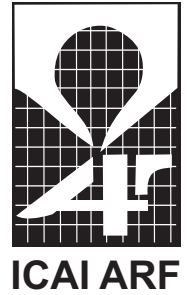


ACCRUAL ACCOUNTING IMPLEMENTATION MANUAL

**based on Pilot Study
at North Western Railway**





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रेल मंत्रालय, (रेलवे बोर्ड)
रेल भवन, नई दिल्ली-110001
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Foreword

As part of its Accounting Reforms initiative, Indian Railways took a major step, to conduct a pilot study on introduction of accrual based accounting in North Western Railway (NWR) in addition to the present cash based accounting. The Accounting Research Foundation of the Institute of Chartered Accountants of India was engaged as a partner to conduct the pilot study.

One of the key deliverables that formed part of the pilot study at NWR was the drafting of the Accrual Accounting Implementation Manual (AAIM). The purpose for preparing this manual was to record in detail the procedure followed on NWR for building up the accrual based financial statements so that they can be replicated in other Zonal Railways with a professional approach during rolling out of accrual accounting across IR. As endeavored, the manual lays down with great clarity and detail the step by step procedures followed in preparing the accrual based financial statements of NWR including the issues which emerged and how they were resolved. However it is proposed to give this manual an all India perspective by incorporating unique accounting aspects of other Zonal Railways which could not be captured during the NWR Pilot study since these were not prevalent on NWR and also incorporate simplified / refined processes for adoption in an IT based framework to be developed by CRIS.

Preparation of this Manual required painstaking efforts both from team ICAI ARF and team IR, coordinated and supervised by Sh.Naresh Salecha Adv/AR and A.Venkateshwar , Consultant/AR, Railway Board. A chapter wise review was undertaken by a team of Directors from the Railway Board comprising Director/Statistics and CA, Director/Budget, Director/Stores-I, Director/AR, Director/F/Accounts and Director/F/NFR & PPP. A detailed analysis of the manual was also carried out by Sh.Satyendra Kaushik, Chief Project Manager/AR/NR and his team of officers without which the manual would not have come into its present lucid and comprehensive shape.

I am sure that this Accrual Accounting Implementation Manual would serve as a very useful guide to the field units on IR in preparation of their accrual based financial statements with ease.


(Shahzad Shah)



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PREFACE

The Ministry of Railways (MoR) assigned the task of *Validation of Accounting Reforms Report and Pilot Study Project on Migration to Accrual Based Accounting System at North Western Railway (NWR)* to the Accounting Research Foundation of the Institute of Chartered Accountants of India (ICAI-ARF).

ICAI-ARF being a premier research oriented organisation in this field, undertook a study of the existing accounting system of Indian Railways (IR) and worked out detailed procedures to convert the present cash based system into accrual based accounting system. These procedures and the learnings thereof gained while conducting the Pilot Study Project have been presented in the form of an Accrual Accounting Implementation Manual (AAIM). This Manual is aimed at serving as a guide to other Zonal Railways during the roll out of accrual accounting across IR.

This Manual has been compiled on the basis of information collated and compiled after exhaustive discussions and field visits at the four Divisions, three Workshops and the Construction Units across NWR. Accounting treatment of operations which are not prevalent in NWR may not find place in it. The Manual will be updated in successive versions in these respects to make it comprehensive in its coverage of the Indian Railways.

The Manual presents in detail the procedures to be followed for preparing the Trial Balance, Profit and Loss Account, Fixed Asset Register, Opening Balance Sheet, formats of Accrual Impact Sheets, Closing Balance Sheet and Cash Flow Statement. It enables the reader to understand the implication of all the items which have an accrual impact on the accounts and are hitherto not captured in the present cash based accounting system of IR. It describes in detail the source of each item in the accrual based financial statements from the present cash based accounting statements viz. account current and appropriation account. It also discusses the unique and robust features of the IR's cash based accounting system which even though at variance with the accrual based accounting system, are time tested practices serving the critical accounting and financing needs of a Government owned transportation undertaking run largely on commercial lines as well as meeting social service obligations in general.

The Institute of Chartered Accountants of India has been shaping the national accounting scenario in several ways and working closely with the Government on matters relating to implementation practices, legislation and risk management. ICAI-ARF is privileged to be associated with the Ministry of Railways under the dynamic leadership of CA Suresh Prabhuji, Hon'ble Union Minister of Railways, in the Accounting Reforms journey. I am sure the Accrual Accounting Implementation Manual will serve as more than a guide to its users.



(CA. M. Devaraja Reddy)

Chairman

ICAI Accounting Research Foundation

16-December-2016

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Chapter 1- Introduction

1.1 Background

The Government Accounting System in India, in all three tiers of Governance, i.e., the Union, States and Local bodies including Autonomous or Statutory Bodies, is predominantly on cash based accounting system linked with the budgeting process within the framework of legislative financial control. The basic principles derive its form and substance from cash based procedures that were laid during the British period. The basic principles of the government accounts are enunciated in General Financial Rules and other related legislations, manuals, etc., as prescribed in the '*Operational Guidelines for Accrual Based Financial Reporting*' as issued by GASAB secretariat. In recent times, there has been a paradigm shift in the priorities of public finance management from identifying resources for public scheme funding to fiscal prudence, efficiency & transparency in public spending. These shifts in priorities have been reflected in initiatives like the *Fiscal Responsibility & Budget Management Act* and *Outcome Budget*. It is reflected that there is a need for Financial Reporting that is to be in sync with the shift in priorities of Public Finance. To achieve this, accounting systems the world over, are being revisited with an emphasis on transition from rule to standards based accounting and migration from cash to accrual based system of accounting.

On these lines the Ministry of Railways (MoR) has decided to *prepare its financial statements on accrual based system of accounting also in addition to the existing cash based Finance Accounts*, to help in bringing more transparency, timely availability of information, improved financial performance, advanced decision-making, etc. The accrual based system of accounting will thus supplement the existing system of cash based accounting in Indian Railways.

ICAI ARF was awarded the *Consultancy Work for validation of Accounting Reforms Report and related Pilot Study at Ajmer Division and Ajmer Group of Workshops, Ajmer, North Western Railways (NWR)* by the Railway Board, Ministry of Railways in December, 2014. This Project is a critical step towards embracing Accounting Standards, structure and those practices which are in line with commercial accounting and reporting. Accordingly, the work was initiated at Ajmer Division; Ajmer Workshop and Traffic Offices at Ajmer in January, 2015.

Later, the scope of the project was modified to *Validation of Accounting Reforms Report and Related Pilot Study Project on Migration to Accrual Based Accounting System at North Western Railways, Jaipur* and Pilot site was shifted to the North Western HQ, Jaipur in March, 2016 as revenue is accounted for and the first level consolidation (in Indian Railways) happens at the Zonal level only. The consultants conducted site visits to Divisions, workshops, sheds and yards to get the in depth knowledge and understanding of Railway accounting system and collected necessary accounting information to prepare accrual based accounting statements for 2014-15. Railway Board has now decided to Roll out accrual based accounts on all Indian Railways in association with ICAI-ARF.

However, the present system of cash basis of accounting will continue and financial statements on accrual basis would be prepared as additional financial statements. This Implementation Manual based on Accrual basis of accounting has been developed keeping in view the typical nature of operations of Indian Railways for preparation of Financial Statements by the Railways using grafting method as adopted on NWR.. This manual specifies the basis followed for preparation of Financial Statements of North Western Railway which was selected for Pilot study and explains the methodology followed, challenges faced and decisions taken to resolve the challenges *and will be used as implementation guiding manual for other zonal railways to prepare their accrual based financial statements. However,* necessary adjustments would be required for carrying out roll out for all railways based on the specific items of other zonal railways, e.g., Electrified lines, sub-urban railways, Kolkata Metro, **CORE etc.**

To address the issues with regard to accounting principles and policies during implementation of Accrual Based Accounting System at North Western Railways, Jaipur, *a Joint Expert* group consisting of senior officials of Indian Railways and senior *members of ICAI* was constituted to ensure that Notes to Accounts and Accounting Policies followed therein are in consonance with the generally accepted accounting principles and Accounting Standards.

1.2 Project Deliverables – NWR Project

Deliverables conceived at the time of implementation of Accrual based financial statements of NWR were:

1. Validation Report on AR Report and Recommendations
2. Formats of Reporting
3. Chart of Accounts and Register for Accrual Impact
4. Comprehensive Scope Evaluation Report
5. Fixed Asset Register
6. Opening Balance Sheet as on 1st April 2014
7. Periodic Financial Statements as on 31st March 2015 which includes P&L Account, Closing Balance Sheet, Cash Flow statements, etc.
8. Suggest redundancies in preparation of existing financial/Accounting statements
9. Suggest improvements in existing systems and streamlining of existing procedures
10. Accrual Accounting Implementation Manual

1.3 Way Forward

The Project Deliverables for implementation of Accrual based financial statements of Indian Railways will be:

1. **Updated** Comprehensive Scope Evaluation Report
2. Formats of Reporting
3. Chart of Accounts and Register for Accrual Impact
4. Fixed Asset Register of Indian Railways
5. Opening Balance Sheet as on 31st March 2015 of Indian Railways
6. Periodic Financial Statements as on 31st March 2016 and 31st March 2017 which includes P&L Account, Closing Balance Sheet, Cash Flow statements, etc., of individual railways/ Units as well as consolidated financial statements of Indian Railway as a whole.
7. Suggest redundancies in preparation of existing financial/Accounting statements
8. Suggest improvements in existing systems and streamlining of existing procedures
9. **Updated** Accrual Accounting Implementation Manual (at National Level)

Chapter 2 - Accrual Accounting, Definitions, Accounting Policies, Accounting Concepts and Assumptions

2.1 Accrual Accounting

Accrual accounting is an accounting method that measures the performance and position of a company by recognizing economic events regardless of when cash transactions occur. The general idea is that economic events are recognized by matching revenues to expenses at the time in which the transaction occurs rather than when payment is made or received. This method allows the current cash inflows/outflows to be combined with future expected cash inflows/outflows to give a more accurate picture of a company's current financial condition.

Accrual accounting requires entities to maintain complete records of assets and liabilities. It facilitates better management of assets, including better maintenance, more appropriate replacement policies, identification and disposal of surplus assets, and better management of risks such as loss due to theft or damage. The identification of assets and the recognition of depreciation help managers to understand the impact of using fixed assets in the delivery of services, and encourage managers to consider alternative ways of managing costs and delivering services. Accrual accounting provides a consistent framework for the identification and recording of existing liabilities, and potential or contingent liabilities.

Accrual accounting is effective for financial management and monitoring activities. In an accrual accounting system, entities receive a more immediate reflection of how much money they have coming in, and what they can expect to see on future expense reports. Accrual accounting gives entities a truer depiction of their resources and financial responsibilities. This serves as an advantage as it allows businesses to properly manage the ebb and flow of financial activity. Income and debts can be more accurately assessed with accrual accounting. With this type of recording methodology, business analysts can look for financial trends and compute current cash flow statements on a regular basis; keeping everybody as up-to-date as possible. Accrual accounting matches revenues with the expenses the entity incurred to produce it.

Financial reports prepared on an accrual basis allow users to:

- make decisions about providing resources to, or doing business with, the entity
- assess the accountability for all resources the entity controls and the deployment of those resources
- assess the performance, financial position and cash flows of the entity

2.2 Definitions

This section covers the definitions and relevant explanation of various terms and phrases that are relevant in case of Indian Railways for accrual accounting and preparation of accrual accounting Implementation Manual (AAIM):

1. ***Account:*** A formal record of a particular type of transaction expressed in money and kept in a Ledger.
2. ***Account Current:*** A statement showing impact of debit and credit transactions under each line item. An Account Current gives impact of transactions during the month and to end of the month for the financial year.
3. ***Accounting Entry:*** A record of financial transaction in the books of account like journal, Ledger, Cash Book, etc.
4. ***Account Payable:*** Amount owed by an enterprise on account of goods purchased or services received or in respect of contractual obligations, also termed as Trade Creditor or Sundry Creditor.
5. ***Accounting Period:*** The period of time for which a financial statement are customarily prepared.
6. ***Accounting Principle:*** Any one of the general principles and procedures under which the accounts of an individual organization are maintained. An accounting Principle is an adaptation or special application of a principle necessary to meet the peculiarities of an organization or the needs of its management. Thus, principles are required for the computation of Depreciation, the recognition of Capital Expenditures, and the provision for retirements.
7. ***Account receivable:*** Person/ *Entity* from whom amounts are due for services rendered or goods sold or in respect of contractual obligations. Also termed as Debtor, Trade Debtor, and Sundry Debtor. The words 'Receivables' and 'Debtors' are used interchangeably.
8. ***Accounting Unit:*** An accounting unit shall be defined as a *Division, workshop, other accounting unit, Zone, Production Unit etc. identified by the Railways* as a unit for maintenance of accounting records.
9. ***Accounting Year:*** The "Official Year" or "Year" means a year commencing on the first day of the Accounting period. In case of Indian Railways the accounting period starts with 1st April and closes on 31st March next year.

10. **Accrual:** Recognition of revenues and costs as and when they are earned or incurred (and not as money is received or paid). It includes recognition of transactions relating to assets and liabilities as they occur irrespective of the actual receipts or payments.
11. **Accrual basis of accounting:** The method of accounting whereby revenues and expenses are identified with specific periods of time, such as a month or year, and are recorded as incurred, along with acquired assets, without regard to the date of receipt or payment of cash.
12. **Accrued and due:** In respect of an asset (or a liability) it means an enforceable claim which arises from the sale/rendering (purchase) of goods/ services or otherwise and has become receivable (payable). In respect of an income (or an expense) it means the amount earned (incurred) in an Accounting Period, for which a claim has become enforceable, and it arises from the sale/rendering (purchase) of goods/services or otherwise and has become receivable (payable).
13. **Accrued but not due:** In respect of an asset (or a liability) it means a claim which has not yet become enforceable, which accumulates with the passage of time or arises from the sale/rendering (purchase) of goods/services which, on the date of period-end, have been partly performed and are not yet receivable (payable). In respect of an income (or an expense) it means the amount earned (incurred) in an Accounting Period, but for which no enforceable claim has become due in that period. It accumulates with the passage of time or arises from the sale/rendering (purchase) of goods/services goods which, at the date of accounting, have been partly performed and are not yet receivable (payable).
14. **Accumulated Depreciation:** The total to date of the periodic Depreciation charges on depreciable assets
15. **Advance:** Payment made on account of, but before completion of, a contract, or before acquisition of goods or receipt of services.
16. **Amortization:** Amortization is the gradual and systematic writing off of an asset or an account over an appropriate period. The amount on which Amortization is provided is known as amortizable amount. Depreciation accounting is a form of Amortization which is applicable to depreciable assets.
17. **Asset:** Assets are tangible or intangible rights owned by the Railway and carrying probable future benefits.
18. **Annual Report:** Any report prepared at yearly intervals. A statement of the financial condition and operating results of a Railway, prepared yearly for submission to interested parties; summarizing its operations for the preceding year and including a Balance Sheet, *P&L Account*, *Cash Flow statement*, and the auditor's report, together with comments by the Zonal Railway on the year's operations.

19. **Appropriation:** Appropriation is sanction by President for Charged expenditure without vote of Parliament.
20. **Appropriation Account:** Appropriation Accounts detail the accounts related to expenditure of Indian Railways for a particular year as compared to the Grants/ Appropriations for different purposes as specified in the schedules appended to the Appropriation Act passed by Parliament and appropriations sanctioned by President. These are presented to Parliament duly signed by Financial Commissioner/ Railways, Chairman/ Railway Board, Dy. C&AG / Railways and C&AG.
21. **Appropriation Bill:** After the Demands for Grants are voted by Parliament, Appropriation bill is introduced to provide for appropriation of money required to meet the expenditures. When this bill is passed, charged expenditure is passed by the President. Railway Board makes allotment to each unit through an order called Budget Order.
22. **Assigned Revenues:** Assigned revenues are revenues in the nature of a share in the revenues of the government, to compensate for certain losses in revenue and arrangement of resources of the Railway.
23. **Bad debts:** The debts owed to Railway, which is considered to be irrecoverable, e.g., arrears of revenue, fees and other revenue left uncollected and considered to be irrecoverable.
24. **Balancing:** In order to balance an account, the two sides, namely Debit and Credit are totaled up separately and the difference is ascertained. This difference is put on the side that is lower to balance the two sides of an account.
25. **Balance Sheet:** A statement of the financial position of a Railway as at a given date, which exhibits its assets, liabilities, capital, reserve and other account balances at their respective book values.
26. **Budget:** It means quantitative plan of activities and programmes expressed in terms of money in respect of assets, liabilities, revenues and expenses. The budget expresses the Railway goals in terms of specific financial and operating objectives.
27. **Budget Reviews:** The purpose of Budget Review is:
 - i. To review the progress of expenditure with Budget Grant.
 - ii. To estimate the actual requirements for the remaining period of the year and modify requirements to meet the needs.
 - iii. To enable the Railway Board for redistribution of funds among Railways.

