

CHAPTER XIII.—WORKSHOP ACCOUNTS.

A.—INTRODUCTORY.

441. The general rules in Chapter XIII of the P.W. Account Code, first edition, issued by the Auditor-General have been provisionally embodied in this Chapter, and should, in the case of the Madras P.W. Workshops Division, be applied in conjunction with the rules in Appendix 8 of the Works Audit Manual issued by the Accountant-General, Madras, and the rules and orders issued by the Madras Government which are now in force in the Division, until they are revised and embodied as an Appendix to this Code.

442. In many divisions there is a small shop for the execution of repairs to tools and plant or of small manufacture jobs. The accounts of works executed in such shops should be kept in the forms prescribed for repair works or manufacture operations, as the case may be.

443. Larger workshops, with special plant or machinery, also exist which are treated as separate subdivisions, or divisions, for account purposes. When such workshops are of the character of *quasi-commercial* undertakings, the system of accounts will be that prescribed locally for similar undertakings. When they are run mainly for departmental purposes, the accounts should be kept in accordance with the general rules and principles laid down in this Chapter. In either case, the exact forms to be used and the procedure to be observed will be settled in respect of each workshop in consultation between the Local Government and the Accountant-General.

Note.—The Madras Public Works Workshops are intended mainly for departmental purposes.

444. For every job there must be an estimate of cost (providing for all charges, including the prescribed percentages for indirect charges—vide paragraph 449) sanctioned by competent authority and accepted by the indenting officer, local body or individual : see also paragraph 357 of the Madras Public Works Department Code. The amount to be realized from the indenting party will, however, be based on the actual cost, though the authorized limit of cost, which the officer in charge of the workshop may incur without further authority, is that shown in the accepted estimate.

Note 1.—If the execution of a job for another division or department is likely to extend beyond one financial year, the limit or the cost which may be incurred in each official year should also be settled beforehand.

Note 2.—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.

B.—DIRECT AND INDIRECT CHARGES.

445. Receipt and expenditure transactions in connexion with workshops are brought to account as follows :—

(a) Where capital accounts are kept of a workshop intended mainly for the needs of the Irrigation Branch (i.e., if the workshop is to be regarded as being, on a *quasi-commercial* basis), the capital expenditure should be recorded under the relevant division and sub-division of major head “68. Receipts representing recoveries of capital expenditure” will be taken in reduction of such expenditure while revenue receipts and working expenses will be booked under a new minor head, opened under the corresponding division and sub-division of the major head XVII, entitled “receipts from workshops” divided so as to meet the requirements of the *pro forma* accounts of the shop (*vide* paragraph 451).

(b) Where capital accounts are kept of a workshop intended mainly for the needs of the Civil Works Branch, all expenditure incurred upon it, whether of the nature of capital or of working expenses, should be recorded under the major head “50. Recoveries of capital expenditure” will be taken in reduction of such expenditure: revenue receipts will be booked under a new minor head, opened under the major head XXXIX, entitled “Receipts from Workshops.” divided so as to meet the requirements of the *pro forma* accounts of the shop.

(c) Where no capital accounts are kept of a workshop, for whichever branch intended, all expenditure should be booked under the major head, 18 or 50, as the case may be, and all receipts, whether “recoveries of expenditure” on “revenue receipts” under the minor head “Miscellaneous” of the corresponding revenue head XVIII or XXXI.

Note.—The procedure indicated in clause (c) above is followed in Madras, the expenditure and receipts being booked under 50, Civil Works and XXXIX, respectively.

466-2-12A

446. All capital charges on buildings, plant and machinery, and stock materials, and all Revenue charges incurred on their maintenance and on the upkeep of the necessary general establishment, should be accounted for as ordinary Public Works transactions under the major head concerned, in accordance with the preceding article and under the general rules of other chapters of this Code. There are charges which neither pertain to any individual job executed in the shops, nor are capable of direction appointment amongst all the jobs, and are, therefore, met out of the grants of the Department, the distribution of such charges over individual jobs being made in accordance with the rule in paragraph 449.

447. All other expenses connected with the operations of a workshop are chargeable to the jobs concerned, and should, therefore, be accounted for under the suspense head Workshop Suspense (vide paragraphs 437 to 440). The charges pertaining exclusively to any job should be debited to it at once, and those of a general nature should be treated, in the first instance, as general charges (under one or more suitable heading) and apportioned subsequently amongst the jobs concerned in accordance with a definite procedure.

