

RAILWAY ACCOUNTS & FINANCE

STC/NBO/NFR

ORGANISATION AND OBJECTIVES ACCOUNT DEPARTMENT

In technical sense, 'Account' may be defined as a statement of facts or transactions relating to money, or things having money value; and Accounting is the process of recording, summarizing and interpreting such statements.

Since IR is a Govt. undertaking, its major decisions are subject to control of parliament. It cannot spend any money without approval of the parliament through Railway Budget. Therefore assisting Railway Administration in budgeting is also very important job of accounts department.

The Financial Commissioner, Railways is the professional head of the Railways Financial Organisation and represents the Government of India, Finance Department on the Railways Board. He is vested with full powers of the Government of India to sanction Railway expenditure subject to the general control of the Finance Minister.

The Head of the Accounts department of a Zonal Railway is known as Financial Adviser and Chief Accounts Officer, abbreviated as FA&CAO. At his headquarters, he is helped by Financial Advisers in regard to Budget, Works, Tenders, creation of Posts etc.

FUNCTION:

The main task of Railway Accounts Department is to advise management on financial matters & maintain account in the prescribed Performa. A necessary part of this function is to scrutinize all transactions and bring to record only those transactions which are legitimately chargeable to Railway revenues. This function is known as "Internal Check". It is also the duty of the Accounts department to settle all claims against the railways, arising out of those transactions which it finds to be legitimate and regular, promptly.

In short, the functions of accounts department may be summarized as under.

- To check with reference to rules or orders (known as "**Internal check**") of transactions affecting the receipts and expenditure of railways;
- To settle proper claims against the railways promptly.
- Keeping the accounts of the railway in accordance with the prescribed rules;
- Tendering, advice to the administration, whenever required or necessary in all matters involving railway finance in chiding budgeting & budget control.
- Seeing that there are no financial irregularities in the transactions of the railway.
- To play role of a management accountant.

BUDGETING ON RAILWAYS:

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.

These statements are submitted to both the Houses of Parliament viz. Lok Sabha and Rajya Sabha. **The expenditure on Railways may be either Voted or Charged.** The expenditure covered under the former category requires the approval of Parliament. In respect of charged expenditure, the sanction of the President is conveyed without being submitted for the vote of parliament. It is one of the means by which Parliamentary control on Railways is exercised. Parliament has got the powers to assent or to refuse to assent or to reduce the amount proposed by the Railways Ministry during the course of discussion on Railway Budget.

The voteable part of expenditure together with the charged appropriation is presented to Parliament in the form of **Demands or Grants**. As at present there are 16 demands for grants.

Grant 3 to 13 is taken under Revenue budget and grants-16 is taken under Capital budget.

DEMANDS FOR GRANTS

1. Railway Board
2. Research, Audit and Misc. Establishment
3. General Superintendence and Services on Railways.
4. Repairs and Maintenance – Permanent Ways and Works.
5. Repairs and Maintenance of Motive power
6. Repairs and Maintenance of Carriage and Wagons
7. Repairs and Maintenance of Plant and Equipments
8. Operating Expenses – Rolling Stock and equipments
9. Operating Expenses – Traffic
10. Operating Expenses – Fuel
11. Staff Welfare & Amenities including payment to Medical Staff
12. Misc. Working Expenses including payment to RPF
13. Provident Fund, Pension and other retirement benefits.
14. Appropriation to Funds
15. Dividend to General Revenue, Repayment of Loan taken from General Revenues and amortization of over capitalization.
16. Assets - Acquisition Construction and Replacement.

BUDGETARY TERMS

(A) Voted and Charged Expenditure:

The expenditure proposed in the Budget to be met out of the Consolidated fund of India may be either (i) Voted or (ii) Charged. Voted expenditure included items for which the provisions of funds is subject to vote of Parliament while funds for the latter are sanctioned by the President and are not submitted to the vote of Parliament. The following are the expenditure ‘Charged’ on the Consolidated fund of India (CFI):

- (i) The salary, allowance and pension payable to or in respect of Comptroller and Auditor General of India.
- (ii) Any sums required to satisfy any judgement, decree or award of any court or Arbitral Tribunal; and
- (iii) Any other expenditure declared by the Constitution or by Parliament by law to be charged.