Factors that contribute to revision of requirements are:

- i. Inflationary trend in price levels of materials and labour affecting contracts and other expenditure.
- ii. Change in the scope of work necessitating preparation of supplementary estimate.

Budget Review is done in three ways:

- i. August Review in August
- ii. Revised estimate (including Budget Estimate) in November.
- iii. Final modification in February

28. **Capitalization:** An expenditure for a Fixed Asset or addition thereto that has the effect of enlarging physical dimensions, increasing productivity, lengthening future life, or lowering future costs.
29. **Capital Expenditure:** Expenditure intended to benefit future period in contrast to a Revenue Expenditure, which benefits the current period. The term is generally restricted to expenditure that adds Fixed Asset units or that has the effect of improving the capacity, efficiency, life span or economy of operations of an existing asset.
30. **Capital work-in-progress:** Expenditure on capital assets which are in the process of construction or completion before commencement of operations.
31. **Cash Book:** A book of original entry for cash receipts, disbursements, or both. In Railways, separate Cash books are maintained for Receipts and Disbursements by Divisional Cashier/ Receipts and Divisional Cashier/ Payments respectively.
32. **Cash flow Statement:** A financial statement prepared for an Accounting Period to depict the inflows and outflows of cash and cash equivalents of an enterprise. The cash flow statement reports cash flows classified by operating, investing and financing activities.
33. **Charged expenditure:** Charged expenditure is such class of expenditure for which the President is according the sanction. Pay, Allowances etc. which are charged upon the Consolidated Fund of India comes under this.
34. **Contingent liability:** An obligation relating to an existing condition or situation, which may arise in future depending on the occurrence or non occurrence of one or more future events not wholly within the control of Railways.
35. **Contra Entry:** An item on one side of an account which offsets fully or in part one or more items on the opposite side of the same account.

36. **Cost:** The amount of expenditure incurred on or attributable to a specified article, product or activity.
37. **Cost of Acquisition:** The cost of acquisition of a Fixed Asset comprises its purchase price and includes import duties and other nonrefundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.
38. **Credit:** A book-keeping entry recording the reduction or elimination of an asset or an expense, or the creation of or addition to a liability or item of net worth or revenue; an entry on the right side of an account; the amount so recorded
39. **Current assets:** Cash and other assets that are expected to be converted into cash or consumed in rendering of services in the normal course of operations of the Railway.
40. **Current liabilities:** Liability including loans, deposits and bank overdrafts which fall due for payment in a relatively short period, normally not more than twelve months.
41. **Debit:** The goods or benefit received from a transaction; a bookkeeping entry recording the creation of or addition to an asset or an expense, or the reduction or elimination of a liability, or item of net worth or revenue; an entry on the left side of an account; the amount so recorded.
42. **Deficit/losses:** The excess of expenditure over income of the Railway for an Accounting Period under consideration..
43. **Deposit works:** Deposit works denote the works executed by railways for the third parties against funds provided by them.
44. **Depreciation:** A measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, effluxion of time or obsolescence through technology and market changes. It is allocated so as to charge a fair proportion in each Accounting Period during the useful life of the asset. It includes Amortization of assets whose useful life is predetermined and depletion of wasting assets like mining and quarry.
45. **Depreciable asset:** An asset which is expected to be used during more than one Accounting Year, has a limited useful life, and is held by the Railways for use in the supply of goods and services, for rental to others, or for administrative purposes and not for the purpose of sale in the ordinary course of operations of the Railway.

46. **Depreciable amount:** The historical cost or other amount substituted for historical cost of a depreciable asset in the financial statements, less the estimated residual value, if any.
47. **Depreciation method:** The arithmetic procedure followed in determining provision for Depreciation (an expense) and maintaining the accumulated balance.
48. **Depreciation Rate:** A percentage which when applied to the depreciable amount will yield Depreciation expense for a year.
49. **Dividend Income:** An income received from investments by a Railway in shares/units of *PSUs/ SPVs*.
50. **Earmarked Funds:** Funds representing Special Funds to be utilized for specific purposes.
51. **Expenses:** A cost relating to the operations during the Accounting Period or to the revenue earned during the period the benefits of which do not extend beyond that period.
52. **Financial Statement:** A balance sheet, income statement (profit and loss), cash flow statement or any other supporting statement or other presentation of financial data derived from accounting records.
53. **Fund:** The term fund refers to the amount set aside for a general or specific purpose, whether represented by specifically earmarked investments or not.
54. **FIFO method:** It is a method for determining the cost of inventory at a given date. According to this method of determination of cost, commodities which come first are assumed to be consumed first. The valuation of inventory is therefore done at the price for which the commodities were last purchased.
55. **Finance Lease:** A Finance Lease is a Lease that transfers substantially all the risks and rewards incidental to the ownership of an asset, to the lessee.
56. **Financial year:** Financial year is a period of twelve months starting from April 1 and ending March 31 of the next year.
57. **Fixed Asset:** Asset held for the purpose of providing services and that is not held for resale in the normal course of operations of the Railway.
58. **Fixed Deposit:** Deposit for a specified period and at specified rate of interest.

59. **Grants:** Indian Railways is authorized for expenditure through operation of 16 Grants. These are:
 1. Railway Board
 2. Misc. Expenditure (General)
 3. General Superintendence and Services on Railways
 4. Repairs and Maintenance of Permanent Way and Works
 5. Repairs and Maintenance of Motive Power
 6. Repairs and Maintenance of Carriage and Wagon
 7. Repairs and Maintenance of Plants and Equipment
 8. Operating Expenses-Rolling Stock and Equipment
 9. Operating Expenses-Traffic
 10. Operating Expenses-Fuel
 11. Staff Welfare and Amenities
 12. Miscellaneous Working Expenses
 13. Provident Fund, Pension and other Retirement Benefits
 14. Appropriations to Funds
 15. Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortization of over capitalization.
 16. Assets-Acquisition, construction and Replacement
60. **Revenue Grants:** Grants No. 1 to 15 as mentioned in above definition are Revenue Grants. Revenue grants are financed through the internal resources generated by Indian Railways through its earnings during the year
61. **Capital Grant:** Grant No. 16 is Capital Grant. The Capital grant is funded mainly through the General budget, internal resources and share of diesel cess.
62. **Grants-in-Aid:** Grants in Aid are assistance by government in cash or kind to an enterprise for past or future compliance with certain conditions. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the enterprise. The enterprise has to submit a utilization Certificate to the Government Department at the accounting year end in respect of grants so received.
63. **Gross Block:** The total cost of acquisition/purchase of all the Fixed Assets of the Railway as per books of accounts.
64. **Immovable Properties:** Consists of properties, which cannot be relocated.
65. **Income:** Money or money's equivalent earned or accrued during an Accounting Period, increasing the total of previously existing net assets, and arising from provision of any type of services and rentals.
66. **Profit and Loss Account:** A financial statement to present the revenues and expenses for an Accounting Period and to show the excess of revenues/incomes over expenses (or vice-versa) for that period.

67. **Interest:** The service charge for the use of money or capital, paid at agreed intervals by the user, and commonly expressed as an annual percentage of outstanding principal.
68. **Intangible assets:** Intangible assets are assets which do not have a physical identity and which cannot be seen or felt, e.g., Goodwill, patents, trademarks, and licensee fees.
69. **Investments:** Assets held not for operational purposes nor for rendering services, i.e., assets other than Fixed Assets or current assets (e.g., securities, shares, debentures, immovable properties)
70. **Inter unit transactions:** Transactions between one or more accounting units of the Zonal Railway and amongst the Zonal railways and Production Units etc.
71. **Lapsed Deposits:** Deposits unclaimed for more than such period or periods as defined in the Act or provisions governing the Railway.
72. **Ledger:** A compilation of all accounts used for accounting purposes.
73. **Leasehold land:** Leasehold land is land which are under a Lease agreement to use the lands for a substantial period of time.
74. **Lease:** A Lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period. A Lease agreement also includes a Hire Purchase agreement. A Lease is classified as a finance Lease if it transfers substantially the entire risks and rewards incident to ownership. All other Leases are classified as operating Leases.
75. **Liability:** An amount owing by one person/ entity to another, payable in money, or in goods or services; the consequence of an asset or service received or a loss incurred or accrued; particularly, any debt (a) due or past due (current liability), (b) due at a specified time in the future (e.g. funded debt, accrued liability), or (c) due only on failure to perform a future act (contingent liability).
76. **Long term investments:** Any investment falling outside the ambit of current investments are treated as long-term investments.
77. **Mortgage:** A lien on land, buildings, machinery, equipment, and other property, fixed or movable, given by a borrower to the lender as security for his loan; sometimes called a deed of trust.
78. **Movable Properties:** Consists of properties, which can be relocated.

79. **Prior Period Adjustment:** A prior period adjustment is the correction of an accounting error that occurred in the past and was reported on a prior year's financial statement, net of income taxes. In other words, it's a way to go back and fix past financial statements that were misstated because of a reporting error.

Prior period adjustments are used to fix mathematical errors, improper accounting methods, and overlooked facts in past periods. Since balance sheet and income statement effects of these errors have already occurred, the adjustment should be made to the retained earnings or equity account on the statement of retained earnings. This adjustment will change the carrying balance of retained earnings and adjust it as if the accounting was done properly in past periods.

80. **Railway Fund:** Railway funds are maintained in the books of the Railways and in the office of the Railway Board. The receipts to these funds mainly consist of contributions from Railway Revenues as charge on Revenues or from Surplus after payment of dividend, repayment of loans to railway funds and interest thereon, if any, to the General Revenues on the basis of the recommendations of the Railway Convention Committee and the interest on the Fund balances. Apart from the above some railway funds also receive contributions from Central Government. Expenditure from these funds is incurred on railway projects as per the stipulated Rules of Allocations. At present the following funds are maintained by Railways:

S.No	Name	Source	Purpose
1	Depreciation Reserve Fund	Appropriation from Revenues	Renewal and replacement of railway assets
2	Pension Fund		Retirement benefits to employees/ their families
3	Development Fund	Appropriation from surplus after payment of dividend, repayment of loans to railway funds and interest thereon ,if any, to the General Revenues	Passenger/ Staff amenities, Safety, non-remunerative works of capital nature essential for operations
4	Capital Fund		Remunerative projects
5	Debt Servicing Fund		Repayment of World bank Loans/ debts raised for DFCCIL etc.
6	Railway Safety Fund	Contribution from Central Government from Diesel Cess	Level Crossings/ Road over/ under Bridges

81. **Re-appropriation:** Re-appropriation means transfer of funds originally assigned to a specific object to supplement funds to another object. Railway Board has full powers to transfer funds from one sub-head to another within a grant but not from one Grant to another in respect of voted and Charged expenditure. However, transfer between voted and charged expenditure is not permissible. Further, it is also pertinent to note that, no re-appropriation is admissible in demand 16.
82. **Narration:** A brief description written below an Accounting Entry. It is normally written in brackets and starts with the word "Being". It explains as to why the entry has been recorded and other related aspects of the entry.
83. **Net Assets:** The excess of the book value of the assets of an accounting unit over its liabilities to outsiders.
84. **Net Block:** Gross Block less Accumulated Depreciation of all the Fixed Assets of the Railway.
85. **Notes on account:** Each Note on account is an addendum to the financial statements, which contains the details with regard to deviations from the Accounting Policies. It also contains disclosures as may be required by the law.
86. **Operating Lease:** An operating Lease is a Lease that does not transfers substantially all the risks and rewards incidental to ownership of an asset. Operating Lease is basically a right to use the asset, for a short period of time.
87. **Outstanding expenses:** Outstanding expenses are the expenses relating to the current year, which remain unpaid at the end of the financial year.
88. **Period End:** The last day of any Accounting Period, e.g., quarter, half-year, year-end.
89. **Posting:** An act of entering separately the Debit and Credit aspects of transactions from the books of original entry in respective accounts maintained in the Ledger.
90. **Prepaid expenses:** Payment for expense in an Accounting Period, the benefit for which will accrue in the subsequent Accounting Period(s).
91. **Provision for Expense:** An amount written off or retained by way of providing for Depreciation or diminution in value of assets or retained by way of providing for any known liability the amount of which cannot be determined with substantial accuracy.

92. **Receipt:** A written acknowledgement of something acquired; hence, an accounting document recording the physical receipt of cash/cheques.
93. **Reconciliation:** It means adjusting the difference between two items i.e., amounts, balances, accounts or statements) so that the figures agree.
94. **Retirement benefits:** Retirement benefits are the benefits in the form of provident fund, gratuity, leave encashment, pension/ family pension/ ex-gratia, medical facility and other retirement benefits payable to Railway employees/ their families.
95. **Revenue Expenditure:** It means outlay benefiting only the current year. It is treated as an expense to be matched against revenue.
96. **Straight-line method of Depreciation:** The method under which the periodic charge for Depreciation is computed by dividing the depreciable amount of a depreciable asset by the estimated number of years of its useful life.
97. **Sundry Creditors:** Sundry Creditors are persons to whom; amount is due from Railway on account of goods purchased or services received or in respect of contractual obligations. Sundry Creditors are also known as trade Creditors or Accounts Payables.
98. **Surplus/Profit:** The excess of income over expenditure of the Railway for an Accounting Period under consideration.
99. **Trial balance:** A list or abstract of the balances or of total Debits and total Credits of the accounts in a Ledger, the purpose being to determine the equality of posted Debits and Credits and to establish a basic summary for financial statements.
100. **Useful life:** (i) The period over which a depreciable asset is expected to be used by the enterprise; or (ii) the number of production or similar units expected to be obtained from the use of the asset by the enterprise.
101. **Voted Expenditure:** Voted Expenditure is such class of expenditure for which the provision of Fund is made subject to vote of Parliament. These are items proposed to be met from the Consolidated Fund of India for which proposals are sent in the form of Demands for Grants for vote by the Parliament.
102. **Work in progress:** Goods in the process of production for their sales or usage.
103. **Written Down Value (WDV) Method:** A method under which the periodic charge for depreciation of an asset is computed by applying a fixed percentage to its historical cost or substituted amount less accumulated depreciation (net book value). This is also referred to as "Diminishing Balance Method".

2.3 Accounting Policies

- i. Accounting policies refer to the specific Accounting Principles and the methods of applying those principles adopted by the Railway in the preparation and presentation of financial statements.
- ii. The need for the Accounting Policies arises, generally because particular accounting transactions can be recorded in more than one way. Example can be that Depreciation can be charged either on a straight line basis, or on written down value basis.

To avoid ambiguity in the preparation of the financial statements, and to inform the users of the financial statements, the principles which have been used for preparing financial statements, are adopted and disclosed.

