounts Office under Revenue Abstract 'B' (for which monetary appropriation sanctioned by Parliament under budgetary Demand for Grant no.4 was allotted to the divisional unit).
  - 7.2.3 For proper account of materials drawn from stores depot by various consuming departments, Stores Accounts Office has to ensure that the debit for the value of stores issued gets booked to the final head under the relevant revenue abstracts in the same month in which they are issued And the divisional accounts office has to ensure that only the value of stores actually drawn by its consuming units is charged to them.

The mechanism for such transfer of costs of stores from depots to consuming units is the Daily Summary of Issues (DSIs) prepared on computer on the basis of copies of issue notes. The DSI of the last date of the month shows, for each unit, the monthly total of the stores issued to them.

In accounts offices, the issue notes are prepared with reference to the acknowledgement of the quantity by the receiving official.

- 7.2.4 The average issue rate of each item of stores is computed afresh on the computer whenever any fresh consignment of the same material is received in the depot which may be at a different rate from that in the past. The idea behind such computation is that the issue-price of stores helps in recovering the entire amount paid for the materials, and gets charged to final heads of accounts.
- 7.2.5 However, some under-charges/overcharges take place due to loss/deterioration of materials by natural factors like fires, floods, the shrinkage and damage of materials etc. And in the course of retail issue sometimes excess issue, and sometime short-issues, take place. In this regards, the accounts department performs two functions. Firstly, the physical balance of stores lying in depots or in custody at various points of consumption under the maintenance supervisors (like the Permanent way Inspectors, Inspectors of Works, workshops and sheds) are verified from time to time- and continuously all the year round in the case of stores depots- by Accounts Stock verifiers, led by Inspectors of Stores Accounts. Shortages and excess noticed by them are taken up by them through 'stock sheets' for proper explanations which, in a number of cases, may lead to disciplinary action against the staff responsible including recovery of cost of shortage after detailed enquiries.
- 7.2.6 Secondly, a suspense account called "Stock Adjustment Account" is maintained in accounts office in which value of all the finally established shortages and surpluses are booked; and every half-year the amount of net shortage/surplus is distributed over all the departments and booked finally to their respective accounts heads that record the consumption of materials, thereby clearing the Stock Adjustment Account.
- 7.2.7 The Stores Sale or Scrap Account branch books the value of sales under the prescribed head of account. The accounts stock verifies ensure that the quantity delivered on sale is the same as the quantity paid for by the purchaser. The Stores Finance branch sees to it that the sale takes place through the competitive bids, or by auction so as to obtain the best price for the railway. Account stock verifier has also to be present to monitor the proper conducting of auction.

## **8. Functioning in Workshop Accounts Branches**

- 8.1** Each zonal railway has a number of Workshops for carrying out periodical over hauls (P.O.H.) and major repairs to locomotives, carriages and wagons. The workshops also manufacture spares used in maintenance; bridge workshop of engineering department manufacture girders for bridges.

In addition to these workshops of zonal railways, there are a number of separate production units on Indian railways that manufacture diesel locos, electric locos, coaches and major components for diesels locos etc.

- 8.2** The accounting methodology in all these units takes into account the position of (1) the workshops keeping on drawing materials from the stores depots, and units of rolling stock keeping on coming for P.O.H. (or keeps on getting produced in production

units) all through the year often in batches. (2) The cost of materials and labour is booked under a suspense account called Workshop Manufacturing Suspense (WMS. By a detailed system of workshop accounting, part of the cost of direct labour and material, as well as indirect staff (supervisors, office staff and personnel) used for common services and facilities are allocated to each “work order” issued for undertaking repairs to a batch of rolling stock (or to the individual units of accident-damaged stock.) As the work is of repetitive nature, there is a system of standing work-orders allotted for periodical overhaul, intermediate overhaul and special repairs to the rolling stock.

- 8.3 The workshop accounts office which is in charge of the Time Office, has to ensure that the entire amount of pay and allowances of workshop staff is distributed over the standing work orders for direct work, and for overheads (or ‘on-cost’) every month. This is done through Time sheet whereby the daily time of each personnel gets allocated over the work orders undertaken. This results into financial charges of the personnel employed getting converted into unit cost of repairs. Similar accounting is done in respect of stores consumed in the workshop.
- 8.4 Accountal of overheads or on-costs of supervisory and of general/common staff, materials and services is done on Indian Railways in three groupings viz.