(B) Demand for Grants:

The estimates of working expenses and expenditure on works, plant and machinery and rolling stock programme as fixed by the Rly. Board is consolidated under convenient groups which are called Demands for Grants.

(C) Allotments:

The Grants as voted by Parliament and the appropriations as sanctioned by the President are distributed by the Rly. Bd. among the Railway Administrations as soon as possible, after the Budget is sanctioned. The sums so distributed are called 'Allotment'

(D) Appropriation:

The assignments made by the President from the charged portion of the Budget to meet specific expenditure on charged items are called 'Appropriation'

(E) Budget Order:

The orders by means of which the allotments are made are called 'Budget Order'

(F) Vote on Account:

The Parliament has power to make grant in advance in respect of the estimated expenditure for a part of any financial year pending the completion of the prescribed normal procedure. This is known as 'Vote on Account'

(G) Appropriation Bill:

After Demands for Grants have been voted by by the Parliament, there shall be introduced a Bill to provide for the appropriation out of the Consolidated Fund of India of all moneys required to meet the grants made by the Parliament. This bill is known as the 'Appropriation Bill'.

FINANCIAL STRUCTURE:

The earnings of the Railways are broadly divided in 3 categories:-

- Earnings from sale of coaching services,
- Earnings from sale of transport of goods services,
- Earnings from sundry other items/ services like sale of grass and trees on line, rent for land and buildings, advertisements, etc.

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.

Money is withdrawn from the **Consolidated Fund of India** (CFI) through the presentation of budget. The money which is drawn from the CFI is under 2 broad categories:

- Revenue Expenditure and
- Capital / 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 superintending services, repairs & maintenance of assets, operating expenses, welfare expenses etc.
- ii. Other miscellaneous expenditures like expenditure on Railway Board, Audit, Surveys etc.
- iii. It also includes appropriation to Depreciation Reserve Fund, Pension Fund and dividend paid by Railways to General Revenue.

CAPITAL / WORKS EXPENDITURE:

It is that expenditure which is incurred on acquisition, construction and replacement / renewal of assets. It may be met from capital outlay provided by the Central Government (known as Capital at Charge), from the various funds created as a part of provision / appropriation from Revenue Expenditure as also from savings generated by Railways.

Elements of Railway Budget:-

- 1) A review of preceding year including the receipt and expenditure of that year.
- 2) An estimate of the receipt and expenditure of coming year
- 3) Proposal if any

Budgetary Reviews

- Monthly Financial Reviews
- August Review – 1st September
- RE-BE -----1st December
- 1st Modification ----- 1st February
- Final Modification--- - 21st February.

BUDGETARY EXERCISE

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.

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. It is submitted to Railway Board on 1st September each year.

- It is prepared on the basis of Actual expenditure for the 1st 4 month and full year of previous year.

- Compared with the figure 1st 4 month of current year which is worked out on the basis of actual for 1st 3 months and approx, in 4th month (July) and latest estimate for full year.
- The variation between Budget allotment and latest estimate is work out to see whether any modification in the allotments are necessary or not.

Revised Estimate / Budget Estimate:

The second review is done during Nov. known as Revised Estimate for the current year and Budget Estimate for the ensuring year and submitted to RB in 1st December.

The revised estimate of the current year and the budget estimate for the next year are fixed considering the expenditure during the first seven (7) months of the current year compared with the actual of the corresponding period of last year.

- Full consideration being paid to special features of both the years.
- At this stage both the R.E. for the current year & B.E. for next year are prepared and sent to Rly. Board in the month of Dec. through GM(budget)
- This review goes to parliament for obtaining the vote of parliament.