2.4 Accounting Concepts

Accounting Concepts are the necessary assumptions, conditions or postulates upon which the accounting is based. They are developed to facilitate communication of the accounting and financial information to all the readers of the Financial Statements. Followings are the accounting concepts:

- i. **Entity Concept:** For accounting purposes, an “organization” is treated as a separate entity from the “owners” or “stakeholders”. This concept helps in keeping private affairs of the owners and stakeholders separate from the business affairs.
- ii. **Dual Aspect or Accounting Equivalence Concept:** This concept follows from the Entity Concept. All entities own certain assets. Such assets are acquired through contributions of those who have provided the funds for the purpose. Funds are made available either through the surpluses of the entity or loans or payables or Grant in case of Government body. In a sense, such providers of funds are claimants to the assets. At any point of time, the assets will be equal to the claims. Since the claims on the assets could be those of “outsiders” (i.e. liabilities) or “owners” (i.e. capital, reserves, etc.), it results in the accounting equation:

$$\text{Assets} = \text{Own Funds} + \text{Liabilities}$$

- iii. **Going Concern Concept:** It is assumed that the organization will continue for a long time, unless and until it has entered into a state of liquidation. It is as per this concept, that the accountant does not take into consideration the market value of the assets while valuing them, irrespective of whether the market value is higher or lower than the book value. Similarly, depreciation on fixed assets is provided on the basis of expected lives of the assets rather than on their market values. Also, the financial statements are prepared at defined period-end to measure the performance of the entity during that period and not only on the closure or liquidation of the entity.

- iv. **Money Measurement Concept:** In accounting, every transaction is recorded in terms of money. Events or transactions that cannot be expressed in terms of money are not recorded in the books of accounts. Receipt of income, payment of expenses, purchase and sale of assets, etc., are monetary transactions that are recorded in the books of accounts. For example, the event of a machinery breakdown is not recorded as it does not have a monetary value. However, the expenditure incurred for the repair of the machinery can be measured in monetary value and hence is recorded.
- v. **Cost Concept:** As per this concept, an asset is ordinarily recorded at the price paid to acquire it, i.e., at its cost and this cost is the basis for all subsequent accounting for the asset. The cost concept does not mean that the asset will always be shown at cost. This basically signifies that each time the financial statements are prepared, the fixed assets need not be revised and recorded at its realizable or replacement or market value. The assets recorded at cost at the time of purchase may systematically be reduced through depreciation.
- vi. **Accounting Period Concept:** An accounting period is the interval of time at the end of which the financial statements are prepared to ascertain the financial performance of the organization. Although the “going concern” concept stresses the continuing nature of the entity, it is necessary for an organization to review how it is performing. The preparation of financial statements at periodic intervals helps in taking timely corrective action and developing appropriate strategies. The accounting period is normally considered to be of twelve months, starting from 1st April and ending as 31st March.
- vii. **Accrual Concept:** Under the cash system of accounting, the revenues and expenses are recorded only if they are actually received or paid in cash, irrespective of the accounting period to which they belong. But under the accrual concept, occurrence of claims and obligations in respect of incomes or expenditures, assets or liabilities based on happening of any event, passage of time, rendering of services, fulfilment (partially or fully) of contracts, diminution in values, etc., are recorded even though actual receipts or payments of money may not have taken place. In respect of an accounting period, the outstanding expenses and the prepaid expenses and similarly the income receivable and the income received in advance are shown separately in the books of accounts under the accrual method.
- viii. **Periodic Matching of Cost and Revenue Concept:** To ascertain the surplus or deficit made by the entity during an accounting period, it is necessary that the costs incurred are matched with the revenue earned by the entity during that accounting period. The matching concept is a corollary drawn from the accrual concept. To ascertain the correct surplus or deficit, it is necessary to make adjustments for all outstanding expenses, prepaid expenses, income receivable and income received in advance to correctly depict and match the income and expenditure relating to that accounting period.

- ix. **Realisation Concept:** According to this concept, revenue should be accounted for only when it is actually realized or it has become certain that the revenue will be realized. This signifies that revenue should be recognized only when the services are rendered or the sale is affected. However, in order to recognize revenue, actual receipt of cash is not necessary. What is important is that the entity should be legally entitled to receive the amount for the services rendered or the sale affected.

2.5 Accounting Conventions

Accounting conventions are the customs or traditions guiding the preparation of accounts. They are adopted to make financial statements clear and meaningful. The Accounting Conventions are as follows:

- i. Convention of Disclosure
- ii. Convention of Materiality
- iii. Convention of Consistency
- iv. Convention of Conservatism

Each of the accounting conventions are discussed below.

i. Convention of Disclosure

The term “disclosure” implies that there must be a sufficient revelation of information which is of material interest to owners, creditors, lenders, investors, citizen and other stakeholders. The accounts and the financial statements of an entity should disclose full and fair information to the beneficiaries in order to enable them to form a correct opinion on the performance of such entity, which in turn would allow them to take correct decisions. For example, the Accounting Principles that have been followed for preparation of the Financial Statements should be disclosed along with the Financial Statements for proper understanding and interpretation of the same.

ii. Convention of Materiality

An item should be regarded as material, if there is a sufficient reason to believe that knowledge of it would influence the decision of informed creditors, lenders, investors, citizen and other stakeholders. The accounts and the financial statements should impart importance to all material information so that true and fair view of the state of affairs of the entity is given to its beneficiaries. Hence, keeping the convention of materiality in view, unimportant items are not disclosed separately and are merged with other items.

iii. Convention of Consistency

The convention of consistency facilitates comparison of financial performance of an entity from one accounting period to another. This means that the accounting principles followed by an entity should be consistently applied by it over the years. For example, an organization should not change its method of depreciation every year, i.e., from Straight Line Method to Written down Value Method or vice-versa. Similarly, the method adopted for valuation of stocks, viz., First in First out (FIFO) or Weighted Average should be consistently followed. In case a change is made, it should be disclosed.

iv. Convention of Conservatism

As per this convention, the anticipated profits should be ignored but all anticipated losses should be provided for in the books of accounts of an entity. This means that all prospective losses are taken into consideration, however, no doubtful income is taken into consideration in recording of transactions by an entity. For example, while provision for doubtful debts and discount is made on debtors or Accounts Receivable, no provision is made for likely discount receivable from creditors or Accounts Payable. Similarly, provision is made for diminution in value of investments; however, no provision is made for any appreciation in value of investments.

Chapter 3 - Significant Accounting Policies

This chapter contains the Significant Accounting Policies to be followed in preparation of accounts of the Railway.

- i. The Financial Statements of the Railway shall contain a Statement of Significant Accounting Principles as Notes to accounts in respect of important Accounting Principles adopted in preparing and presenting such information. The Significant Accounting Principles as mentioned in this chapter shall be followed consistently each year.
- ii. It is necessary to have accounting policies, principles and methods of their application in day-to-day accounting. The choice of the accounting principles and the method of their application in the specific circumstances call for considerable judgment.
- iii. Where any of the Accounting Principles adopted by the Railway while preparing its Financial Statements is not in conformity with the principles prescribed in this chapter and the effect of deviation from the Accounting Principles is material, the particulars of the deviation shall be disclosed, together with the reasons and the financial effect thereof, except where such effect is not ascertainable. In case the financial effect thereof is not ascertainable, either wholly or in part, the fact that it is not so ascertainable shall be indicated.
- iv. The fact of switching over to accrual basis of accounting from traditional cash basis of accounting should be disclosed as Notes in the year of switch over. Till such time a decision is taken for complete switch over, it shall be disclosed that Accrual based accounts are prepared in addition to the constitutionally required Cash Based Accounts.
- v. Likewise, any change in the Accounting Principles which has no material effect on the Financial Statements for the current period but which is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed in the Financial Statements of the period in which the change is adopted.

In case where there is no specific mention of an accounting principle in this Manual, the accounting principle as specified in the Indian Railway Accounts/ Finance Codes shall be followed.

Accounting Policies: The following Accounting Policies shall govern the recording, accounting and treatment of transactions relating to various activities as given below:

3.1 Income

- i. Revenue from Passengers (Traffic Earning) shall be accounted on accrual basis, i.e., the revenue in case of passenger trains shall be considered when the journey begins, i.e., in the year in which the train starts its journey.
- ii. Revenue from Goods earnings (Traffic Earning) shall be accounted on accrual basis and 2/3rd of the Freight Income of the last four working days of the Financial Year shall be considered as the Income of the Financial Year in which the train begins its journey, while 1/3rd Income shall be considered the Income of the next accounting year.
- iii. Sundry Other Income: Followings are the principles for recognizing the sundry other Income:
 - a) Rental Income shall be recognized on accrual basis in accordance with the terms and conditions of the contract with licensee/lessee, etc.
 - b) Income from sale of scrap shall be accounted on realization basis.

3.2 Expenditure

i. Employee Related Transactions

- a) Expenses on Salaries and other allowances shall be recognized as and when they become due for payment;
- b) Statutory deductions from salaries including those for income tax, provident fund contribution, etc., shall be recognized as liability in the same period in which the corresponding salary is recognized as expense.
- c) Leave encashment shall be recognized on actual payment basis.
- d) Pension/ Family pension/ Ex-gratia pension, DCRG, CTG etc. shall be recognized on actual payment basis.
- e) Bonus, awards, honorarium, workmen compensation, ex-gratia, overtime allowance, other allowances and reimbursements to the employees shall be recognized as an expense as and when they are due for payment.

ii. Other Revenue Expenditures

- a) Other Revenue Expenditures shall be treated as expenditures in the period in which they are incurred.
- b) Provisions shall be made at the year-end for all bills received upto 31st May of next financial year or till finalization of accounts, whichever is earlier under Expenses Payable.
- c) No provisions shall be made at the year-end for bills not received upto 31st May of next financial year or till finalization of accounts, whichever is earlier.

3.3 Stores

- i. Expenditure in respect of material, equipment, etc., procured shall be recognized on accrual basis, i.e., on admission of bill by the Railway in relation to materials, equipment, etc., delivered. The cost of inventories shall include the purchase price including the expenditure incurred to bring the inventories to its present location and condition i.e. freight inward, duties and taxes, etc.
- ii. Accounting of 'goods received upto 31st March, but no bills received' as at the cut-off date shall be accounted based on purchase orders and goods actually received and accepted. The cut-off date shall be 31st May of the next financial year or till finalization of accounts, whichever is earlier.
- iii. Inventory is measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
- iv. The stock lying at the period-end shall be valued at cost in accordance with the First in First out (FIFO) Method.

3.4 Fixed Assets and Depreciation

- i. All Fixed Assets shall be carried at cost less accumulated depreciation..
- ii. Fixed assets shall be shown at their acquisition cost/historical cost less accumulated depreciation. Cost of fixed assets also includes incidental expenses like installation charges, transportation cost, etc., and expenses up to the date of commissioning of assets.
- iii. In absence of any determinable cost, i.e., acquisition cost/historical cost because of inadequate and nonexistent record, asset shall be carried at Re. 1/- except for land which shall be valued as per the Appropriation Account for the year. (This shall be applicable only in case of preparation of Opening Balance sheet, i.e., first balance sheet while preparing financial statements as per accrual accounting system).
- iv. Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular shall be capitalized with that asset.
- v. Any improvement cost which increases the future economic benefits, safety features, operational efficiency including fuel/energy efficiency from asset and enhances the life and utility of asset shall be capitalized.
- vi. When ownership of the any land is transferred free of cost from Government/individuals or has been received in donation under endowment for specific purposes or otherwise, then such land shall be recorded at a nominal value of Re. 1/-. Any development work done on that land shall be capitalized.

- vii. Any addition to or improvement to the fixed asset that results in increasing the utility or useful life of the asset shall be capitalized and included in the cost of the fixed asset.
- viii. Expenditure in the nature of repairs and maintenance incurred to maintain the asset and sustain its functioning or the benefit of which is for less than a year, shall be charged off as Revenue Expenditure.
- ix. Any Fixed Asset, which has been acquired free of cost or in respect of which no payment has been made, shall be recorded at nominal value of Re. 1/-.
- x. Land acquired through purchase shall be recorded on the basis of aggregate of purchase price paid/ payable and other costs incidental to acquisition.
- xi. Where the ownership of the lands has not been transferred in favour of the Railway, but the land is in the permissive possession of the Railway, such lands shall be included in the Register of Land with Re. 1/- as its value.
- xii. Cost of land improvements such as leveling, filling or any other developmental activity shall be capitalized as a part of the cost of land.
- xiii. Depreciation on assets shall be provided as per straight-line method of depreciation.
- xiv. Useful life concept shall be applied for arriving at the rate of depreciation. Useful life shall be determined either for individual assets or for a class of assets and rate of depreciation thus arrived based on the Finance Code Volume I Para 219.
- xv. All assets which have fully depreciated shall carry its residual value, i.e., 5%.
- xvi. All individual assets, whose cost is below Rs. 5,000/- (Rupees Five Thousand Only) shall be depreciated at 100% rate.
- xvii. Depreciation on all the depreciable Fixed Assets (*excluding residual value @ 5%*) shall be charged over their useful lives as prescribed in Para 219 of Finance Code-1 under Straight Line Method (SLM).

- xviii. The useful life of Rail, Sleeper & Other Track Fitting shall be taken as 20 years based on a technical estimation. Further, the useful life of the following assets which are not prescribed in the Finance Code-1 shall be taken on the basis of technical estimation:

Name of Asset	Useful life
Buildings	70 Years
Furniture & Fixtures	10 Years
Roads & Streets	5-15 Years
Ballast	10 Years

3.5 Capital Work-In-Progress

- i. The total expenditure on Capital Assets which are in the process of construction until completion shall be accounted for under the head Capital work in progress (CWIP). CWIP shall include value of work done and entered in Measurement Book whether paid or not.
- ii. CWIP shall not be depreciated until they have been completed and the assets are ready for economic use.
- iii. Assets under erection/installation on existing projects and capital expenditures on new projects (including advances for capital works and project stores) shall be shown as CWIP.
- iv. CWIP shall be transferred to the respective asset head once the asset has been fully constructed and asset is ready for its intended use.

3.6 Borrowings

- i. Interest expenditure on loan shall be recognized on accrual basis.
- ii. A provision shall be made for the interest accrued between the date of last payment of interest and the date of financial statements and shall be charged to the current period's Profit and Loss Account, i.e., interest accrued but not due.

3.7 Others

i. Lease

Presently, major part of rolling stock of Indian Railway is financed by IRFC and leased to Indian Railways. In consideration, Indian Railways pays lease charges consisting of interest and principal to IRFC. Railway is Lessee for IRFC and accounting treatment of the Lease payments shall be as under:

Finance lease in the books of Railway

- a) Leased Assets where substantially all the risks and rewards vest in the Indian Railways are classified as Financial Leases. At the commencement of the lease term, such leases are capitalized at cost of acquisition of the asset and a liability is created for an equivalent amount.
- b) Finance lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated as to produce a constant periodic rate of interest on the remaining balance of the liability for each of the period.
- c) Depreciation on such assets shall be provided at the same rates as in case of owned assets.

ii. Provision, Contingent Liabilities and Contingent Assets

A provision is recognized when an entity has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

- a) Contingent Liabilities are disclosed in the notes to the financial statements even if not recognized. Further, these shall be continually assessed for the purpose of recognition in the financial statements if there is virtual certainty regarding outflow of economic benefits will arise.
- b) No Contingent Assets will be taken into account.

iii. Prior Period Items

The nature and amount of prior period items are disclosed separately in the statement of profit and loss in a manner that their impact on the current profit or loss can be perceived.

iv. Extra Ordinary Items

The nature and the amount of each extraordinary item are disclosed separately in the statement of profit and loss in a manner that its impact on current profit or loss can be perceived.

Chapter 4 - Guidelines for Preparation of Opening Balance Sheet

This chapter contains the guidelines to collate the information for the assets and liabilities mentioned hereunder. It would facilitate preparation of the Opening Balance Sheet (OBS) of the Railway. Preparation of Opening Balance Sheet is the first step which is required to be taken *for preparation of financial statements on accrual based accounting system.*

It is essential to record all the assets in the books of accounts and make provision for depreciation not only in a commercial environment, but also for entities that do not operate for profit. Governments, particularly those that operate in a parliamentary democracy, are custodians of the money raised from the citizens and other sources. They have a duty to ensure that assets created out of such borrowings are recorded properly, in order to enable proper oversight and accountal. This duty of the Government is irrespective of whether the assets are put to use to generate profit or otherwise. Government Departments/entities in India are not following the accrual-based accounting system for preparing their financial statements. Nevertheless, after realizing the importance of preparing financial statements under accrual based principles, gradually these entities are attempting transition of their accounting system from the existing cash based system to the accrual system. The first step for any entity (including a Government one) to adopt accrual system of accounting is to prepare the Opening Balance Sheet.