1. This paragraph does not apply to incidental charges connected with the stock of materials which should be dealt with under paragraphs 446 and 203.

2. All liabilities should be taken into account, even though undisbursed, so that the general charges may be correctly allocated month by month, and the recorded expenditure on each job may represent, as far as possible, the actual cost up to date.

448. In these case of jobs of all classes, the cost of operations should be charged off or adjusted in transfer (paragraphs 438), as the case may be, month by month, but in the following cases the accounts of a job may be settled once a year in March, or in an earlier month if the job is completed earlier (vide paragraph 439) :—

(a) When the total cost during the year is not larger than Rs. 500 or any other limit that may be fixed in consultation with the Accountant-General.

(b) When the monthly settlement of account is inconvenient to the indenting divisional or department.

When the estimated cost of job is recovered in advances, it should be kept in deposit in the first instance, and the adjustments of actual cost made under this paragraph should be effected against the deposit, the unexpended balance being refunded only when the job is completed and the account of it settled.

2. When an employee of the division is exempted, under paragraph 357 of the Madras Public Works Department Code, from paying the estimated cost of a job in advance, the cost of the operations should be charged monthly to the head Miscellaneous Public Works Advances pending recovery which is usually made by deduction from pay.

449. In addition to the direct charges referred to in paragraph 447, the account of each job should be debited, not through the Workshop Suspense account but directly under the head of account concerned, with suitable percentages to cover the indirect charges enumerated below :—

(a) Supervision charges under paragraph 331 (a) of the Madras Public Works Department Code.

(b) Interest on the capital cost of buildings, plant and machinery.

(c) Maintenance charges of buildings, plant and machinery.

(d) Depreciation of buildings, plant and machinery.

(e) Establishment charges (including 1 per cent on Account of Audit and Account Establishment)— See rule 5 (e) of Appendix 7.

See also paragraph 446.

The percentage for supervision charges should be calculated on the value of materials issued to each job. The other charges are ordinarily calculated on the total cost of labour and stores pertaining to the job.

It is usual to charge a further percentage on account of profit except in the case of jobs executed for other divisions of the Province.

1. The percentage realized on account of establishments charges is treated as reduction of expenditure, or, as revenue receipts, as the case may be, in accordance with the rules in Appendix 7. All other percentages are treated as revenue receipts.

450. The indirect charges referred to in paragraph 449 should be brought to account whenever the settlement of the account of direct charges is effected under paragraph 448.

C.—ANNUAL ACCOUNT AND REVIEW.

451. Annually, *pro forma* accounts of each workshop should be prepared, consisting of—

(i) the Capital Accounts, showing the values (after making due allowance for depreciation) of the buildings, machinery and plant, and stock, and the outstanding balance of the Workshop Suspense Account.

(ii) the Outturn Account showing, in such detail as may be necessary, the charges on labour and stores, and the general and indirect charges, and

(iii) the Profit and Loss Account showing on the side the actual working liabilities of the year, e.g., (a) interest calculated on the mean capital of the year under all the heads named in (i) above, (b) the actual maintenance charges of buildings and machinery and plant, calculated on the capital value thereof, and (d) general establishment charges plus (1) a suitable addition thereto on account of leave and pensionary charges and (2) 1 per cent for audit and accounts establishment, only on such jobs in respect of which this percentage is not credited to the major head "26 Audit" or "XLV. Miscellaneous—Fees for Government Audit" in the regular accounts (vide rule 2 to paragraph 11 of Appendix 7); and on the other side of the percentage charge made under paragraph 449 excluding the 1 per cent for audit and accounts establishment credited to "23 Audit" or XXXV. Miscellaneous—Fees for Government Audit," under rule 1 to paragraph 11 Appendix 7.

1. The stock account should be treated as a part of the workshop account, only if, and to the extent, the reserve stock is declared by the Local Government to be part and parcel of the shops. When the whole or part of a stock is merely an adjunct to a workshop, either the interest charges on it nor the losses or gains (including supervision charges) arising out of it, should appear in the profit and loss account of the workshop.

452. The Accountant-General should review the annual accounts of a workshop, in consultation with the officer in charge of it, and submit a report to the Local Government on its financial working, specially bringing out the necessity or otherwise of revising the percentage fixed by the Local Government for the several charges referred to in paragraph 449 above.

1. To facilitate the review of percentages it will be found convenient to show in the profit and loss account, not only the figures of the year but also the progressive figures to the close of the year, commencing from a suitable date.