APPENDIX 4-B.

RULES FOR ALLOCATION OF EXPENDITURE IN THE INDIAN POSTS AND TELEGRAPHS DEPARTMENT.

The Government of India have decided to institute with effect from 1st April 1924 a Block Account, and a depreciation fund for the replacement of wasting assets, as permanent features of the accounts of the Indian Postal and Telegraph Department. As a Depreciation fund is instituted at an intermediate stage in the life of most of the assets, it follows that a portion of the capital sums in the asset of the Department in past years has already "expired" or "wasted" and consequently. Government have decided that the initial amounts to be included in the block will consist of—

(i) the portion of capital expenditure incurred prior to 31st March 1924, unexpired on 1st April 1925; in other words, the depreciated value as on 1st April 1925 of all assets, constructed up to 31st March 1924; and

(ii) the original cost of all assets constructed during the year 1924-25;

The annual contributions to be set apart from Revenue to provide for the wasting of assets will be regulated on the Sinking Fund principles, and the Depreciation Fund will comprise the amounts set apart from the revenue of the year, together with interest on the deposits of the fund at such rates as Government may authorise from time to time. The difference between the original cost of assets constructed up to 31st March 1924 and existing on 1st April 1925 and the depreciated value of those assets on the latter date represents capital that has expired by that date, and may for convenience be termed "arrears of depreciation". As the newly instituted Depreciation Fund will not contain any amounts to cover capital expired before its institution, it has been decided that the cost of rehabilitation of those depreciated assets will be met by interest-bearing advances from General Revenues up to the total amount of the "arrears of depreciation". The depreciation fund in its turn is intended to provide money for the rehabilitation of Capital expiring after 1st April 1925, and this unexpired Capital Outlay may in anthitesis to the term "arrears of depreciation" be termed "current depreciation". In future years, accordingly, the Departmental Block Account will include in addition to the two amounts mentioned earlier.

(iii) expenditure which may be debited to capital under the major head 69-I (*a*), and

(iv) such portion of the expenditure on renewals and reconstructions as may be relate to arrears of depreciation and is included under the major head 69-I (*b*).

2. To facilitate the operation of the Depreciation Fund the various assets included in the Block Account have been divided into the classes shown in the folowing table which also exhibits the effective lives and residual values fixed for each class. Assets of any kind not included in the table cannot be included in the Block Account, and the outlay on them will not be a charge to capital.

Assests of the Indian Posts and Telegraph Department and their effective, lines, etc.

Item number	*Class of assets.*	*Life.*			*Net value per cent on which depreciation is to be calculated.*
		Normal (year).	*Allowance for accident.*	*Scrap value.*	
(1)	(2)	(3)	(4)	(5)	(6)
				PER CENT.	
	All branches.				
1	Land	Permanent.	..	..	..
2	Buildings	75	..	..	100
3	Electrical house installations and electric fans, etc.	16	..	5	95

3. *General principles.*—It is a fundamental principle that no expenditure should be charged to Capital unless it has the effect of increasing asset to which it is charged beyond the value at which that asset is held in the books. In other words, Capital is never to be debited twice with the expense of the same asset. It has been reaffirmed that the allocation of expenditure between (i) 69-I (a)—Capital Outlay on new Assets, (ii) 69-I (*b*)—Expenditure on Renewals and Replacements, (iii) the Depreciation Fund and (iv) XIX—Deduct Working Expenses will be made on the basis of comparative cost. The sole creterion for determining in any reconstruction, the proportions in which expenditure is chargeable to "Capital Outlay on New Assets" or to the other account heads will be the difference between the original cost of the old asset as compared with the cost of the new asset which replaces the old one, the cost in both cases being inclusive of establishment charges, etc. If the two costs are equal, nothing will be chargeable to 69-I (*a*)—Capital Outlay on New Assets. If the new cost is higher the excess over the original cost of the old asset will be debited to capital outlay on new assets, if it is less capital must be relieved to the extent of the deficiency. The following rules, based on this general principle are prescribed for the allocation of expenditure.