The preparation of the opening balance sheet requires determination of balances of fixed assets and current assets as well as long term and short term liabilities payable to outsiders. An opening balance sheet is required to be prepared to draw the statement of affairs of the entity as on the date of the balance sheet and carrying the balances of all assets and liabilities to the next accounting year.

In process of preparation of Opening Balance Sheet, data capturing formats for compiling Fixed Asset Register (FAR) and Current Assets and Current Liabilities are to be filled by the concerned personnel of units and certified/ authorized by the officials concerned. However, some additional information will also be required to be shown in Notes to accounts. Notes to Accounts will not only be given with opening balance sheet but also be required to be annexed with financial statements of every financial year.

For the purpose of valuation of Fixed Assets, the Units will *have* to follow 'Valuation Norms'. These valuation norms shall act as guiding principles while preparing the OBS and be disclosed in the 'Notes to Accounts'. Due consideration should be given to the Indian Government Financial Reporting Standards (IGFRS) issued by the GASAB and the relevant Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI). These Accounting Standards prescribe the accounting treatment for presentation and valuation of various assets/liabilities so that users of financial statements can obtain information regarding an entity's assets and liabilities. All the above mentioned steps shall lead to:

- i. Ascertaining the balances of all the Fixed assets owned by the Division/Workshop/Zonal Railway;
- ii. Ascertaining Capital Work in Progress;
- iii. Ascertaining current assets such as cash, bank balances, inventories and all the receivables;
- iv. Ascertaining current liabilities including statutory dues payable towards employee related liabilities, etc.; and
- v. Ascertaining of necessary provisions and contingent assets and liabilities.

4.1 Preparation of Opening Balance Sheet

The assets and liabilities, for which guidelines and formats have been furnished in this manual, are as under:

i. Fixed Assets

Immovable Assets

- Land (FA-1)
- Building (FA-2)
- Bridges/Flyover/Tunnel/Subways (FA-3)
- Roads/Streets (FA-4)
- Railway Tracks (FA-5 and 5A)

Movable Assets

- Furniture and Fixtures (FA-6)
- Office Equipment's (FA-7)
- Vehicles (FA-8)
- Plant, Machinery and Equipment's (FA-9)
- Computers and Peripherals (FA-10)
- Medical Equipment's (FA-11)
- Loco/Coach/Wagon (FA-12)
- Plant, Machinery and Equipment's - Signaling (FA-14)
- Plant, Machinery and Equipment's - Telecom (FA-15)
- Electrical Equipment's and Fittings (FA-16)
- Intangible Assets (FA-17)

ii. Capital Work-in-Progress (FA-13)

iii. Investments

iv. Current Assets

Advances to Employees other than Civil Advances
 Closed User Group(CUG) Recoverable
 Miscellaneous Advances other than Employees
 Earnest Money Deposit (EMD) and Security Deposits paid
 Bank Balances
 Cash and Cash Equivalents
 Inventory at shop floor /sub store
 Diesel Stock in Railway Diesel Installation (RDI)
 Imprest (Imprest also included in Cash and cash equivalents)

Receivable from Government/Private Parties etc.including FSC
 Advances against State Railway Provident Fund-SRPF
 Warranty Charges

v. Liabilities

Sales Tax/Value Added Tax (Vat) Payable
 Wages Payable (Included in Deposit Misc)
 Salary Arrears due
 Voluntary retirement Payable
 New Pension Scheme Payable(NPS)
 Demand Payable/Salary Payable
 Other Employee Benefits Payable
 Expenses Payable

- Bills of Hiring of vehicles
- Government Railway Police
- Advocate Bills
- Telephone Bills
- Electricity Bills
- Water Charges

 Amount payable to Contractors/Suppliers
 Liability for Inventory and Fuel received (included in Amount payable to Contractors/Suppliers)
 Amount payable for Civil Contracts received (included in Amount payable to Contractors/Suppliers)
 Advance income from Catering/ Advertisement/ ATM/ Parking/ Pantry car contracts
 Way Leave Charges/Retiring room booking/Cloak Room/Excess Fare Ticket received in Advance
 Amount payable for Litigation Cases
 Pending commercial claims
 Liability towards Provident Fund
 Indian Railways deposit received from outsiders/ third parties
 Details of Various Fund Balances

- Depreciation Reserve Fund
- Development Fund
- Special Railway Safety Fund (now abolished)
- Capital Fund
- Railway Pension Fund
- Staff Benefit Fund
- Railway Safety Fund
- Open Line Works Revenue Fund (Now Abolished)
- Debt Service Fund (introduced w.e.f. FY 2013-14)

Note: Details of TDS, Service tax, advance to employees (only Civil advances), Inter Railway Transactions, are not required to be collected to compile the Opening Balance

Sheet. However, Misc. Government account balance as appearing in Appropriation Accounts of Zonal Railway will be shown in OBS.

4.2 Source of Information

For the purpose of collection of information/data, the above data can be segregated in following parts:

1. Data which shall be gathered from Divisions/Workshops/Units;
 - a. All Fixed Assets in prescribed Fixed Assets Register Format ;
 - b. Inventory of non-stock items;
 - c. Payables to Contractors and suppliers;
 - d. Details of Expenses Payables
 - e. Details of Advance Income
 - f. EMD/Security Deposit Given
 - g. Warranty Charges
2. Data which shall be extracted at Head Quarter in a consolidated manner:
 - a. Balances of Various Fund;
 - b. EMD/Security deposited received from Contractors;
 - c. Information in respect of Provident Fund and other staff benefit fund;
 - d. Imprest
 - e. Inventory of Fuel
 - f. Salary Payable (Demand Payable)
3. Data which is to be obtained from CRIS:
 - a. Advance against SRPF;
 - b. Advance earning data related to Passengers;
 - c. Advance earning data of Freight;

Further, detailed guidelines to capture the data are given in Chapter 5 and Chapter 6 of this manual.

Chapter 5 - Fixed Assets Register- Process and Issues

Fixed Assets, being a significant portion of the total asset base of any organization, call for an accounting treatment involving proper classification, segregation, recording and presentation for the purpose of reflecting the financial status and determining the level of efficiency of the organization in relation to the cost incurred on the assets.

5.1 Definition of Fixed Assets

According to IGFRS 2 issued by GASAB on property, plant & equipment, the “*property plant and equipment*’ are tangible assets that:

- a. *Are held by an entity for use in the production or supply of goods or services, for rental to others, or for administrative purpose; and*
- b. *Are expected to be used during more than one reporting period.*

5.2 Recognition of Fixed Assets

An asset should be recognized in books of account when it is put to use and also when it is probable that the future economic benefits associated with the asset will flow to the organization and the cost of the asset to the organization can be measured reliably.

All the fixed assets that are in existence as at the end of the year, i.e., before adopting the accrual system of accounting shall have to be brought to the Fixed Assets Register. For the purpose of recognition of assets in books of accounts concept of control is important (refer note 1 as given below).

Note 1

Concept of Control

The concept of control of an asset’s economic benefit is the key issue in determining whether that asset should be reported in the financial statement of Indian Railways. This concept of control is what leads to non-owned assets like hire purchase assets, leasehold property to be recognized as assets. This concept is important because Governments are required to maintain control over public property in the fiduciary capacity and hence any loss of control is not only a financial but also a fiduciary loss.

To determine whether Indian Railways should be reporting an asset, it is necessary to look to the indicators of control. According to AS-26, ‘control’ is identified when the enterprise has the power to obtain future economic benefits flowing from the underlying resources and also can restrict the access of others to those benefits.

Further, it is not prescribed in the IGFRS or AS, the unit of measure for recognition, i.e., what constitute an item of property plant and equipment. Thus judgment is required in applying the recognition criteria to an entity's specific circumstances. It may be appropriate to aggregate individually insignificant items, such as library books, computer peripherals and small items of equipment, and to apply the criteria to the aggregate value.

Furthermore, spare parts and servicing equipment are usually carried as inventory and recognized in surplus or deficit as consumed. However, major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

5.3 Fixed Assets Register (FAR) Formats

Indian Railways Assets were classified into different classes of assets based upon their nature. On the basis of this classification, fixed assets register formats were developed to compile the Fixed Assets Register. Gist of formats developed is given below:

- i. **Land (FA-1)** – Details of all land belonging to IR will be collected in this format. Land may be vacant or any temporary construction made on it. Where assets such as buildings, roads, bridges, etc., are constructed on land, details of such lands would also be covered in this format.
- ii. **Building (FA-2)** – Details of all buildings such as office building, station buildings, workshop, etc., will be captured in this format. Each building is required to be identified separately.
- iii. **Bridge/Tunnel/flyover/Subways (FA-3)** – Details of all bridges, tunnel, flyover, FOB are required to be captured here.
- iv. **Roads/Streets (FA-4)** - Details of all roads will be collected in this format. However detail of land on which road is constructed is to be captured under the details of Land (FA1).
- v. **Railways Tracks (FA-5A, 5B, 5C and 5D)** - Track comprises of various components and it is considered difficult to capture this data for each component in order to populate fixed assets register of Track. Later, it was decided that Track data will be extracted from Track Management System (TMS). New formats were designed to compile the FAR of Tracks separately for track components, i.e., Rails, Sleepers, Ballast and Other Track Fittings.
- vi. **Furniture & Fixtures (FA-6):** Details of all furniture and fixtures will be collected in this format. Furniture and fixtures include Tables, chairs, coolers, etc.

- vii. **Office Equipment (FA - 7):** Details of office equipment such as like scanner, Photostat machine, projector, etc., will be captured in this format.
- viii. **Vehicles (FA-8) -** Vehicles include both heavy vehicles as well as light motor vehicles, such as trucks, staff bus, cars, jeeps, two wheelers, etc. Further, it may be noted that details of only those vehicles is required to given which belong to IR. However, in case vehicles are taken on hire, details are not required to be captured.
- ix. **Plant, Machinery & Equipment (FA-9) –** Plant, machinery & equipment includes any plant and machinery which is being directly used by IR in connection with providing services. For example, machinery used in workshop for repair and maintenance of Loco/Coach/Wagons, machinery used for construction of tunnels, Track Machine, etc.
- x. **Computers & Peripherals (FA-10) –** Details of computers and peripherals is required to be collected in this format.
- xi. **Medical Equipment (FA-11) –** Detail of equipments which are being specially used for medical purposes will be captured in this format.
- xii. **Loco/Coach/Wagon (FA-12) –** Details of all coaches, locos, and wagons will be collected in this format.
- xiii. **Capital Work-in-Progress (FA-13) –** Details of any civil construction or otherwise in progress and not completed till year end will be collected in this format. However, it may be noted that any minor work such as white washing, flooring, etc., which is just a part of regular repair and maintenance will not be treated as Capital Work and therefore will not be considered as Capital Work-in-Progress.
- xiv. **Plant, Machinery & Equipment (Signal) (FA-14) –** All equipment/machinery which are specifically being used for signalling purpose will be covered in this format.
- xv. **Plant, Machinery & Equipment (Telecom) (FA-15) –** All equipment/machinery which are being used for telecom purpose will be recorded in this format.
- xvi. **Electric Equipment& Fittings (FA-16) –** Details of electrical equipment such as power stations, DG sets, motor pump, etc., is to be given in this format.
- xvii. **Intangible Assets (FA-17) –** Intangible assets will also become part of fixed assets. Intangible assets include copyrights, trademarks, software, etc., which will be captured in this format.

5.4 General Guidelines while Compiling Fixed Assets Register

The general guidelines/step to be taken for collecting information relating to fixed assets and compiling FAR are summarized as under:

- i. The first step is to identify all the assets. Identification of fixed assets includes listing of all fixed assets of Indian Railways including land, building, Railway Tracks, etc. IR's assets are spread over a wide geographical area. Therefore, an effort is required for identifying all the assets. The first step in identification of assets is to collect the information relating all the assets owned as on the date of the Opening Balance Sheet. Identification of assets assumes importance as it would help the IR in compilation of a reliable asset register for all types of assets
- ii. It is highly likely that due to paucity of records and documents there would be a need for physical verification of the actual items to be included in Fixed Assets Register and the opening balance sheet. Indian Railways can either by themselves (by forming a dedicated team) or by hiring an external agency carry out the physical verification of fixed assets on need basis.
- iii. As far as possible, details relating to assets should be collected Division/Workshop/Units wise and then consolidated to give an overall picture for the entire IR.
- iv. Separate teams may be formed who would be responsible for collecting information in the prescribed format within a specific time frame.
- v. A inter-departmental committee may be formed for monitoring this exercise
- vi. The information collected should be cross verified with existing records maintained.
- vii. Only those assets whose ownership vests with Indian Railways, shall be considered for arriving at the list of assets of the IR.
- viii. Details of assets that are lease hold should be provided separately for each asset.
- ix. Every asset initially be measured at its cost (Historical Value) i.e., cost of acquisition. Following will also become the part of cost of the asset:
 - a. Cost of acquisition includes its purchase price, any import duties and non- refundable purchase taxes. However, any trade discounts and rebates will be deducted;
 - b. Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;

- c. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period;
 - d. Costs of site preparation;
 - e. Initial delivery and handling costs;
 - f. Installation and assembly costs; and
 - g. Professional fees directly attributable to the assets.
- x. An asset may not have a determinable cost because of inadequate or non-existent record. For example, a historic building of national significance may have been acquired several hundred years ago and no record of its acquisition cost may be available. In Railways there is also several Building which were either acquired or constructed more than hundred years ago and cost data may not be available. *Where an asset does not have a determinable cost, a nominal value of Re. 1/- may be taken for financial statements' purposes. But it may be noted that this option is the last alternative.*

5.5 Compilation of Fixed Assets Register - General Problems and Way Forward

It is possible that, complete information may not be available in various classes of fixed assets due to non-availability of records, etc. Hence, certain assumptions are required to be made to complete the process of compilation of Fixed Assets Register. The gist of major assumptions is listed below:

S. No.	Situation/Problem	Assumption/Way forward	Financial Impact
1.	Actual date of acquisition/ construction is not available in respect of a Fixed Asset but year of acquisition/ construction is available.	In these cases 1 st April of that financial year will considered as the date of acquisition/ construction in the FAR.	In case the useful/ codal life of fixed assets has expired as at the date of Opening Balance Sheet, full depreciation will be charged on those fixed assets after assuming 5% Residual value; Wherever the useful/ codal life of fixed assets has not expired

			as at the date of Opening Balance Sheet, the depreciation will be charged on those fixed assets after assuming 5% Residual value only for the period the asset was in use and subsequently, depreciation will be charged as per the accounting policy.
2.	Where the date of acquisition/ construction is not available but tentative number of years the asset has been in use is available.	<p>In this situation, the date of acquisition/ construction is calculated by comparing the used life of fixed assets from the useful/ codal life. Following two situations will emerge in this regard:</p> <ul style="list-style-type: none"> - If the used life of asset is more than or equal to useful life/Codal life of the asset, then no date of acquisition is required to be assumed in respect of these fixed assets. - If the used life of the asset is lesser than the useful life/ Codal life of the asset, then 1st April of the financial year in which asset was put in use initially (Financial Year is calculated by doing reverse calculation from number of years asset is in use) will be considered as the date of acquisition/ construction of that fixed 	<p><u>If the asset has been used more than or equal to useful life/ codal life of the asset</u></p> <p>As at the date of Opening Balance Sheet, the depreciation will be charged on the fixed asset with full value after assuming 5% residual value;</p> <p><u>If the useful life of asset is not expired</u></p> <p>As at the date of Opening Balance Sheet, the depreciation will be charged only for the period asset was in use after considering 5% residual value. Subsequently, yearly depreciation will be charged as per the accounting policy.</p>

		asset.	
3.	Where both the date of acquisition/ construction and number of years the asset is in use is not available but cost of acquisition/construction is available.	In this case asset will be valued at 5% as Residual value.	It will be presumed that useful/ codal life of fixed assets has expired as at the date of Opening Balance Sheet, the depreciation will also be charged on the fixed asset with full value after assuming 5% residual value.
4.	Where neither the date of acquisition/ construction nor the cost of acquisition/ construction is available.	All such assets are valued at Re.1/- for the purpose of compiling Fixed Assets Register (FAR).	No depreciation will be charged in respect of such fixed assets.
5.	Where the date of acquisition/ construction is available as Average 2012, before 2010, earlier than 2002, etc.	<p>In this case, 1st April of that financial year will be considered as date of acquisition/ construction in the FAR.</p> <p>For instance, if date is available as before 2010 - then 01.04.2010 will be considered as date of acquisition/ construction in the FAR; Thereafter, useful/ codal life of the asset is determined and depreciation is charged accordingly.</p>	<p><u>If the asset has been used more than or equal to useful life/ codal life of the asset</u></p> <p>As at the date of Opening Balance Sheet, the depreciation will be charged on the fixed asset with full value after assuming 5% residual value;</p> <p><u>If the useful life of asset is not expired</u></p> <p>As at the date of Opening Balance Sheet, the depreciation will be charged only for the period asset was in use after considering 5% residual value. Subsequently, yearly</p>

			depreciation will be charged as per the accounting policy.
6.	Where details in respect of total number of units for each asset is not available.	One unit of fixed asset is assumed.	
7.	Where the date of acquisition/ construction is available but cost of acquisition/ construction is not available and useful life has not expired.	All such assets will be taken at a nominal value of Re.1/-.	No depreciation will be charged in respect of these fixed assets.