First Modification/ Final Modification –

- First modification is prepared in the end of December with correct figure for 8months and any change required in the revised estimate is furnished to Railway board.
- Final modification is prepared in the end of January with correct figure for 9 months.
- The final Modification statement submitted by Zonal Railways to the Railway Board for each grant with statement showing the additional allotments required or surrenders to be made during the current financial year for further modification to Revised Estimate.
- The first modification sent to Rly. Bd. On first February each year
The final modification sent to Rly. Bd on or before 21st Feb each year.

ALLOCATION RULES:

Classification of Capital Expenditure & Allocations

The revised classification of expenditure on works irrespective of whether they are charged to capital, DRF, DF, revenue (OLWR) or capital fund will come under one single demand-16 namely Assets Acquisition, construction and replacement. The accounting classification for works expenditure is in the form of a 6 digit – 4-module alphanumerical code. The first module which is the alpha indicates the source of fund. The second module of 2 digits which is numerical will represent the standard Plan Heads. The third module of 2 digits corresponding to the sub and detailed heads giving the details of sets acquired, constructed or replaced. The last module which is of two digits will indicate the primary unit i. e object of expenditure.

The source of financing will be indicated in the beginning by the following alphabets: -

- P - Capital (In computer, 20 stands for P)
- Q - DRF (In computer, 21 stands for Q)
- R - Revenue (OLWR) (In computer, 22 stands for R)

S - DF (In computer, DF1-23, DF-33, DF3-43)
The Minor heads (Plan Heads) of classification are follows-

- 11 - New lines (construction)
- 12 - Purchase of new lines.
- 13 - Restoration of dismantled line.
- 14 - Gauge conversion.
- 15 - Doubling.
- 16 - Traffic facilities – Yard remodeling and others.
- 21 - Rolling Stock.
- 31 - Track Renewals.
- 32 - Bridgework.
- 33 - Signaling and Telecommunication works.
- 34 - Taking over of line wires from P&T deptt.
- 35 - Electrification project.
- 36 - Other electrical works.
- 41 - Machinery and plants.
- 42 - Workshops including production units.
- 51 - Staff quarters.
- 52 - Amenities for Staff.
- 53 - Passenger amenities and other Rlys. Users amenities.
- 61 - Investment in Government commercial undertaking- Public undertaking.
- 64 - Other specified works.
- 71 - Stores suspense.
- 72 - Manufacturing suspense.
- 73 - Miscellaneous Advances.
- 81 - Metropolitan transport projects.

The sub and detailed heads give the breaking up the expenditure on assets in its details. For example in a new line construction project, earthwork formation and payment to contractor as a nature of payment is classified as under-

- P -1131 - where,
- P - Stands for source of fund i.e. Capital.
- 11 - Plan head for new line construction.
- 1130 - Structural engineering work formation.
- 1131 - Earthwork.
- 3 - Primary unit of expenditure i.e. payment of contract.

Thus, Allocation number will be P-1131- 3. In computer it will be 20 -1131- 3 (where 20 stands for P)

Primary Units (objects) of expenditure for works:

1. Pay and allowance of Departmental Establishment
2. Payment of Casual labour

3. Payment to contractors and others for Engineering works or supply and erection contracts etc.
4. Direct supply of material
5. Stores supplied from stock
6. Freight on stores
7. Credit for released material
8. Others
9. Transfer if debits / credits affecting capital works expenditure / suspense accounts.

ALLOCATION RULES AT A GLANCE:

SN	Head	Details of Expenditure bears
1	Capital (P)	The cost of land, the first cost of construction, the cost of maintaining a section of lines etc.
2	Ordinary Revenue	Charges for repair and maintenance.
3	OLWR	The cost of works within New Minor works limit, unremunerative works costing less than Rs. 10 lakhs.
4	DRF (Q)	The cost of replacements and renewals of assets.
5	DF (S)	The cost of works relating to Passengers amenities and other railway users, the cost of labour welfare, the cost of unremunerative works amounting to over Rs. 10 lakhs.
6	SRSF (U)	To wipe out arrears of replacements and renewal of over aged Railway assets.
7	RSF (T)	To strengthen safety and minimize accidents at level – crossings, construction of Railway over/under bridges and conversion of unmanned level-crossings to manned crossings.