4. *Capital outlay on new assets.*—The head 69 (*a*)—Capital Outlay on new Assets will bear—

(i) the cost of lands;

(ii) the first cost of construction or equipment of all assets of the classes shown in column (2) of the table in paragraph 2 ante;

(iii) the cost of any additions to such assets; and

(iv) any excess in the cost of replacing or renewing an asset borne on the Block Account over the original cost of the asset which is being replaced;

5. *Exceptions*—Capital will not bear the cist of—

(i) any temporary or experiemental works ;

(ii) any new construction or addition unless its cost inclusive of establishment charges, etc., exceeds Rs. 1,000 in the case of buildings or Rs. 250 in the case of other assets. The limit of Rs. 250 applies to electrial, water and sanitary instatlations in buildings ;

* * * *

NOTE.—The monetary limit of Rs. 1,000 prescribed in respect of buildings will come into force from 1st April 1927.

6. 69-I (a)—Capital Outlay will receive credit for—

(i) the excess of the amount included in the Block Account in respect of any asset over the cost of renewal or replacement of the asset ;

(ii) the entire value of an asset included in the Block if it is abandoned, sold or otherwise disposed of without replacement ;

(iii) the surplus of the sale-proceeds of an asset over its cost included in the Block Account provided the surplus exceeds Rs. 5,000. Such credits will require the specific approval of the Auditor-General and the Government of India.

7. *Renewals and replacements.*—All expenditure on Renewal and Replacements will be recorded in the first instance under the major head 69-I (b). Except in the case of buildings the value of material recovered from the replaced work and not re-used in the reconstructed work will also be credited to this head and the net balance will thus represent the actual expenditure on the rehabilitation of assets. Out of this amount again a portion representing Capital expiring after 31st March 1925 is to be borne by the Depreciation Fund. The share debitable to the Fund will be determined in the manner prescribed in paragraph 13, and the audit office will be responsible for carrying out an adjustment transferring the amount to the Depreciation Fund. Major head 69-I (b) will thus be left with the residuem of the expediture for rehabilitating Capital expired by 31st March 1925 which, as stated in paragraph 1, will be financed from interest-bearing advances from General Revenues. The rules in the next three paragraphs are designed to comply with these decisions of principle.

8. The head of 69-I (b)—Renewals and Replacements will be debited with the actual cost, inclusive of share of cost of Revenue Establishment, of replacing assets, included in the Block Account provided that—

(i) in the case of buildings, a complete building is replaced or the cost of replacemten exceeds Rs. 1,000 ;

* * * *

(iv) in the case of other assets, the cost of replacement exceeds Rs. 250.

9. The read 69-I (*b*)—Renewals and replacements will receive credit for—

(i) Value of material recovered from works at such rates as the Director-General may prescribe. The corresponding debits for the value of recovered material will be borne by the work in which it is used or by "Stored Suspense" if returned to stock, except when the recovered material consists of scrap which, under the rules, is to be valued at the prescribed scrap value rates. In the last mentioned case, the debit for the amount credited to 69-I (*b*) will be borne by Revenue.

(ii) Such portion of the expenditure on Renewals and Replacements as may relate to current Depreciation, i.e., Capital expiring after 1st April 1925.

10. *Depreciation Fund.*—Depreciation Fund will bear debits for—

(i) the amount at charge of the Block Account, minus the prescribed scrap value as given in column (5) of the table in paragraph 2, in respect of an asset which is abandoned or which is otherwise disposed of without being replaced;

(ii) the excess of the amount at charge of the Block Account over the full cost of the new asset in respect of an asset which is replaced by another at a lower cost; and

(iii) such portions of the expenditure on Renewals and Replacements, determined as described in paragraph 13, as may relate to capital expiring after 31st March 1925;

The Depreciation Fund will receive credits for—

(i) the revenue contributions on account of wasting assets and for interest on the balance at credit of the fund. These amounts will be calculated in the Audit Office until further orders; and

(ii) revenue contributions in respect of assets sold, abandoned, or otherwise disposed of without being replaced before maturity up to the date of maturity.

11. Revenue.—(a) Revenue, i.e., XIX—Deduct Working Expenses will bear debits for —

(i) the cost of all new buildings the total of which inclusive of share of Revenue Establishment does not exceed Rs. 1,000;

(ii) the cost of all petty works of a capital nature other than buildings not exceeding Rs. 250 in amount;

(iii) the cost of temporary buildings and of other temporary or experimental works;

(iv) the cost of electrical, water or sanitary installations, if Rs. 250 or less;

* * * *

(vii) the cost of replacing or renewing an asset when it is not debitable to Renewals and Replacements;

(viii) contribution for depreciation of all assets included in the Block Account of the Department. If an asset is abandoned or otherwise disposed of without replacement, before its due date for replacement, i.e., before the expiry of its normal life, Revenue will continue to provide the annual depreciation up to the expiry of the normal life;