Note: It is pertinent to note that as far as possible all data in respect of fixed assets should be gathered properly and recognition of fixed assets on nominal value, i.e., on Re.1/- is last alternative and should not be considered the best option.

5.6 Composition of Fixed Assets Register

Apart from some specific information as applicable to each class of asset, following are the common details which are generally required in each class of asset:

- i. **Description:** in this column description of asset is required to be mentioned. For example, in case of details of furniture, description will be forms of its nature e.g. table, chairs, almirah or safe, etc. and in case of Building description may be Station Building, Administrative Office, etc.
- ii. **Stock Holder Code:** It denotes the custodian of assets. In Railways, units such as SSE may be treated as the custodian of assets.
- iii. **Block Section:** Block section denotes '*Between two stations*'. It would help to trace the location of any asset in a convenient manner.
- iv. **Cost of acquisition/construction:** Cost of acquisition shall also include, in addition to the cost incurred in acquiring/constructing the said assets, cost incidental to the acquisition/construction. For example, in case of acquiring land, cost of registry would also be part of cost of acquisition.
- v. **Cost of improvements:** Any cost incurred for improvement of assets, which results in increasing the life or the utility of the asset, should be considered as an

improvement cost. Expenses of a normal and routine nature incurred for the repairs and maintenance of assets should not be considered as an improvement cost. For example, in case of Vehicle, normal periodical services for smooth running of vehicle will not be treated as cost of improvement. However, if engine or chassis is replaced which results in increasing the life of vehicle will be treated as cost of improvement

- vi. **Date of acquisition:** The date of acquisition is the date on which the Property was legally vested. For instance, in case of civil structure date of completion would be taken as date of acquisition while in case of other assets such as office equipment, furniture etc., and actual date of purchase may be taken as date of acquisition.
- vii. **Mode of acquisition:** Mode of acquisition is required to be explained. For example if asset is received as gift then its mode would be 'Gift', if it is constructed than its mode of acquisition is 'constructed,' etc.
- viii. **Reference of available title documents:** It has to be ensured that as far as possible the relevant documents like title deeds, contracts, invoices, etc., are available. A reference of the same may also be provided in the formats in the prescribed column. If documents are not available then same is also required to be mention.
- ix. **Codal Life of Assets/Normal useful life:** Useful life of assets is the period of time over which an asset is expected to be used by the entity. In IR, life of most assets has been prescribed in the code/manuals. Life of assets is required in order to calculate the rate of depreciation.
- x. **Fund Allocation Code:** In Indian Railways, there are many sources of funds for acquiring/constructing new assets, e.g., DRF, Capital fund, RSF, etc. Source of fund is required to be mentioned, out of which an asset is created.
- xi. **Rate of Depreciation:** Depreciation rate which is used for depreciating the asset is mentioned in this column. Depreciation rate is calculated from the codal/normal useful life of assets, i.e., $\text{cost of acquisition} - 5\% \text{ residual value}$ divided by normal useful life/Codal life.
- xii. **Accumulated Depreciation:** Accumulated depreciation is depreciation on asset from the date of acquisition to the Balance Sheet Date.
- xiii. **Net book value/Written down value:** This value will be derived after deducting accumulated depreciation from the cost of acquisition.
- xiv. **Remark:** If any other relevant detail is required to be mentioned in respect of any asset then same may be mentioned in 'Remark'. For example – pending litigation in respect of any asset, any unauthorised use or encroachment on the assets, assets for condemnation, etc.

5.7 Fixed Assets Register Format

Some parts of fixed assets register have been discussed earlier. Each format is discussed in detail in the following paras:-

1. Details of Land (FA-1)

Land constitutes a significant portion of the total Fixed Assets of Indian Railways. Details of all land belonging to Indian Railway are to be given here. Land may be vacant or there may be construction including temporary construction made on it. Where assets such as buildings, roads, bridges, track, etc., are constructed on land, all such lands are to be shown under the head 'Land' in the format FA-1 as given hereunder.

Guidelines for capturing data for Land:

1. All land will be recorded at the purchase price paid/payable and other incidental costs such as registration charges incurred to bring the asset to its present condition. Original cost of any improvement to land such as land development and land filling shall be capitalized as part of the cost of the land forming part of approved capital project.
2. If any land is acquired through compulsory acquisition, then same will be recorded at the total compensation paid/payable for the acquisition of the land. If the amount of compensation were in dispute, then the amount that will be recorded would be based on orders passed by the competent authorities. The extra amount, if determinable that may be payable at a later stage, will be shown as contingent liabilities and will be added to the cost of land when it is finally determined to the previous owner.
3. If ownership of the any land has been transferred to the Indian Railways free of cost from Government/individuals or has been donated to the IR, then such lands would be recorded at nominal value of Re. 1/-. Any development work done on that land should be capitalized. However, nominal value of Re. 1/- is to be shown separately in the value column of the register.
4. Where consideration has been paid by the IR but the ownership of the land has not been transferred in favour of the IR and the land is in the permissive possession of the IR, such land should be included in the Register of Land with the cost of consideration as its value and it should also be mentioned in remark column.
5. All land belonging to Railways is to be shown in this format whether it is vacant or any construction is being made. Further, land on which track is laid will also be covered here;
6. If there is any encroachment on land, then it may be mentioned separately in the remarks column;

7. Longitude/ Latitude should also be captured, wherever available, in Remarks Column.

Custodian of the data on Land: Primarily, Engineering Department is the Custodian of Land.

Further, it may be noted that, Value of land will be adopted from the appropriation accounts of concerned Zonal Railway. Accordingly, in FAR, wherever details are available, the available cost may be indicated against a particular piece of land, and lump sum balancing amount (land value as per Appropriation Account- available cost in FAR) may be adopted in FAR for land packets for which acquisition cost details are not available.

Detail of Land (FA-1)

S. No.	1	2	3	4	5	6	7	8	Specify if Leasehold/Freehold			Location			Revenue village as per revenue records		13	14	Year of acquisition(if known), mention earlier than (if not known)		16	17	18	19	Cost of Improvement (If Available) (Any expenses incurred on land like construction of boundary wall/fencing		20	21	22	23	24	25	26	Remarks
Stock Holder Code	Particular/Description of Land Plots	Plot Reference No.	Block Section (Between two Stations)	Chain age in Kms)	RHS or LHS in increasing KMs	Specify if Leasehold/Freehold	State	District	Town/village	Revenue village as per revenue records	13	14	15	16	17	18	19	20	21	22	23	24	25	26	Remarks									

2. Details of Buildings (FA-2)

A Building or office is a structure with a roof and walls standing more or less permanently in one place, such as a house or factory. Buildings may be of various sizes, shapes and functions; and have been adapted, throughout history, based on a number of factors, viz. building materials available, weather conditions, land prices, ground conditions, specific uses and aesthetic reasons.

Guidelines for Capturing Data:

In case of IR, details of all buildings such as office building, station buildings, workshop, etc., will have to be identified and captured separately in the format FA-2.

1. As far as possible, building should be segregated into 'RCC structure'; non RCC structure and temporary structure for the purpose of computing depreciation as life of these are different. Further, building may also be categorized into Residential, Commercial and Factory;
2. If building is purchased, then it should be valued at its purchase price and all other incidental costs such as registration charges and other cost incurred to bring the building to its present location and condition.
3. If any grant whether directly or indirectly has been received by the IR for the construction or purchase of the building, then the cost of the building will be taken at net amount, i.e., amount spent on the construction or purchase less the grant received/receivable.
4. In "Description of Building", information regarding type of Building, such as staff quarter, ORH, station building etc., will be given.
5. Additional information, if any may be shown in the 'Remarks Column'.

Custodian of the data: Primarily, Engineering Department is the custodian of Buildings.

Detail of Buildings (FA-2)

S.No.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
Stock Holder Code																										
Description																										
Location	State	4																								
	District	5																								
	Town/Village	6																								
Revenue village as per revenue records		7																								
Dimension of building	Length	8																								
	Breadth	9																								
No. of floors		10																								
Area of land on which Building is located		11																								
Total build Up area		12																								
Year of acquisition/construction(if known), Earlier than (if not known)		13																								
Cost of acquisition/construction		14																								
Improvement (If any)	Year of Improvement	15																								
	Cost of Improvement	16																								
Total cost		17																								
Depreciable amount (Total Cost – 5% Residual Value)																										
Life of asset as per Codal provisions		18																								
No. of year assets is in use		19																								
Remaining life of assets as on period end		20																								
Rate of Depreciation		21																								
Accumulated Depreciation till period end		22																								
Net Book Value as on period end		23																								
Current Use of Building		24																								
Give reference of title Document		25																								
Remarks		26																								

3. Details of Bridges/Flyover/Tunnel/Subways (FA-3)

In case of Indian Railways details of all bridges, tunnel, flyover, FOB (i.e. any structure that allows people or vehicles to cross an obstacle such as a river, canal or railway etc.) are required to be given in the format FA-3 However, detail of land on which Bridge/ Tunnel/ Flyover/ Subway is constructed is to be given in the format FA-1 as given.

Guidelines for Capturing Data

- i. All the Bridges/Flyover/Tunnel/Subways which are under the ownership and permissive possession of Indian Railways shall be accounted for.
- ii. All the Bridges/Flyover/Tunnel/Subways should be recorded at historical cost. The cost of construction of these assets should include such items as cost of materials, labour costs and construction overheads.
- iii. If any grant whether directly or indirectly has been received by the IR for the Construction of Bridges/ Flyover/ Tunnel/ Subways, then the cost of the Bridges/ Flyover/ Tunnel/ Subways will be taken at net amount, i.e., amount spent on the construction or purchase less the grant received/receivable. For instance, many ROB/RUB are constructed in which 50% of cost is borne by State Government but the ownership vests with Railway. Such ROB/RUB will be taken at amount spent by Railway.
- iv. Land pertaining to Roads and Pavements, Bridges, Tracks, and Tunnel, etc., including the cost of development of land should be booked under 'Land'.
- v. Wherever possible, a separate list of bridge/tunnel/subway etc., should be prepared.

Custodian of the data: Primarily, Engineering Department is the custodian of Bridge/Flyover/Tunnel/Subways.

FA-3

Details of Bridges/Flyover/Tunnel/Subways

S.No.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34
Stock holder code																																		
Bridge type (Bridge/ROB/RUB)																																		
Description (Bridge no. Or ROB/RUB no.)																																		
Block section (Between two stations)																																		
Chain age (KMs)																																		
Location																																		
	State																																	
	District																																	
Town Village																																		
Type of bridge (Arch/steel girder/PSC girder/ RCC box etc.																																		
Dimension of structure	Length																																	
	Total no. Of spans																																	
	No. Of span-1																																	
	SP-1																																	
	No. Of span-2																																	
	SP-2																																	
	No. Of span-3																																	
	SP-3																																	
Remarks																																		
Approved Drawing. No.																																		
Net book value as on period end (Rs.)																																		
Accumulated depreciation till date period end																																		
Rate of depreciation																																		
No. of year assets is in use																																		
Life as per Codal provisions																																		
Fund allocation code																																		
Depreciable amount (Total Cost – 5% Residual Value)																																		
Total cost																																		
Improv ement (If any)	Year of improvement																																	
	Cost of improvement																																	

4. Details of Roads (FA-4)

A road is a thoroughfare, route, or way on land between two places that has been paved or otherwise improved to allow travel by foot or some form of conveyance, including a motor vehicle, cart, bicycle, or horse. Details of all roads may be given in FA-4 as given hereunder.

Guidelines for Capturing Data

- i. All roads which are under the ownership and permissive possession of Indian Railways shall be accounted for.
- ii. All roads should be recorded at historical cost. The cost of construction of these assets should include such items as cost of materials, labour costs and construction overheads.
- iii. If any grant whether directly or indirectly has been received by the IR for the Construction of Road, then the cost of the Road will be taken at net amount, i.e., amount spent on the construction or purchase less the grant received/receivable.
- iv. As far as possible, all Roads should be segregated into Carpeted and non-carpeted road.

Custodian of the data: Primarily, Engineering Department is the custodian of Roads.

FA-4

Details of Roads/Streets

S.No.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Stock Holder Code																												
Type of road (NH/SH/municipal road/village road etc.																												
Description of road (joining town/village)																												
Station																												
Location																												
Dimensi on of roads																												
Area of road (Sq. M.)																												
Date of construction																												
Cost of construction																												
Repair Frequency																												
Improve ment (If any)																												
Year of improvement																												
Cost of improvement																												
Total cost																												
Depreciable amount (Total Cost – 5% Residual Value)																												
Fund allocation code																												
Life as per Codal provisions																												
No. of year in use																												
Rate of depreciation																												
Accumulated depreciation till date Period end																												
WDV as on period end																												
Give reference of title document																												
Remarks																												

5. Details of Railway Tracks and Track Components [FA-5A to FA-5D]:

Railway tracks and its components (also known as Permanent Ways) are major fixed assets for Indian Railways. Followings are the major component of Tracks , based on as empirical study of historic costs:

S. No.	Particular of Track Component	% to total cost of 1 KM CTR ¹
1	Rails	44%
2	Sleepers	30%
3	Ballast	8%
4	Other Track Fittings	18%

Track FAR can be compiled from the TMS data. IR is maintaining TMS software developed by CRIS for the purpose of recording various components of permanent way (Railway Tracks) like Rail, Ballast, Bridge, Formation, Sleeper, Fastening, etc. Specific formats are designed for each component and updated/filed by concerned SSE/Stockholder periodically in TMS.

For compiling Fixed Asset Register, data of Track Components will be extracted from TMS. However, only quantitative details of track components are available in TMS, i.e., there is no financial data in respect of cost of track component in TMS. Cost data will be obtained from Railway Board for centrally procured items, i.e., Rails. Further, cost of other track component like Sleeper, Ballast, etc., will be obtained locally by the Zonal Railway. Followings assumptions were taken to compile Fixed Assets Register for Railway Tracks on NWR. *However, these assumptions may differ from one Railway to another. Therefore this will require a considered decision by each Zone in light of the prevalent conditions, in association with the Civil Engineering Department.*

A. Rails (FA-5A)

- Useful lives of all new Rails will be considered as 20 years. In some cases, second hand Rails are also used. If the difference between rolling period (period of manufacture) and laying period is less than two years, it will be assumed that new rails are used; otherwise it will be assumed second hand rails are used. No depreciation will be computed on second hand rails assuming they have completed their useful life;
- Rail Section denotes the type of Rail used in laying of track, i.e., 52 KG, 60 KG, etc.
- To compute the cost of new Rails, the prevailing rate of the rolling period will be considered;

¹ Based on Type Estimated for CTR 2014-15 as obtained from Ajmer Division

- d) Where rolling period is not available, period of laying will be treated as period of rolling or vice versa; *Rolling period/year denotes the year of manufacturing of Rail while laying period/year denotes the actual year of laying of Rail on Track.*
- e) Where both rolling period and laying period are not available, it will be presumed that useful life of the Rails has expired;
- f) Where the type of Rail is not available, it will be considered as 52 KG;
- g) All new Rails will be considered as 13 Meter long.

