

## CHAPTER 14 WORKSHOP ACCOUNTS

### 14.1 Introductory

14.1.1 The accounts to be kept in a workshop depend on the extent of the operations and the size of the shop.

14.1.2 When there is a small shop in a division for the execution of repairs of tools and plant or 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.

14.1.3 Larger workshops, with special plant or machinery 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 instructions laid down in this Chapter. In either case, the exact forms to be used and the procedure to be observed will be settled by the Administrative Ministry/Administrator concerned, in respect of each workshop in consultation with the office of the Chief Controller of Accounts.

14.1.4 For every job there must be an estimate of cost (providing for all charges, including the prescribed percentages for indirect charges, vide paragraph 14.2.5) sanctioned by competent authority and accepted by the indenting officer, local body or individual: See also paragraph 14.1.5. The amount to be realized from the indenting party will, however, be based on the actual cost including indirect charges, 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 – If the execution of a job for another division, department or Government is likely to extend beyond one financial year, the limit of the cost which may be incurred in each financial year should also be settled beforehand.

14.1.5 No work should be undertaken for municipalities or private parties before the whole estimated cost including all charges for supervision, profit, etc that may be leviable under the rules for the time being in force, has been paid to the Divisional Office. This rule may be relaxed at the discretion of the Divisional Officer, or Superintendent of the Workshop, in the case of Government Offices where full recovery is not open to doubt. In such cases a rough estimate of the probable cost must be prepared in advance and the officer concerned is required to give an undertaking that he agrees to pay the actual charges in full on completion of the work. The full expenditure incurred must be deducted from the officer's pay for the following month. In all cases, prior to work being commenced an undertaking should be procured from the party concerned that it will not hold the Department responsible for loss by fire or theft or any other factor which could not be foreseen when the estimate was prepared. In cases where it is found that the

original estimate is likely to be appreciably exceeded, a revised estimate should be prepared and the procedure outlined above adopted. The cost of the operations should be charged monthly to the head "Miscellaneous Works Advances" pending recovery.

## **14.2 Direct and Indirect Charges**

14.2.1 Receipt and expenditure transactions in connection with the Workshops are brought to account as follows:-

(a) Where capital accounts of a Workshop are kept and 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 Major head 4701 Capital Outlay on Major and Medium Irrigation. Receipts representing recoveries of capital expenditure will be taken in reduction of such expenditure while revenue receipts and working expenses will be booked under the minor heads opened under the corresponding division and sub-division of the major head 0701 Major and Medium Irrigation and 2701 Major and Medium Irrigation respectively, divided so as to meet the requirement of the proforma accounts of the shop (vide paragraph 14.3.1).

Note – The procedure described above will apply mutatis mutandis to the transactions of a Workshop established for any other system or project for which regular capital accounts are kept.

(b) Where capital accounts of a Workshop are kept and 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 2059 Public Works Recoveries of capital expenditure will be taken in reduction of such expenditure; revenue receipts will be booked under the minor head "800 – Other Receipts below the major head '0059 Public Works' divided so as to meet the requirements of the proforma accounts of the shop.

(c) Where no capital accounts of a workshop are kept for whichever branch intended all expenditure should be booked under the major head '2701' Major and Medium Irrigation or '2059' Public Works as the case may be, and all receipts, whether "recoveries of expenditure" or "revenue receipts", under the minor head "800 – Other Receipts" of the corresponding revenue Major Head '0701' Major and Medium Irrigation or '0059' Public Works.

14.2.2 All capital charges on buildings, plant and machinery and stock materials and all 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 preceding paragraph and under the general instructions of other Chapters of this Code. These are charges which neither pertain to any individual job executed in the shops nor are capable of direct apportionment 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 14.2.5.

14.2.3 All other expenses connected with the operations of a workshop are debitable to the jobs concerned and should, therefore, be accounted for under suspense head "Workshop Suspense" vide paragraph 13.5.1 to 13.5.4. The charges pertaining exclusively to any job should be debited to it at once, and those of general nature should be treated, in the first instance, as general charges (under one or more suitable headings) and apportioned subsequently amongst the jobs concerned in accordance with a definite procedure.

Note 1 – This paragraph does not apply to incidental charges connected with the stock of materials which should be dealt with under paragraphs 14.2.2 and 7.2.27.

Note 2 – All liabilities should be taken into account, even through 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 upto date.

14.2.4 In the case of jobs of all classes, the cost of operations should be cleared or adjusted in transfer (paragraph 13.5.2), 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 13.5.3)

- (a) When the total cost during the year is not larger than Rs.500/-
- (b) When the monthly settlement of account is inconvenient to the indenting division, department or Government.

Note – When the estimated cost of a job is recovered in advance, 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.

14.2.5 In addition to the direct charges referred to in paragraph 14.2.3 – 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 determined by the Administrative Ministry/Administrator concerned, in consultation with the Chief Controller of Accounts to cover the indirect charges enumerated below:-

- (a) Supervision charges under paragraph 150 of the Central Public Works Department Code.
- (b) Interest on the capital cost of buildings, plant and machinery
- (c) Maintenance charges of buildings, based on actual plinth area of the building, plant and machinery
- (d) Depreciation of buildings, plant and machinery

- (e) Establishment charges (including  $\frac{1}{4}$  percent w.e.f. 1-6-1984, Audit and Accounts Establishment); See Rule 7 of Appendix 4 (See also paragraph 14.2.2)

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 Government.

Note – The percentage realized on account of establishment charges relatable to works done for other Governments, Local Funds, Private Parties, etc, is treated as revenue receipts and credited to the minor head “103 Recovery of percentage charges” under appropriate Sub-Major Head below Major head “0059 – Public Works” in accordance with the provisions of Rule 9 of Appendix 4 and Statement ‘E’ of Appendix 2. The above procedure will be followed mutatis mutandis for distribution of “Tools and Plant” charges also.

14.2.6 The indirect charges referred to in paragraph 14.2.5 should be brought to account whenever the settlement of the account of direct charges is effected under paragraph 14.2.4.

### **14.3 Annual Account and Review**

14.3.1 Annually, proforma accounts of each workshop should be prepared, consisting of:-

- (i) the Capital Account, 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 Out-turn Account showing, in such details as may be necessary, the charges on labour, stores, the general and indirect charges and
- (iii) The Profit and Loss Account showing on the one 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, (c) depreciation of buildings, machinery and plant calculated on the Capital Value thereof and (d) general establishment charges plus a suitable addition thereto on account of leave and pensionary charges, for audit and accounts establishment, only on such jobs in respect of which this percentage is not credited to the major heads “2016 Audit” or “0070 Other Administrative Services – 60 – Other Services 110 – Fees for Government Audit” in the regular accounts (vide Rule 7 of Statement E of Appendix 2) and on the other side the percentage charges made under paragraph 14.2.5 excluding for audit and accounts establishment credited to “2016 Audit” or “0070 Other Administrative Services – 60 Other Services 110 – Fees for Government Audit”.

Note – 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 Administrative

Ministry/Administrator concerned to be part and parcel of the shops. When the whole or part of a stock is merely and adjunct to a workshop neither 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.

14.3.2 Subject to such directions as may be given by the Chief Accounting Authority of the Administrative Ministry, the Chief Controller of Accounts will review the annual accounts of a workshop, in consultation with the officer in charge of it and report to the Chief Accounting Authority concerned on its financial working specially bringing out the necessity or otherwise of revising the percentages fixed for the several charges referred to in paragraph 14.2.5 above.

Note – 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.