Shop-on-cost	for staff, materials or services used in common within a given Shop which also include staff on leave, training etc. and for Time lost due to power breakdown and idling of machine etc.
General-on-cost	for such indirect/overhead charges as are common to the Work shop e.g road lighting in the workshop, power house etc.
Proforma-on-cost	which takes into account the administrative and financial Overheads like salary of heads of departments in the Headquarters, provident fund, depreciation and dividend Payment on a proforma basis. This is added only in the case of work done for outsiders for working out and recovering the full cost. Now a days, it is also added to the Unit Costs of POH, special repairs of railways own rolling stock to make the managers aware of the all-inclusive cost of repairs of railways own Workshop.

Ascertaining the actual expenses of on-costs for the year will take time, but working out the Unit-costs cannot be delayed till then. Therefore, the on-cost charges are booked to each repairs standing work order, (or manufacturing work order) on the basis of approximate percentage (of direct cost) fixed in the light of actual expenses in over heads booked in the preceding period. There is also system of adjusting the under-charges and over-charges.

In short, the accounts office has to ensure that:-

- (i) all the expenses booked under workshop Manufacturing suspense account are fully distributed over the output of the workshop so that, for example, as a locomotive leaves the workshop after overhaul etc. cost of the latter is transferred from WMS to the final head of account of the owner railway. Ideally, there should be no balance left in the WMS at the end of financial year. This is necessary because the balance in W M S represents capital blocked in workshop operations entailing payment of dividend on it to the General Revenue.
- (ii) The entire financial cost incurred on direct and indirect labour and materials gets distributed and converted into unit cost.
- (iii) Incentive bonus paid to staff under the “payment by results” system is worked out properly through a system of laying down allotted time for each operation in the shop, recording the actual time taken so that the incentive is paid for the time-saved only.

## **9. Functioning in Traffic Accounts Branches**

- 9.1. ‘Traffic Accounts’ remains to be the largest division of accounts department in terms of number of staff, even after introduction of computerisation of its activities over the last three decades. Earnings of railways come primarily from traffic operations of coaching, and goods services rendered for millions of passengers and freight consignment over 7000 railways stations; a substantial portion of this involves collection of earning by credit-noted and book adjustments in the case of govt. departments. These factors make the accounting of traffic earnings a network of detailed activities, involving variety of checks/schedules.
- 9.2 The basic objects of checks and accounting procedures in Traffic Accounts is to ensure:
  - That the party to whom service is rendered is charged the correct amount.
  - That the stations keep a proper account of transactions for which they are responsible to collect the amounts, and remit the collection quickly and completely.
  - That when more than one zonal railway renders services, the collected amount is properly apportioned amongst them.
- 9.3 The railway station, being the unit where booking of services takes place, sends to Traffic Accounts Office a monthly balance sheet-separately for goods and coaching traffic– in which the station appears as ‘debtor’ for the amounts that it is responsible to collect, and takes credit in if for the amount remitted by it to the cash office. The station also sends periodical statements of various streams of traffic such as the “passenger classification” giving destination-wise particulars of tickets sold. It also sends to Traffic Accounts Office copy of each invoice issued by it.
- 9.4 In the Traffic Accounts Office, these stations balance sheets are checked. The amounts on their credit side representing remittances of earnings are compared with the

amounts shown in Cash office statement of station earning received. The amount of tickets sold and shown on debit side of station balance sheet is compared with passenger classification received from stations separately.

In another section, the highest number of the tickets collected and sent to Traffic Accounts Office by station is traced in the passenger classification of the ticket issuing station.

As regards the correctness of the fare printed on the ticket, it is checked in advance in Traffic Accounts at the stage of ticket indents before sending the latter to ticket printing press.