B. Sleepers (FA-5B)

- a) Useful Life of all Sleepers will be considered as 20 years.
- b) Where the density of sleepers (number of sleepers laid per Kilometre of Track) is not available, it will be assumed at standard density, i.e., 1540 per Kilometre of Track;
- c) Unless separate rates are available for each type of sleeper, i.e., Turnout sleeper, CST sleeper, etc., all sleepers will be valued at the rate of Pre-stressed Concrete (PSC) sleepers;
- d) Where the date of lying sleeper is not available, it will be assumed that the useful life of sleeper has expired.

C. Ballast (FA-5C)

- (i) Useful life of Ballast will be taken as 10 years.
- (ii) Screening date denotes the date of laying of ballast on track.

D. Other Track Fittings (FA-5D)

- a) All other track components except Rails, Sleepers and Ballast will be grouped into other track fittings;
- b) Useful life of all other track fitting will be considered as 20 years; and
- c) Cost of other track fittings will be assumed as a percentage of total cost of Rails, which is 20% of the cost of Rails.

Custodian of the data: Primarily, Engineering Department is the custodian of Tracks.

[illegible]

[illegible]

Fixed Assets Register of Ballast (FA-5C)												
S. No.	2	3	4	5	6	7	8	9	10	11	12	13
Division/Railway												
Section												
Total Length (in KMs)												
Screening Date												
Rate of Ballast												
Total Cost												
Depreciable Amount (Total Cost – 5% Residual Value)												
No. of years is in use												
Codal Life												
Depreciation Rate												
Depreciation												
Net Block												

Fixed Asset Register of Track Fittings (FA-5D)													
S.No.	Division/Railway	Particulars	Date	Date Assumed	KM.	Rate Per KM.	Total Cost	Depreciable Amount (Total Cost – 5% Residual Value)	Useful Life	No. of Years asset is in use	Rate of Depreciation	Depreciation	Net book Value
1	2	3	4	5	6	7	8	9	10	11	12	13	14

6. Detail of Furniture and Fixtures/ Office Equipments / Computer and Peripherals (FA-6/FA-7/FA-10)

Presently, Furniture and Fixtures, Office Equipments and Computer and Peripherals are Tools and Plant (T&P) items for Indian Railways and are recorded in T&P register maintained at each section which includes only quantitative details.

Guidelines for Capturing Data

- i. Furniture and fixture includes all types of tables, Chairs, Almirah, Inverter, Air Cooler, Water Cooler etc.
- ii. Office equipment includes scanner, Photo copier, etc.
- iii. Computer and Peripheral includes Computer, Printer, Laptop, Networking Equipments, etc. Wherever possible, a separate list should be prepared for each class of Furniture.
- iv. All items will be recorded on historical cost, i.e., cost of acquisition. However, it is very difficult to get the cost data as these items are expensed off at the time of purchase. Further, it may be noted that no self-assessed cost or hypothetical cost is required to be quoted while identifying items for preparation of fixed assets register.
- v. Any identification number given in T&P register may be used as asset reference number to trace the asset easily.
- vi. Detail of these items may be collected section wise and further consolidated department wise and unit wise.
- vii. As per the accounting policy, threshold limit for FAR is fixed at Rs. 5000, i.e., items having cost of Re. 5000 or less are not required to be taken into FAR.

Custodian of data: The details of these items are available in T&P register as maintained at each section of every department.

FA-6

Details of Furniture and Fixtures

S.NO.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Description															
Location															
Reference number (If any)															
Date of acquisition/construction															
Total no of units															
Cost per unit															
Depreciable Amount (Total Cost – 5% Residual Value)															
Total Cost of acquisition/construction															
Life of assets as per Codal provisions															
No of year assets is in use															
Rate of depreciation															
Accumulated depreciation till period end															
Net book value as on period end (Rs.)															
Remarks															

FA-7

Details of Office Equipment

S.NO.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Description															
Location															
Assets Reference Number															
Date of acquisition															
Total no of units															
Cost per unit															
Depreciable Amount (Total Cost – 5% Residual Value)															
Total cost of acquisition/installation															
Life of assets as per Codal provisions															
No of year assets is in use															
Rate of depreciation															
Accumulated depreciation till period end															
Net book value as on period end (Rs.)															
Remarks															

FA-10

Details of Computers and Peripherals

S. No.	Description	Location	Reference number	Date of acquisition/installation	Total no. of units	Cost per unit	Total cost of acquisition	Depreciable Amount (Total Cost – 5% Residual Value)	Life of assets as per Codal provisions	No of year assets is in use	Rate of depreciation	Accumulated depreciation till period end	Net book value as on period end (Rs.)	Remarks
1					6	7	8		9	10	11	12	13	14

7. Details of Vehicles (FA-8)

This category includes any vehicle owned by Railways whether light motor vehicles or heavy motor vehicles. For instance, Ambulance, Truck, Car, two wheeler, etc. Now-a-days, most of the vehicles are taken on hire. However, there are still some vehicles which were purchased earlier and whose ownership vests in Railway. Details of all such vehicles are required to be collected in this format.

General Guidelines for capturing the data

- i. Only those vehicles whose ownership vests in Indian Railways, shall be taken into Fixed Assets Register;
- ii. All vehicles should be taken on historical cost, i.e., cost of acquisition; Further, any regular repair and maintenance cost will neither be added to cost of acquisition nor to cost of improvement.
- iii. Any donated vehicle will be valued at nominal value, i.e., Re. 1/-.
- iv. Any cranes, JCB machine, will not be treated as vehicle hence will not be covered in this format. These will become part of plant and machinery and will be covered in the prescribed format as applicable.

Details of Vehicles (FA-8)

S.NO.	2	3	Vehicle's details in respect of			7	8	Cost of acquisition		Details of improvements		11	12	13	14	15	16	17	18	19	20	Remarks
			Registration number	Engine number	Chassis number			Date	Cost													
Description of vehicles			Location																			
	1		4	5	6			9	10													

8. Details of Plant, Machinery and Equipments (FA-9)

Plant, machinery & equipment include any plant and machinery which is being directly used by IR in connection with provision of services. For example, machinery used in workshop for repair and maintenance of Loco/Coach/Wagons, machinery used for construction of tunnels etc. Machinery related to Signalling and Telecom would not be included in this Format.

General Guidelines for capturing the data

- i. As far as possible, separate list should be prepared for each class of Plant, Machinery & Equipment's;
- ii. Small tool having cost Rs. 5000 or less are not needed to be captured;
- iii. Plant, machinery & equipment used in workshop for the purpose of repair & maintenance of Loco/Coach/Wagon will also be covered here;
- iv. Some machineries are purchased through Central Organisation for Modernisation of Workshop (COFMOW), additional details in this regard is required to be mentioned in respective column;
- v. Further, JCB machine will become part of plant and machinery and will be covered here.

9. Detail of Medical Equipments (FA-11)

Medical equipments are designed to aid in the diagnosis, monitoring or treatment of patients. For such equipments which are being specially used for the medical purposes, details will be given in this format. Medical equipment includes all equipment which are being used in hospitals maintained by Indian Railways.

General Guidelines for capturing the data

- i. As far as possible, separate list should be prepared for each class of medical equipment;
- ii. Small equipment having cost of Rs. 5000 or less are not required to be captured;

FA-9

Details of Plant, Machinery & Equipments

S.NO.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	Remarks
Stock Holder Code																														
Unit																														
Station																														
Location																														
Category of Machine																														
Description of Machine																														
Capacity																														
COFMOW PO no. & date																														
Name of Supplier																														
Cost of acquisition/installation																														
Date of acquisition/installation																														
Date of commencement of operation																														
No of shifts in use																														
Details of improvements																														
Total cost																														
Depreciable Amount (Total Cost – 5% Residual Value)																														
Fund allocation code																														
Life of machine as per Codal provisions																														
No. of years machinery is in use																														
Rate of depreciation																														
Accumulated depreciation till period end																														
Net book value as on period end (Rs.)																														
Give reference of the available title documents																														
Current market value (if Available)																														
Condition																														
Whether Surplus																														
Remarks																														

FA-11

Details of Medical Equipment

S.NO.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Remarks
Description																
Location																
Reference number																
Date of acquisition/installation																
Total no of units																
Cost per unit																
Total Cost of acquisition																
Depreciable Amount (Total Cost – 5% Residual Value)																
Life of assets as per Codal provisions																
No. of year assets is in use																
Rate of Depreciation																
Accumulated depreciation till period end																
Net book value as on period end (Rs.)																
Remarks																

10. Details of Loco/ Coach/ Wagon (FA-12)

Loco/Coach/Wagons are also known as ***Rolling Stock***. Apart from Railway Track, Rolling Stock is one of the major assets of Indian Railways. Presently, major part of rolling stock of Indian Railways is financed by Indian Railway Finance Corporation (IRFC) and leased to Indian Railways. In consideration, Indian Railways pays lease charges consisting of interest and principal.

Present Agreement of Indian Railways with IRFC

- i. Following tables depicts the quantum of rolling stock financed by IRFC (as on 31.03.2014):

S. No.	Particulars	Units
1.	Locomotives	7,289
2.	Passenger Coaches	41,432
3.	Freight Wagons	1,85,362
4.	Cranes and Track Machines	85

- ii. IRFC retain the legal ownership of the rolling stock assets, which are leased to Ministry of Railway (MoR) on financial lease terms. Thereafter, MoR effectively uses and maintains the Rolling Stock Assets throughout their life.
- iii. The lease period is typically 30 years which comprises two components, one is the primary component of 15 years and another is secondary component of 15 years. However, full recovery of principal and interest is made during the primary component period. Further, after 30 years, asset is transferred to the MoR for a nominal price;

Current Practice in Indian Railways for Accountal of the Rolling Stock

Presently, Indian Railways don't include the full cost of leased Rolling stock in their Block Account. The Block Account only records the principal component of Rolling Stock, paid to IRFC. Further, corresponding liabilities are also not captured in the Financial Statements.

General Guidelines for capturing the data:

- i. All the Rolling stock is required to be captured in the FAR whether leased or owned;
- ii. Rolling stock will be shown at historical cost, i.e., cost of acquisition. Lease rolling stock will also be shown at cost in FAR and the corresponding future liabilities will also be shown in the Balance Sheet in respect of leased assets;
- iii. Reconciliation should be made every year towards lease payment by the concerned Zonal Railways and actual leased Rolling assets held by them.

Details of Loco/Coach/Wagons (FA-12)

S.NO.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Stock holder code																								
Department																								
Group code																								
Sub Group code																								
Asset reference no.																								
Type of wagon/coach/loco																								
Description																								
Location																								
Date of acquisition/construction																								
Date of commencement of operation																								
Total quantity																								
Cost of acquisition/construction per wagon/loco/coach																								
Details of improvement																								
Date																								
Cost																								
Total Cost																								
Depreciable Amount (Total Cost – 5% Residual Value)																								
Fund allocation code																								
Life as per Codal provisions																								
No of year assets is in use																								
Rate of Depreciation																								
Accumulated depreciation till period end																								
Net book value as on period end (Rs.)																								
Remarks																								

11. Details of Capital Work-in-Progress (FA-13)

Capital work-in-progress (CWIP) is also a major category of Fixed Assets. This includes cost of constructing fixed assets before construction is substantially complete. However, at present there is no concept of CWIP in Indian Railways. Any amount spent is booked to final head irrespective of whether the work is completed or not. The identification of an item of construction as CWIP means that the item is intended to be capitalized once it is complete. Following should also be kept in mind while computing CWIP in Railway:

- i. The total expenditure on Capital Assets which are in the process of construction or near completion should be accounted for under the head CWIP. CWIP is valued at the amount of money spent and paid plus the amount of bills passed but not yet paid. Upon completion, asset is transferred to its respective head of account.
- ii. No depreciation will be charged on CWIP since the asset is not ready to use.
- iii. Asset should be transferred from CWIP to fixed asset register, once asset is complete and is ready to use. It is advisable to review CWIP register regularly for such items.

General Guidelines for capturing the data:

- i. As there is no concept of CWIP in IR, determination of CWIP is difficult. This information will be available in the Works Registers maintained in each unit. Further, the pink book may also be a reference point for this purpose.
- ii. In case of CWIP of Track, caution will be required to avoid double accountal of data updated in TMS and thereby included in FAR of Track as well as in CWIP.

Details of Capital Work in Progress**FA - 13**

S.No.	Description of Work	Location	Estimated Cost of work	Cost incurred till period end	Fund allocation code	Estimated date of completion of the work	Remarks
1	2	3	4	5	6	7	8

12. Details of Plant, Machinery and Equipment's – Signalling (FA-14)

All Plant, Machinery and Equipment's used exclusively by signalling department will be collected in this format.

General Guidelines for capturing the data

- i. As far as possible, separate list should be prepared for each class of Plant, Machinery & Equipment used for signalling purpose;
- ii. Small items having cost Rs. 5000 or less are not needed to be captured;

Custodian of Data: Signal Department

13. Details of Plant, Machinery and Equipment's – Telecom (FA-15)

All Plant, Machinery and Equipment's used exclusively by Telecom department will be collected in this format.

General Guidelines for capturing the data

- i. As far as possible, separate list should be prepared for each class of Plant, Machinery & Equipment used for Telecom purpose;
- ii. Small items having cost Rs. 5000 or less are not needed to be captured;
- iii. Control office equipment will also be included in this format.

Custodian of Data: Telecom Department

14. Details of Electrical Equipment and Fittings (FA-16)

All electrical equipment and fittings like DG set, power station, sub-station and other equipment exclusively used by electrical department will be collected in this format.

General Guidelines for capturing the data

- i. As far as possible, separate list should be prepared for each class of Electrical Equipment and Fittings;
- ii. Small items having cost Rs. 5000 or less are not needed to be captured.

Custodian of Data: Electrical Department

FA-14

Details of Plant, Machinery & Equipment (Signalling)

S.No.	2	Description of Machinery	3	Specification/nature of machine	4	Location/Station	5	Capacity	6	Number of shifts in use	7	Date of acquisition/installation	8	Date of commencement of operation	9	Total Cost of acquisition/installation	10	Depreciable Amount (Total Cost – 5% Residual Value)	11	Fund allocation code	12	Life of machine as per Codal provisions	13	No. of years machinery is in use	14	Rate of depreciation	15	Accumulated depreciation till period end	16	Net book value as on period end (Rs.)	17	Give reference of the available title documents	18	Current market value (if Available)	19	Remarks	

FA-15

Details of Plant, Machinery & Equipments (Telecom)

S.NO.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Remarks
Description of Machinery																				
Specification/nature of machine																				
Block Section (Between two stations)																				
Capacity																				
Number of shifts in use																				
Date of acquisition/installation																				
Date of commencement of operation																				
Total Cost of acquisition/installation																				
Depreciable Amount (Total Cost – 5% Residual Value)																				
Fund allocation code																				
Life of machine as per Codal provisions																				
No. of years machinery is in use																				
Rate of depreciation																				
Accumulated depreciation till period end																				
Net book value as on period end (Rs.)																				
Give reference of the available title documents																				
Current market value (if Available)																				
Remarks																				

FA-16

Details of Electrical Equipment & Fittings

S.NO.	2	3	4	5	Chain age (in Km)		Length/No of units	9	10	Cost per unit	Details of Improvement		13	14	15	16	17	18	19	20	Remarks
Description	Stock Holder	Assets reference no. (if any)	Location	From	To	Date of acquisition/installation	Cost per unit	Date	Cost	Total cost of acquisition/installation	Depreciable Amount (Total Cost – 5% Residual Value)	Life of assets as per Codal provisions	No of year assets is in use	Rate of depreciation	Accumulated depreciation till period end	Net book value as on period end (Rs.)					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20		

15. Details of Intangible Assets (FA-17)

“An intangible asset is an identifiable non-monetary asset, without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes”. Intangible assets include software, patents, copy rights, goodwill, etc.

General Guidelines for capturing the data

- i. The cost of an internally generated intangible asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.
- ii. However, if intangible asset is purchased then the cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure to make the asset ready for its intended use. Directly attributable expenditure includes, for example, professional fees for legal services. Any trade discounts and rebates are deducted for arriving at the cost.