(ix) the prescribed scrap vilue of assets, which are replaced, sold or otherwise disposed of as prescribed in paragraph 9 and column 5 of the table in paragraph 2;

(x) amounts credited to capital under the provisions of paragraph 6 when not chargeable to the Depreciation Fund;

(xi) cost of all loose tools, office fittings, typewriters of all kinds, pillar boxes, etc.);

(xii) amounts of all expenditure not debitable to any of the heads 69-I (*a*)—Capital Outlay on new Assets, 69-I (*b*)—Renewals and replacements, or Depreciation Fund under any general or specific provisions contained in these rules, e.g., shifting of lines and wires or realignments are always charged to Revenue.

NOTE.—Clause (i) of this sub-paragraph relating to buildings will be held in abeyance until specific orders are issued by Government.

(*b*) Revenue will be credited with the sale-proceeds of all assets, except as provided in clause (iii) of paragraph 6, and of scrap material recovered from replaced or abandoned assets.

12. *Determination of original values, etc.*—As sufficient information is not available in respect of the booked original cost or date of construction (or last re-construction) of individual assets, it has been decided that for purpose of estimates and accounts, original cost of any asset should be determined as follows :—

* * * *

(*c*) *Lands and buildings.*—The cost shown in the Registers of Buildings maintained under the orders of the Director-General or the amounts intimated by the Public Works Department should be taken as the original cost.

(*d*) If in any case the original cost cannot be ascertained by any of the methods mentioned above, it should be estimated, due regard being paid to the average rates notified by the Deputy Accountant-General, Telegraphs, and those shown in the Stores Rate Lists.

13. For similar reasons it has been decided that the apportionment between 69-I (*b*) and Depreciation Fund of the actual expenditure on Renewals and Replacements should be made only in the Audit Office. In effecting apportionment it will be assumed that the amount to be charged to the Depreciation Fund will be the sum that may be assumed to have accumulated in respect of assets of the same class and of the same original cost as the assets that are being replaced, in the interval between 1st April 1925 and the year of reconstruction. But the amount that may be so charged in respect of any class of assets may not exceed the original value of the assets that are reconstucted less the prescribed scrap value.

14. The following examples illustrate the more important rules of allocations :—

Example I.—Part of a building borne on the Block Account is dismantled and reconstructed and some additional structures are also erected at a total net cost of Rs. 6,550. The original cost of the replaced portion

is Rs. 1,200 and so scrap value is fixed for buildings as material. The details of estimate and the allocation of the individual items are given below :—

Estimate. Particulars.	Amount.	Allocation. 69 I(a)	69-I (b).	Working expenses.
	RS.	RS.	RS.	RS.
I. Additions and new structures ..	5,110	5,100	..	..
II. Reconstructions—				
(a) upto original cost of replaced structure.	* 1,200	..	1,200	..
(b) balance of cost of reconstruction.	200	200	..	..
III. Dismantlement	90	..	..	90
Total ..	6,600	5,310	1,200	90
IV. *Deduct*—Sale-proceeds of recovered material.	50	..	..	50
Net total ..	6,550	5,310	1,200	40

Example II.—If in the example quoted above the cost of additions were Rs. 5,610 while the cost of replacement were Rs. 900—other figures remaining unaltered—the allocation would be as follows :—

Estimate. Particulars.	Amount.	Allocation. 69-I (a).	69-I (b).	Working expenses
	RS.	RS.	RS.	RS.
I. Additions	5,610	..	..	..
II. Reconstruction—				
(a) Cost of reconstruction up to full original cost of replaced structure (being below Rs. 1,000).	..	..	..	900
*(b) Excess of original value of reconstructed portion over cost of replacement.	†—300	..	† 300	..
III. Dismantlement	..	..	..	90
Total ..	5,310		300	990
IV. *Deduct*—Sale-proceeds of recovered material.	..	..	..	50
Net total ..	5,310	..	300	990

* The apportionment Rs. 1,200 between 69-I (b) and Depreciation Fund has not been shown.

* The adjustment between Capital and Depreciation Fund has been entered to make the allocations complete at all succh adjustments will be made only in the Audit office in lump for the entire department.

Procedure for allocation of expenditure in the Indian Posts and Telegraps department.