- 9.5. Check of chargeable freight shown in invoices of goods consignments is done on the computer with reference to rate, distance and other parameters of calculating the freight. A number of mistakes in chargeable freight may get detected by the destination station at the time of giving delivery of consignment. However, the computers sorts the invoice destination-station wise and prepare statement of incorrect items which, in turn, are checked with undercharges already collect by some of the stations. Finally, in respect of undercharges signified by incorrect statements that are left undetected/ uncollected by the destination stations, errors sheets are issued against the stations concerned. The latter is expected to return one copy of the error sheet to Traffic Accounts by way of acknowledgement, and then recovers the amount due from the staff-responsible for the error leading to the undercharges. Where, however, the staff disputes the error-sheets, his point is communicated to Traffic Accounts which may either withdraw the error sheets if they agree with the station staff, or reiterate-after checking- the need for recovery from the staff.
- 9.6 The traffic accounts Office is responsible for realizing freight charges from governmental, and the, rail-users availing of credit-note facility. For this purpose, first, bills are prepared for the charges recoverable from those parties, on the basis of the data contained in copies of invoice received from the station and, then the amounts collected from them through the banks. In the case of governmental units (like Defence and Postal departments), the amounts recoverable from them are communicated to the Reserve Bank of India for debiting the account of such user department and crediting the account of railways.
- 9.7 Ultimately, all the initial earnings of the Railway are consolidated in 'Traffic Book' and then, in respect of inter-railway traffic, the freight-collecting railway apportions the same amongst all the concerned zonal railways, mainly, on the basis of the distance covered on each of the railways and credit for the net amount payable by, say, railway 'B' to railway 'C, is passed on from the former to the latter.
- 9.8 Besides these checks exercised in Headquarters of Traffic Accounts Office, there are a number of Travelling Inspector of Accounts (TIAs) who visit individual stations on a programmed basis, as also by surprise. (For every big station, a TIA is posted

exclusively for the checking the transactions taking place there). One of the first things that a TIA does at a station is to count the station Cash and check its correctness with reference to particulars of Sale of tickets, issue of invoices for 'paid' traffic consignments etc. He then checks the daily amounts of cash actually remitted by the station (to the authorised local bank or to the divisional cash office) with the amounts due to be remitted, to ensure that no part of the latter is left unremitted even temporarily. Other basic records of the station that do not come to the Traffic Accounts Office like Goods Delivery Register etc. are also checked by TIA. Check of unsold tickets lying in the 'tubes' in the ticket cupboard of each booking clerk as well as of unused foils, and books, of money-value documents like blank paper tickets, goods invoices etc. are also checked by TIA. His report brings out the cases of irregularities which are taken up by Traffic Accounts with the commercial department.

## **10. Functioning in Case & Pay Office**

- 10.1 In respect of remittance of traffic receipts sent by stations through travelling cash safe, the cash office deposits the same in the bank after shroffing and consolidating the cash receipts of the day. The acknowledged pay-in slips of the bank are then passed on by the cash office to the Books section, which monitor the credit of those amounts in the bank-account of the railway. This is done by operating a suspense account titled "Remittances into Bank" first by posting the amount sent to bank and then by watching clearance of the suspense account with the help of scrolls of acknowledged deposits received from the head office of individual banks. Finally the credit for these receipts is afforded to the railway through the monthly account received from the Central Accounts Section of the Reserve Bank of India.
- 10.2 On the expenditure side, the cash and pay office arranges to disburse salary to the staff at their respective stations and other places of work through the medium of pay-clerks. Cheques issued by accounts office to Cash office for this purpose, and for payments to outsider (Stores Suppliers, work-contractors etc.) are monitored by operating the suspense account "Cheques & Bills" with reference to the debits to the railway account shown in the monthly account received from the Reserve Bank of India.

## **11. Ancillary Functions**

- 11.1 The Electronic data Processing Centre of the Zonal Railway, which processes a large number of accounts checks and compilation of accounts, is placed under the FA & CAO.
- 11.2 Similarly, the functions of compiling statistics and unit-costs of traffic operations are also discharged by officers and branches placed under the FA & CAO as these functions also are based on accounting information.

Thus, it will be seen that the Accounts and Finance department, not only performs all the professional accounting functions, but is also associated with every other activity involving financial implications.

### **BIBLIOGRAPHY**

1. Indian Railways Finance Code Vol.I & II
2. Indian Railways Accounts Code
3. Annual year book of Indian Railways 1955-96.
4. Annual stastical statements of Indian Railways 1995-96.