S.NO.	Description	Date of acquisition/ development/ installation	Cost of acquisition/ development/ installation	Location	No. of year for which license is obtained	Amortization/depreciation Rate	Accumulated depreciation/ amortization value till period end	Net Book Value as on period end (Rs.)	Remarks
1	2	3	4	5	6	7	8	9	10

Chapter 6: Accrual Impact Sheet: Current Assets and Liabilities

Accrual Impact Sheet depicts the areas having accrual impact on financial statements. To prepare the financial statements on accrual basis of Railways, it is necessary to capture all the required information/data having accrual impact, so that the effect of the same may be captured in the accrual based financial statements. We can segregate this information into the following components:

1. Information which is available at Zonal Head Quarter; and
2. Information which will need to be obtained from Divisions/Workshop/Units.

6.1 Information which are available at Zonal Head Quarter

i. Details of Investments (CA-1)

Investments: Investments are assets held by an enterprise for earning income by way of dividends, interest, and rentals, for capital appreciation, or for other benefits to the investing enterprise. Assets held as stock-in-trade are not 'investments'. For Indian Railways, investment include Equity Capital investment made in Railway's PSUs and SPVs.

It is pertinent to note that Project Advances will not be considered as Investments. So, detail of project advance will not be collected in this format. However, such advance will be covered in CA-3, i.e., Miscellaneous Advances.

- a. **Source of Information:** Details of all investments made by Zonal Railways is available in Block Account and Statement No. 11 of concerned Zonal Railway and same can be obtained therefrom.
- b. **Custodian of Data:** Books Section at Head Quarter.
- c. **Data Collection Format:** Details are to be collected in Form CA-1 named, 'Details of Investments'. The prescribed format is as under:

Zonal Railway, Indian Railways

Details of Investments

Form: CA-1

S. No.	Description	Specify the fund from which Investment made	Date of Investment/Deposit	Duration of Investment	Amount Invested (Rs.)

ii. Details of Advances to Employees (CA-2)

An advance refers to any sum paid which is recoverable in cash or in kind. For example, any amount paid to supplier for supply of material. Indian Railways provides following types of advances to its employees:

- ❖ Car Advance;
- ❖ Scooter Advance/Motor Advance;
- ❖ House Building Advance (HBA);
- ❖ Computer Advance;
- ❖ TA Advance;
- ❖ Salary Advance; and
- ❖ Festival Advance, etc.

Further, some of these advances are given from the Civil Grants as received from Ministry of Finance (MoF) and do not have any financial implication on the Railway financials. Such advances will not form part of financial statements of Zonal Railway as liability, only net balance of the transactions will be reflected in Adjustment Account.

However, any advance given by Railway to its employees from own funds will form part of financial statements and detail of such advance is to be collected in this format.

- a. **Source of Information:** Information of advances given to employee from own fund will be obtained from the Head Quarter of Zonal Railway.
- b. **Custodian of Data:** Book section may be approached for this information.
- c. **Data Collection Format:** Details are to be collected in Form CA-2 named, 'Details of Advances to Employees'. The prescribed format is given below:

Zonal Railway, Indian Railways Details of Advances to Employees

Form: CA-2

S.No.	Name of Employee	Nature of Advance	Amount Advanced (Rs.)	Principal outstanding as on Period end (Rs.)	Total Amount outstanding as on Period end (Rs.)

iii. Transfer Certificate (TC) Debit and Transfer Certificate (TC) Credit (CA-5 and CA-6)

It denotes the amount of transfer transactions among various Zones/ Production Units of Indian Railways. This may be on account of expenditure, earning, etc. Such transactions take place through E-recon. Following points may also be kept in mind:

- ❖ Effect of all transactions between various accounting units (Divisions and Workshops, etc.) of a Zonal Railway becomes Nil at Zonal Railway (Head Quarter); and
- ❖ Effect of transactions between various Zonal Railways becomes Nil at Indian Railway level (Railway Board).

Further, it may be noted that no information is required to be collected in respect of transfer transactions for the purpose of Opening Balance Sheet.

- a. **Source of Information:** Information of transfer transactions that take place within that financial year is required to prepare financial statements, which are available in **Final Account Current of March** and same can be obtained from there.
- b. **Custodian of Data:** Book Section of Head Quarter may be approached for this information.
- c. **Data Collection Format:** Details are to be collected in Form CA-5 and CA-6 respectively as below:

Zonal Railway, Indian Railways

Transfer Certificate (TC) Debit

Form: CA-5

S. No.	Name of Accounting Unit	Particulars of TC	Specify whether inward or outward	Date of TC	TC reference no. (if any)	Total amount outstanding as on Period end (Rs.)	Remarks

Zonal Railway, Indian Railways
Transfer Certificate (TC) Credit

Form: CA-6

S. No.	Name of Accounting Unit	Particulars of TC	Specify whether inward or outward	Date of TC	TC reference no. (if any)	Total amount outstanding as on Period end (Rs.)	Remarks

iv. Details of Bank Balances (CA-8)

Primarily, a Zonal Railway does not have any bank balance. Each Railway maintains Government Deposit and Drawing Accounts with RBI, i.e., Civil Head 8675 'Deposit with RBI' for banking transactions. At the year-end, CGA transfers this balance to Civil Head 8999 'Cash Balances' by nullifying Civil Head 8675, i.e., Deposit with RBI. Further, following amount is shown as Saving Account with Government in Appropriation Account of Zonal Railway:

- a. Pension Fund
- b. Depreciation Reserve Fund (DRF) and
- c. Provident Fund

Following will also form part of bank balances:

- Remittance into Bank (RIB): Zonal Railway operates this head at the time of depositing cash or cheque into bank. Balance in this account denotes the amount of cash/cheque deposited but not credited into account;
 - Cheques and Bill: At the time of making any payment this head is operated. Balance in this head denotes cheques issued but not presented for payment.
- a. **Sources of Information:** Information is to be taken from Appropriation Account of Zonal Railway.
 - b. **Custodian of Data:** Book Section.
 - c. **Data collection Format:** Details are to be collected in Form CA-8 named, 'Details of Bank Balances'. The prescribed format is given below:

Zonal Railway, Indian Railways

Details of Bank Balances

Form: CA-8

S. No.	Name of Account(s)	Name of the Bank	Branch	Balance as on Period end (Rs.)

v. Details of Cash and Cash Equivalents (CA-9)

Cash comprises cash in hand and demand deposits (Reserve Bank deposits which are retained as treasury bills) while Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and Cash equivalent represents the amount of cash available with the entity and determines the liquidity position.

- Sources of Information - Head Quarter./Division:** Information is to be taken from Account Current of Zonal Railway for whole Zonal Railway.
- Custodian of Data:** Concerned Officials of Book Section at Head Quarter
- Collection Format:** Details are to be collected in Form CA-9 named, 'Details of Cash and Equivalent'. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of Cash and Cash Equivalents

Form: CA-9

S. No.	Particulars	Closing Balance as on Period end (Rs.)

vi. Diesel Stock in Railway Diesel Installations (RDIs) (CA-10A)

RDI stands from Railway Diesel Installation which is primarily a fuelling point for Locomotives. There are several RDIs in every Zonal Railway that maintain fuel stock.

- Sources of Information:** Closing inventory of fuel lying in all RDIs is available in Head Quarter of Zonal Railway and same may be obtained from there.
- Custodian of Data:** Mechanical Department at Head Quarter.

- c. **Data Collection Format:** Details are to be collected in Form CA-10A named, 'Details of Diesel at Railway Diesel Installation (RDI)'. The prescribed format is given below:

Zonal Railway, Indian Railways
Diesel at Railway Diesel Institution

Form: CA-10A

S.No.	Tank No.	Capacity	Quantity as on Period end	Rate of purchase	Unit of Measurement	Total Amount (Rs.)

vii. **Details of Imprest (CA-11)**

Imprest is a permanent advance given to employees to meet out petty expenditure. It is revolving in nature. It will form part of cash and cash equivalents.

- a. **Sources of Information:** Closing and Opening balance of Imprest is available in Account Current. It may be obtained from every Division/Workshop separately; alternatively, it may be obtained from the account current of Zonal Railway.
- b. **Data In charge:** Book Section
- c. **Data Collection Format:** Details are to be collected in Form CA-11 named, 'Details of Imprest'. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of Imprest

Form: CA-11

S. No.	Particular of employees	Purpose of Imprest	Amount of Imprest Given	Closing Balance as on Period end (Rs.)

viii. Receivable from State Government, Central Government (CA-12)

Receivables are an asset designation applicable to all debts or other monetary obligations owed to an entity by its debtors or customers. Receivables are reported in the Financial Statements, and they include all debts owed to the entity, even if the debts are not currently due. Long-term receivables, which do not become due for a significant length of time, are recorded as long-term assets in the Financial Statements. However, short-term receivables are considered part of an entity's Current Assets. This format will cover receivable from:

- ❖ Pay & Accounts Office (P&AO);
- ❖ Accountant General (AG);
- ❖ A state or Central PSU viz. Tourism Corporations etc
- ❖ Postal and Telegram Department (P&T); and
- ❖ Defence Department, etc.

- a. **Sources of Information:** Information will be taken from Appropriation Account of Zonal Railways. Alternatively, it may also be obtained from Traffic Account Office at Zonal Head Quarter.
- b. **Custodian of Data:** Book Section and Traffic Account Office at Head Quarter.
- c. **Data Collection Format:** Details are to be collected in Form CA-12 named, 'Details of Receivables'. The prescribed format is given below:

**Zonal Railway, Indian Railways
Details of Receivables**

Form - CA 12

S. No.	Particulars	Opening Balance as on Period end (Rs.)	Amount of Bill raised during the Year	Amount Received during the Year	Total amount outstanding as on Period end (Rs)

ix. Details of TDS Payable U/S 192 (Salary/Contractor/Professional Services) (CL-1/CL-2/CL-3)

TDS stands for Tax deducted at source. Indian Railways also deduct TDS from Salary/Contractual payments as per the Income Tax Provisions. However, same is not deposited with Income Tax Department directly because IR is operating a Civil Heads of

accounts on behalf of Government of India and TDS is credited into Civil head 0021 at the time of deduction itself. However, in the books of account, it is reflected till year end and becomes Nil with the beginning of the new Financial Year. Further, Divisions/Workshops file TDS returns periodically as per the applicable provisions.

It may be noted that no information is required in respect of TDS payable for compiling Opening Balance Sheet. However, information of TDS payable during the financial year is available in Final Account Current of March which will be reflected in the Financial Statements through Adjustment Accounts.

- a. **Source of Information:** Detail is available in Account Current for the month of March of Zonal Railway for whole Zonal Railway.
- b. **Custodian of Data:** Book Section at Head Office is to be approached to collect the data.
- c. **Data Collection Format:** Details are to be collected in Form CL-1/CL-2/CL-3 as applicable in the given below Format:

Zonal Railway, Indian Railways
Details of TDS payable

Form:- CL-1, CL-2, CL-3

S.No.	Particulars	TDS payable as on Period end (Rs.)	Remarks

x. Details of Service Tax Payable (CL-4)

Service Tax is charged by Indian Railways on services provided. It is also adjusted in same manner as TDS, i.e., it is also not deposited directly because IR is operating Accounting head (Civil Head-0044) for crediting Service Tax to Government of India. In accounts, it is reflected till year end and becomes Nil with the beginning of new Financial Year.

No information is required in respect of Service Tax payable for compiling Opening Balance Sheet. However, information of Service Tax payable during the financial year available in Final Account Current of March is required which will be adjusted in Adjustment Accounts in the Balance Sheet.

- a. **Source of Information:** Data of Service Tax collected during the financial year will be taken from the Final Account Current of concerned Zonal Railway.
- b. **Custodian of Data:** Book Section at Head Office is to be approached to collect the data.
- c. **Data Collection Format:** Details are to be collected in Form CL-4 named, 'Details of Service Tax Payable'. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of Service Tax Payable

Form:- CL-4

S.No.	Particulars	Balance Outstanding on Period end (Rs.)	Remarks

xi. Details of Sales Tax/VAT Payable (CL-5)

Primarily, it is Works Contract Tax (WCT) which is deducted from the works bills and further deposited with concerned Government Department. Presently, any amount of WCT which is deducted from the bill of contractors but not deposited is kept in 'Deposits'.

- a. **Source of Information:** Deposit Register Zonal Railway for whole Zonal Railway.
- b. **Custodian of Data:** Book Section at Head Office is to be approached to collect the data.
- c. **Data Collection Format:** Details are to be collected in Form CL-5 named, 'Details of Sales Tax/ VAT Payable'. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of Sales Tax/ VAT Payable

Form:- CL-5

S.No.	Particulars	Balance Outstanding on Period end (Rs.)	Remarks

xii. Details of Wages Payable (CL-6)

It denotes the amount of wages payable, i.e., which becomes due but not paid till year end. In some cases, amount is not paid on account of wrong Bank details or for some other reason, etc., same is kept in deposit as “Unpaid Wages”.

- a. **Source of Information:** Details of unpaid wages is available in Deposit Register Zonal Railway for whole Zonal Railway.
- b. **Custodian of Data:** Book Section at Head Office is to be approached to collect the data.
- c. **Data Collection Format:** Details are to be collected in Form CL-6 named, ‘Details of Wages Payable’. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of Wages Payable

Form:- CL-6

S.No.	Particulars	Balance Outstanding as on period end	Remarks (If any)

xiii. Salary Payable/Demand Payable (CL-7)

Demand Payable is a suspense head, intended to collect all the liabilities of the month and also record the actual discharge of such liabilities, when payment is made subsequently. The balance under this head will always be a credit balance, representing outstanding liabilities. A separate account is kept for each month. However, presently, this head is operated only in the month of March in most of the Railways, to capture the liabilities of salary payable in the same financial year.

- a. **Source of Information:** Data is available at Head Quarter.
- b. **Custodian of Data:** Book Section at Head Quarter
- c. **Data Collection Format:** Details are to be collected in Form CL-7 named, ‘Details of Demand Payable/Salary Payable’. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of Salary Payable/Demand Payable

Form:- CL-7

S.No.	Particulars	Balance Outstanding on Period end (Rs.)	Remarks (If any)

xiv. Details of State Railway Provident Fund (SRPF) (CL-8)

As per Statutory Railway Provident Fund Rules, all employees after a continuous service of one year are eligible to subscribe the SRPF Fund. It is deducted from the salary. It may be noted that there is no trust to maintain Provident Fund. It is maintained by Indian Railways itself. Further, contra of equivalent to this amount will also be shown in assets side as 'Saving Account with Government'.

- a. **Source of Information - Head Quarter/Division:** Data is available at Zonal Railway Head Quarter for the entire Zonal Railway.
- b. **Custodian of Data:** Books Section of Head Quarter may be approached for collecting the consolidated amount for the entire Zonal Railway.
- c. **Data Collection Format:** Details are to be collected in Form CL-8 named, 'Details of State Railway Provident Fund (SRPF)'. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of State Railway Provident Fund (SRPF)

Form:- CL-8

S.N o.	Opening Balance	Subscription received during the year	Interest earned during the year	Withdrawal/Payment made to subscriber during the year	Closing Balance as on Period end

xv. Detail of other Employee Benefits Payable (CL-9)

Apart from salary, any other employee benefit like Leave encashment, gratuity, pension, etc., which become due but not paid till year end will be covered here. Further, actuarial liabilities of long term employee benefits will also be covered here.

- a. **Source of Information:** Information will be obtained from Head Quarter. However, actuarial valuation of long term employee benefits is to be obtained from the appointed Actuary.
- b. **Custodian of Data:** Book Section at Head Quarter.
- c. **Data Collection Format:** Details are to be collected in Form CL-9 named, 'Details of Employee Benefit Payable'. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of other Employee Benefits Payable

Form:- CL-9

S.No.	Particulars	Balance Outstanding as on Period end (Rs.)	Remarks
1	Pension Benefit		
2	New Pension Scheme		
3	Employee Insurance Scheme		
4	Deposit linked Insurance Scheme		
6	Others (if any)		

xvi. Indian Railways Deposit (CL-12)

Primarily, Indian Railway Deposit represents the amount of various deposits lying with Indian Railways. Following are some of examples:

- ❖ Security deposit taken from Contractors
- ❖ Earnest Money Deposit
- ❖ Deposit.