The rules laid down by the Government of India for the allocation of expenditure between the major heads (i) 69-I (*a*) Capital Outlay, (ii) 69-I (*b*) Renewals and Replacements, (iii) Depreciation Fund, and (iv) Working Expenses are being issued separately. By "Allocation of expenditure" is meant the distribution of amounts of expenditure between the various major, minor, sub and detailed heads in estimates, allotments, vouchers, divisional accounts, completion reports, and in the final accounts of Government. It will thus be seen that all the activities of the Engineering Brancch are involved, and the following instructions issued with the concurrence of the Director-General are designed to ensure compliance with those rules and to facilitate the work of executive officers in preparing estimates and accounts, etc.

2. *Preparation of estimates.*—Estimates should be prepared for all works, whether involving buildings, lines and wires for apparatus and plant or any other asset and whether within or beyond the powers of sanction of Divisional Engineers (*vide* paragraphs 466 and 1049 of Telegraph Manual, Volume III). The only exeption is that of causual repairs or replacements of apparatus and plant involving comperatively small expenditure. Estimates for works the cost of which does not exceed Rs. 2,000 are to be prepared in Form I (*f*) while Form I (*a*) is to be used for works exceeding that amount. For casual replacements of apparatus and plant the procedure is simple and is limited to the preparation of a "Store Voucher" in Form V-I under the authority of which, when duly approved by competent authtority, the old instrument is returned to stores. Similarly no estimate is prepared for petty repairs, etc., to apparatus and plant.

Hitherto no adjustments were made in the accounts when an asset was abandoned without being replaced but with the institution of a proper Capital Account such adjustments are absolutely necessary. To ensure that they are not overlooked an estimate should henceforth be prepared for the orders of competent authority in every case of sale, abandonment or destruction, whether or not it is proposed to replace the old asset.

3. In whatever form it is prepared the estimate should contain information sufficient to enable its amount to be allocated between various major heads. It should also contain such information as is required for the maintenance of the Block Account in the Audit office and the numerical inventories of assets in Divisional offices. This information may be sub-divided into the following :—

(*a*) Brief description of the work, specially in respect of such items as (i) class, type, quantity or extent and situation of the asset or assets involved, (ii) index number of the section involved in line works, (iii) date or period of original construction or last reconstruction of any existing assets of which the reconstruction, replacement, sale or abandonment, etc., is proposed;

(*b*) cost of completing the work in necessary details of cash, stores, freight, contingencies, etc.;

(*c*) original cost of any assets of which the reconstruction, renewal or sale or abandonment is proposed; and

(*d*) description, present value and disposal of any material that it is expected to recover.

4. *Determination of original cost.*—As the allocation of expenditure to Capital and to reconstruction is decided on the principle of comparative cost, the determination of original cost is a matter of primary importance. Paragraph 12 of the allocation rules prescribes methods for determining the original cost of various kinds of existing assets that may be involved in any work, and these methods should be adopted wherever practicable. The present practice according to which percentages on account of Establishment, Tools and Tents and Stores Supervision are not included in estimates will continue, but it is important to remember this and exclude these amounts when fixing the original cost of assets to be reconstructed, etc.

5. *Recovered material.*—The quantity and value of material of which the recovery is expected should then be estimated. The recovered material may be treated in one of three ways; it may be (i) used in the same work or in some other work, (ii) returned to stock as serviceable or (iii) declared unserviceable and sold off either on the spot or through the Controller of Stores. Whatever the rate of the recovered material the valuation should be done at the rates for valuation of recovered material notified by the Director-General. The estimate should show the total quantity and value, at notified rates, of the entire amount of material expected to be recovered as well as the quantity and value of the portion to be treated according to each of the methods mentioned above. Again the following caution about the calculation of prescribed scrap value should be noted. Column 5 of the table in paragraph 2 of the allocation rules gives the prescribed scrap value in the form of percentages. These percentages apply total original cost inclusive of such incidental expenditure as railway freight, carriage cost of erection and establishment and store keeping charges and not merely to the original value of the materials.

6. *Allocation of estimates between major heads.*—The original cost and the value of recoverable material having been determined the allocation between major heads should be carried out as directed in the allocation rules and illustrated in the examples accompanying them. Expenditure on renewals and replacements may relate either to "current depreciation" or "arrears of depreciation" as defined in the allocation rules and would accordingly be devisible between the major head 69-I (*b*) and the Depreciation Fund; but executive officers will not make this distribution. It will be done by the Audit office on the basis of information contained in the estimates, etc., and executive officers should therefore debit the whole cost of reconstruction or renewal to the major head 69-I (*b*)—Renewals and Replacements which head is also to receive credits for the value of recovered material, serviceable or unserviceable, irrespective of whether it is used in the same or a different work or is returned to stores.

