

## CHAPTER XI.

### MANUFACTURE ACCOUNTS.

#### A.—INTRODUCTORY.

395. When materials are manufactured departmentally, either for the general requirements of works or for a particular work, a separate account, called a Manufacture Account, must be kept of the transaction connected with each manufacture. See paragraph 442.

396. The detailed accounts of the expenditure on a manufacture are maintained in the same way as the accounts of a work and, in addition, an account is kept of the quantities and values of the products of the manufacture. The two sections of the accounts are known, respectively, as the "operation" and the "outturn" accounts.

397. The ordinary forms of the Registers of Works are unsuitable for recording the progress of the transactions of a manufacture. Form 42 (P.W.D. VI-19), Register of Manufacture, should be used instead.

398. It is essential that the accounts of a manufacture shall not remain open indefinitely. If the operations are seasonal, the accounts of each season should be kept separate and closed as soon as the operations are closed. In cases in which operations are continuous, the accounts must nevertheless be closed periodically, but at least once a year.

#### B.—OPERATION CHARGE.

399. A Manufacture Account is charged directly with (1) the value of raw materials issued from stock or obtained otherwise, (2) the cost of the labour employed, and (3) other incidental charges connected with the operations.

400. The following rules apply to certain special incidental charges :

(a) Capital charges, such as the cost of land, kilns, special plant, etc., incurred in connexion with a manufacture which does not extend beyond a single season, are debited wholly to the account of the manufacture.

(b) Capital charges, in connexion with a manufacture extending over more than one season should be debited, in the first instance, to a special account under the sub-head "Land, Kilns, etc." of the Stock account. This account should also be charged with the cost of repairs and renewals of the kilns, etc. All these charges should be recovered in suitable instalments by debit to the "operation" accounts of the several seasons, the number of instalments and the amount chargeable for each season being determined on the merits of each case.

1. The decision as to the suitable instalments where by the "Land, Kilns, etc." account is to be cleared periodically as given by the authority sanctioning the initial charge, should be recorded in the Register of Stock. Form 12 (P.W.D. VI-42) and not deviated from without the further orders of that authority.

2. When the land, kilns, plant, etc., acquired for departmental manufacture operations are leased to a contractor of the division or other person, the rent charged should be credited to this special account and not to Revenue.

(c) If the manufacture is undertaken on behalf of other divisions or departments, or of local bodies or individuals, a charge should be made on account of establishment and tools and plant, if leviable under the rules (vide Appendix 7) for outlay on works undertaken on their behalf.

(d) Save as provided in clause (c) above, no charge is permissible on account of the general establishment and ordinary tools and plant charges, or on account of interest on the capital cost of the land, kilns, plant, etc., though all these charges should be included in any *pro forma* accounts of the manufacture operations of the division, which may be prepared under the orders of the Government, with a view to compare the cost of articles manufactured departmentally with the rates charged by suppliers.

401. The accounts of road metal digging are not treated as manufacture accounts, but the charges connected with land and quarries acquired for such operations should be dealt with in accordance with paragraph 245.

### C.—VALUE OF OUTTURN.

402. A Manufacture Account is credited with the value of the manufactured articles and of the surplus materials sold or otherwise disposed of (paragraph 336).

403. The outturn account referred to in paragraph 396 should show, month by month, the quantities and values of each class of articles manufactured, compared with the corresponding figures shown in the estimate (if any). The detailed account for each month should be prepared in Form 36 [P.W.D. VI-19 (a)]; Outturn Statement of Manufacture, and should be attached to the Works Abstract for the operation.

404. The rates for valuing manufactured articles should be so fixed as to represent, as accurately as possible, the actual cost of manufacture per unit, but should not exceed the market rates.

### D. GENERAL ACCOUNT.

405. A Manufacture Account is essentially a suspense account, as the cost of the operations cannot be cleared finally until they are closed. Manufacture transactions are, therefore, recorded under a distinct sub-head, called "Manufacture" of the Stock suspense account.

Note 1.—Rule 1 under paragraph 307 in regard to omission of pies in calculating the value of each item of work should be applied here also.

406. In the Stock accounts, the manufacture transactions should be recorded thus—

(a) "Operation" charges should be shown as receipts of stock under the sub-head "Manufacture" charges representing value of stock materials issued to manufacture being simultaneously treated as issues of stock under the sub-heads concerned.

(b) All outturn should first be brought formally on the Stock account by crediting its value to "Manufacture" and simultaneously showing the articles as receipts of Stock under the sub-heads concerned.

1. If the rate, at which any article of outturn, manufactured for a particular work, is valued is different from the issue rate of a similar articles already in stock, the two articles should appear as distinct items in the Stock accounts.

2. No storage charge is leviable in respect of materials manufactured on behalf of other divisions departments, local bodies and individuals, which are formally passed through the Stock accounts under this paragraph. See also paragraph 400 (c).

407. The difference between the "operation" and "outturn" should be adjusted under the orders of competent authority before the accounts of a manufacture are closed. If the orders issued have the effect of enhancing or lowering the value of the outturn already brought to account, the adjustment will be made by a suitable entry (without any fresh quantities) in the Outturn Statement, Form 36 [P.W.D. VI-19 (a)]; in other cases, the loss or gain, as the case may be, should be taken to the expenditure or revenue head concerned by a regular transfer entry which will affect the "operation" account only. In all cases, the total "operation" and "outturn" should equal each other on closing the Manufacture Account. See also paragraph 202, rule 2.