7. The next step is the allocation of the amounts relating to the major heads 69-I (*a*) and 69-I (*b*) between their components some of which are shown below:—

Major heads.	Minor heads.	Sub-heads.	Detailed heads.
69-I (*a*) or 69-I (*b*) ..	1. Post office ..	(*a*) Buildings ..	Cos of construction.
			Electric fittings.
			Sanitary fittings.

8. The allocation between major heads presents no difficulty as each minor head represents a distinct branch of the department. The cost of buildings meant for the joint use of more than one branch should not be distributed between the prospective users but should be debited in its entirely to the

branch which is expected to occupy the greater portion of the building. Trunk Telephone and all Railway or Canal times should be treated as Telegraph assets; and Telephone Apparatus in Railway and Canal Telephone offices should also be debited to the minor head "Telegraphs".

9. The allocation between sub-heads under the same minor heads does not require any instructions as descriptions of these sub-heads are explicit; neither does the allocation between detailed heads other than those under the sub-heads "Lines and Wires" for the last following plan has been approved of by the Director-General. The first step in making an allocation of the total expenditure proposed under the sub-head "Lines and Wires" between its detailed heads is the distribution of the amount for "Stores". The Director-General will issue a list specifying which articles are to be classed under Posts, Cables and Wires respectively. On the basis of this list the Divisional Engineer will distribute his total provision for "stores" between these detailed heads and then proceed to allocate the cash expenditure in the ordinary way by determining the charges for freight, carriage, labour and contingencies, etc., relating to each. "Brackets" should be treated as part of Posts. All indents for stores should show the detailed classification by major, minor, sub and detailed heads. The Divisional Engineer need not distribute in estimate the expenditure on Wires between copper and iron. The last allocation will be done in the Audit office on the total expenditure.

* * * * * * *

10. All estimates, not exclusively chargeable to working expenses, whether for line works or apparatus and plant, prepared and allocated in conformity with these instructions and with such instructions in the Telegraph Manual as are not superseded by the rules of allocation or these rules of procedure, will be prepared, in duplicate, by means of carbon paper and submitted to the authority competent to accord sanction. The sanctioning authority will, after according sanction return one copy, so that the execution of work may be stated without any delay and forward the duplicate to the Deputy Accountant-General, Telegraphs, for the audit of the allocation of the estimate. The Deputy Accountant-General will either certify the original allocation or indicate the corrections, and will return the duplicate copy to the sanctioning authority as well as intimate the correct allocation, to the Audit office responsible for auditing allotments and expenditure.

11. *Allotment of funds and appropriation audit of expenditure against estimates.*—The allotment of funds will take place in two stages. A provisional allotment will be made by the sanctioning authority when according sanction and will follow the unaudited allocation shown in the estimate. If necessary, this allotment will be suitably modified on receipt of the duplicate copy of the estimate with the correct allocation given by the Deputy Accountant-General, Telegraphs. Both the provisional and final allotments will distribute the total amount under major, minor and sub-heads separately in respect of (i) "stores", (ii) recovered material excluding that used in the same work, (iii) "freight on stores from depot" and (iv) "cash". Appropriation audit of the expenditure will also be conduced on the same plan.

The distribution between detailed heads under the same sub-head will be left to the Divisional Engineer who will effect it for purposes of controlling the expenditure, but the Audit office will not exercise any appropriation audit against allotments for detailed heads.

As all adjustments relating to the Depreciation Fund will be made by the Audit office, no allotment under the head will be placed at the disposal of Divisional Engineers.

The grant under 69-I (*b*)—Renewals and Replacements to cover casual replacements of Apparatus and Plant for which a special procedure is prescribed below will be placed at the disposal of the Controller of Stores.

* * * * *

17. *Completion Reports.*—The Completion Report should give in a concise form practically the same information as was first given in the estimate, the difference being that it will depict actual facts as they have occurred during the execution of the work. In other words, it will show the original cost of reconstructed assets, the cost of new work, the value and method of utilization of recovered materials and the allocation of the entire expenditure between the major, minor, sub and detailed heads.

(G.O. Ms. No. 2873-W, dated 28th October 1927.)