- a. **Source of Information:** Details is to be obtained from the appropriation accounts of Zonal Railways.
- b. **Data In charge:** Book Section at Head Quarter may be approached for collecting a consolidated amount for such deposits for whole Zonal Railway.
- c. **Data Collection Format:** Details are to be collected in Form CL-12 named 'Indian Railways Deposit'. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of Deposits

Form:- CL-12

S.No.	Particulars	Purpose of Deposits	Balance Outstanding as on Period end (Rs.)

xvii. Details of Various Fund Balances (CL-13)

Indian Railway's capital expenditure is financed from various funds based upon the category and nature of the asset as defined in Finance Code Volume I. Presently, following are the sources of Funds for creation of assets:

- ❖ Capital (Loan in Perpetuity);
- ❖ Depreciation Reserve Fund;
- ❖ Development Fund;
- ❖ Railway Capital Fund;
- ❖ Special Railway Safety Fund;
- ❖ Accident Compensation, Safety and Passenger Amenities Fund;
- ❖ Open Line Works (Revenue) Fund;
- ❖ Debt Service Fund (Newly inserted with effect from Financial Year 2014-15 for repayment of debt liabilities)

Further, following sources of fund have been abolished now (However, balances in these funds continue for those assets which have been created from these funds in the past):

- ❖ Special Railway Safety Fund;
- ❖ Accident Compensation, Safety and Passenger Amenities Fund and
- ❖ Open Lines Works Revenue Fund.

Balances under RSF, DF, CF, and DSF are maintained centrally in Railway Board.

- a. **Source of Information:** Appropriation Accounts of Zonal Railways. Source of such details is Appropriation Account from where the consolidated amount of various Fund Balances for the whole Zonal Railway is to be taken.
- b. **Date In charge:** Book Section at Head Quarter.
- c. **Data Collection Format:** Details are to be collected in Form CL-13 named, 'Fund Balances'. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of Fund Balances

Form:- CL-13

S.No.	Particulars of Fund	Opening Balance (Rs.)	Contribution to the fund during the FY	Deduction from the fund during the FY	Balance Outstanding as on Period end (Rs.)	Remarks
1	Depreciation Reserve Fund					
2	Development Fund					
3	Special Railway Safety Fund					
4	Others (if any, Please specify)					

xviii. Details of Claims (CL-21)

Claim refers to those claims which are lodged on Indian Railways. These claims may be lodged by Contractors, Passenger and even employees. Some of these claims may be accepted by Indian Railways without going into arbitration/ litigation and some of them may lead to arbitration/litigation. All accepted claims are clear liability of Indian Railways and should be accounted for. However, claims which are subject to arbitration/litigation are to be included as contingent liabilities depending upon fact and nature of the claim. All such claims are to be covered in this format.

- a. **Source of Information:** Information is available at HQ.
- b. **Date In charge:** Dy. CCM, Dy. CPO, Dy. CE, etc., in Head Quarter is responsible for providing data.
- c. **Data Collection Format:** Details are to be collected in Form CL-21 named, 'Details of pending Claims'. The prescribed format is given below:

Zonal Railway, Indian Railways
Detail of pending claim

Form: CL- 21

S. No.	Particulars of Claimant	Amount of Claim Lodged	Whether claim accepted	Amount of Claim accepted	Whether claim accepted is paid	Remarks

6.2 Information to be obtained from Divisions/Workshops/Units

It refers to that information which is not available at Head Quarter and need to be obtained from respective Divisions/Workshop/Units.

i. Details of Miscellaneous Advances (CA-3)

It refers to any advance given to anyone except employees. For instance, advance given to contractors, project advance from relevant plan heads (without operating MAC) under demand 16, Fabrication Advance, etc. In some cases, payment is made to suppliers only on proof of dispatch. Any such amount will also form part of advance and will be shown as advance in the financial statements.

- a. **Source of Information:** Details of the same may be fetched from Head Quarter. However, if any advance is given to contractors and suppliers, details of such advances will be obtained from Division/Workshop/Units.
- b. **Custodian of Data:** Book section at Division/Workshop/Unit is responsible for providing such details.
- c. **Data Collection Format:** Details are to be collected in Form CA-3 named, 'Details of Miscellaneous Advances other than employees'. The prescribed format is given below:

Zonal Railway, Indian Railways Details of Misc. Advance other than employees

Form : CA-3

S.No.	Name of Supplier/ Contractors	Nature of Advance	Date of Advance	Amount Advanced (Rs.)	Interest receivable as on Period end, if any (Rs.)	Total amount outstanding as on Period end (Rs.)

ii. Details of Earnest Money Deposit (EMD) and Security Deposits paid by Railway (CA-4)

It denotes the amount of EMD and security deposits 'Deposited by Railway with Other Entities'. Primarily, IR does not provide any EMD and security deposit to others. However, there may be some cases where security deposit is given to obtain a new electric connection or telephone connection. Any such deposit will be covered here. Further it may be noted that details of security/EMD received by Railway from Contractors and Suppliers and the details of the same will be collected in prescribed

format, i.e., CL-12. For instance, security deposit given to electricity department to obtain new connection.

- a. **Source of Information:** Presently, no such details are maintained by Division/Workshop/Zonal Railways because any such amount given as security is charged to expenditure at the time of payment. So this information is difficult to capture. To capture this data past records are needed to be analyzed.
- b. **Custodian of Data:** Concerned Officials of Department at each Division and Workshop are responsible for details of such security deposits.
- c. **Data Collection Format:** Details are to be collected in Form CA-4 named, 'Details of EMD and Security Deposits'. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of Earnest money and Security Deposit

Form: CA-4

S.No.	Particulars	Nature of Deposit	Amount of Deposit as on Period end (Rs.)	Remark(s)

iii. Details of Demand Recoverable (CA-7)

Demand Recoverable represents the amount of bill raised for recovery of income like licence Fee, Building rent, etc., but the payment is not received. There may be some instances where income is due but the bill is not raised. Any such amount will also become the part of Demand Recoverable. Presently, the amount of Demand Recoverable (to the extent of bills raised) is included in Traffic Suspense.

- a. **Source of Information:** Details are to be provided from the 'Bills Recoverable Registers' maintained at Divisions/Workshop.
- b. **Custodian of Data:** These details are available with Traffic Accounts Office (TAO).
- c. **Data Collection Format:** Details are to be collected in Form CA-7 named, 'Details of Demand Recoverable'. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of Demand Recoverable

Form:- CA-7

S. No.	Name of Parties	Nature of Demand	Due date of Payment (DD/MM/YY)	Total amount outstanding as on Period end (Rs)

iv. Inventory (CA-10)

Inventories are assets:

- In the form of materials or supplies to be consumed in the production process;
- In the form of materials or supplies to be consumed or distributed in the rendering of services;
- Held for sale or distribution in the ordinary course of operations; or
- In the process of production for sale or distribution.

In Railway, inventories are classified into following categories:

- ❖ Stock Items: Stock items refer to items which are in nature of day-to-day consumables.
- ❖ Non-stock items: Non-stock items refer to those items which are not-stock items.

Following points should be given special attention while capturing the data of inventories:

- *Presently, any material purchased for Track Renewable purpose is directly charged to final head which either may be a revenue head or a plan head. Any inventory lying on this account should be accounted carefully as any capital work which is not completed till year end is required to be shown as Capital Work-in-Progress. It must be ensured that there should not be duplication of inventory, i.e., if cost of any unconsumed material is already included in the amount of CWIP then same will not be included in the amount of inventories;*
- *Inventory of scrap material is to be shown separately to the extent it is not included in store suspense;*
- *The balance of Workshop Manufacturing Suspense (WMS) is treated as work-in-progress and will be classified as Inventories. Further, it is pertinent to note that any balance lying in WMS in the production units which are exclusively engaged in production of Coach/Loco/Wagons will be considered as Capital Work-in-Progress (CWIP) and same cannot be shown as inventories; and*

- *There is no threshold limit for inventories, so care and due diligence is to be taken while capturing this data. Alternatively, ABC analysis can also be done, i.e., all items having significant value should be captured fully while low value consumable items like soaps, cotton waster, etc., may be ignored.*
- a. **Sources of Information-HQ/Division:** Inventories of Stock items may be taken from appropriation accounts of Zonal Railways, i.e., **Store Suspense**. However, detail of material at site and Inventories of non-stock item is to be obtained from Divisions/Workshops/Units.
 - b. **Custodian of Data:** Data is to be taken from Concerned Officials with Executive Departments, i.e., custodian or concerned Senior Section Engineers (SSEs).
 - c. **Data Collection Format:** Details are to be collected in Form CA-10 named, 'Details of Inventory/Closing Stock'. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of Inventory/Closing Stock

Form: CA-10

S. No.	Name of Item/ Material	Specification (if any)	Unit of Measurement	Qty./No. of units of item in stock as on Period end	Unit Cost (Rs.)	Total Value as on Period end (Rs.)

v. Details of Foreign Service Contribution (FSC) (CA-13)

Employees of Indian Railways also work on deputation in other Government Departments of Railway PSUs. Further, in some cases, IR personnel are also deputed on Railway sidings. Any amount receivable on account of salary of such employees is considered as FSC receivable.

- a. **Sources of Information:** Details are to be extracted from Registers maintained at Employee Gazetted (EG) Section of each Division/Workshop.
- b. **Custodian of Data:** Divisional Personal Officer (DPO) is responsible for the recovery of FSC charges while engineering section is responsible for the recovery of siding charges. Therefore this data can be extracted from this section.
- c. **Data Collection Format:** Details are to be collected in Form CA-13 named, 'Details of Foreign service contribution'. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of Foreign Service Contribution

Form: CA – 13

S. No.	Name of Employee	Date of Deputation	Amount to be received	Amount Recovered	Outstanding Balance

vi. Advances against State Railways Provident Fund (CA-14)

As per Statutory Railway Provident Fund Rules, all employees after a continuous service of one year are eligible to subscribe to the SRPF Fund. Further, withdrawals from SRPF may be of two types, one is temporary and the other is permanent. However, any permanent withdrawals can be made from the fund only after completing 15 years of service, otherwise only temporary withdrawal is allowed. This is recoverable in nature and recovered from the salary.

- a. **Sources of Information:** Provident Fund Ledger. However, consolidated amount of this advance for whole Zonal Railway may be fetched from CRIS.
- b. **Custodian of Data:** Concerned Officials of Provident Fund Section at Divisions/Workshops/Units are responsible to provide this data.
- c. **Data Collection Format:** Details are to be collected in Form CA-14 named, 'Details of Advances against Statutory Railways Provident Fund (SRPF)'. The prescribed format is given below:

Zonal Railway, Indian Railways
Advance Against State Railway Provident Fund

Form:- CA-14

S. No.	Name of Employee	Total amount outstanding as on Period end (Rs.)

vii. Warranty Charges (CA-15)

In some cases, the cost of Plant, Machinery and equipments also includes cost of warranty charges paid for a certain period. Machinery is depreciated over its useful life. However, warranty period may or may not be equivalent to useful life of assets. So amount paid towards warranty charges is required to be amortized over the warranty period. Apart from new plant, machinery and equipment, Annual Maintenance Contract (AMC) is taken for certain period and same is expensed off. However, it should be amortized over the warranty period.

- a. **Sources of Information:** Information is to be obtained from all Divisions/Workshops.
- b. **Data In charge:** Concerned Officials at each Division/Workshop.
- c. **Data Collection Format:** Details are to be collected in Form CA-15 named, 'Details of Warranty Charges'. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of Warranty Charges

Form: CA-15

S. No.	Particular of Warranty	Period of warranty		Amount charged exclusively for warranty	Amount to be carried forward to the next FY
		From	To		

viii. Details of Expenses Payable (CL-10)

Expenses like Electricity, Telephone, Vehicle hiring, etc., which become due for payment but not paid are, categorized as Expenses Payable. *As per the accounting policy, all bills received upto 31st May of next the financial year and pertaining to the earlier year will be covered under Expenses Payable.*

- a. **Source of Information:** Information is to be obtained from the Division/Workshops in respect of these expenses payable.
- b. **Custodian of Data:** Detail is to be obtained from the Concerned Officials at Divisions/Workshops/Units.
- c. **Data Collection Format:** Details are to be collected in Form CL-10 named, 'Details of Expenses payable'. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of Expenses/Bills Payable

Form: CL-10

S.No.	Particulars of Expenditure	Balance Outstanding as on Period end (Rs.)

ix. Details of amount Payable to Contractors/Suppliers (CL-11)

Payable denotes the amount owed to others. The liabilities may be on account of supplies received, service contracts, etc. Based upon the nature, amount payable to contractors and suppliers is classified into following:

- ❖ **Liability for Works Contracts:** It includes any amount payable to contractors and suppliers on account of works contracts. This information will be covered in **CL-16**.
 - ❖ **Liability on Account of Supplies:** It includes any amount payable to suppliers for suppliers but payment is not made till year end. For instance, Supply of stores, Diesel, etc. This liability will be covered in **CL-15**.
 - ❖ **Liability for Service Contracts:** Any amount payable on account of service contracts like annual maintenance contract (AMC), Cleaning contracts, etc. will be covered in **CL-11**.
 - ❖ **Any amount payable of under Capital Expenditure shall not be charged to P&L Account and will form part of CWIP/ Assets, as the case may be.**
- a. **Source of Information:** This data will be collected from the Division/Workshops. It may be possible that some register recording the required information is maintained for the unpaid liability.
 - b. **Custodian of Data:** Book Section and Executive Departments of Divisions/Workshops.
 - c. **Data Collection Format:** Details are to be collected in Form CL-11, 15, and 16 named 'Details of amount Payable to Contractors/Suppliers'. The prescribed format is given below:

Zonal Railways, Indian Railways
Details of amount Payable to Contractors/Suppliers-Service Contracts

Form: CL-11

S.No.	Name of Contractors/ Suppliers	Nature of Expenditure	Balance Outstanding as on Period end (Rs.)	Revenue/ Capital	Remarks

x. Details of Amount Payable to Contractors/Suppliers- Supply contracts (CL-15)

Any amount payable to suppliers against the purchase of HSD oil and any other store items whose bill is received for payment but not paid till 31st March will be accounted under this category.

- a. **Source of Information:** The data relating to amounts payable to suppliers is to be obtained from Division/Workshop:
- b. **Custodian of Data:** The concerned officers of Stores Branch or Accounts Department are responsible for providing this data.
- c. **Data Collection Format:** Details are to be collected in Form CL-15 named, 'Details of amount payable to Contractors/Suppliers'. The prescribed format is given below:

Zonal Railway, Indian Railways

Details of Payables to Contractors/Suppliers-Supply Contracts

Form: CL – 15

S. No.	Name of Supplier/ Contractor	Receipt Order No.	Date of Receipt Order	Bill No. and date	Revenue/ Capital	Total Amount (Rs.)

xi. Contractual Liabilities for Works Contracts (CL-16)

This format will cover any amount payable in respect of “Works Liabilities”, i.e., any bill which is received and not paid.

- a. **Source of Information:** This data will be collected from the Division/Workshops. It may be possible that some register recording the required information is maintained for the unpaid liability.
- b. **Data In charge:** Book Section and Executive Departments of Divisions/Workshops.
- c. **Data Collection Format:** Details are to be collected in Form CL-16 named, ‘Contractual Liabilities for Works Contract’. The prescribed format is given below:

Zonal Railway, Indian Railways
Contractual Liabilities for Works contract

Form: CL – 16

S.No.	Particulars of Contract	Work Order No.	Name of Contractor	Location	Period of Contract		Total Contract Value	Measurement of work done but bill not submitted		Bill submitted but not Paid		Revenue/ Capital	Remarks
					From	To		Date of Measurement	Amount for Bill	Date of Bill	Amount of Bill		

xii. Details of Earning Contracts (CL-18)

Apart from earning from Passenger and Goods Traffic, Indian Railways also earns revenue from various other streams like parking contracts at stations, catering contracts, advertisements, etc. Generally, these earnings are received in advance either fully or partly; but are recognized as earnings at the time of receipt. From accrual perspective, such receipts should not be part of earning at the time of receipt. All advance earnings from any revenue contract is to be covered here.

Further, it is pertinent to note that details in respect of advance Earnings from Passenger Traffic and Goods Traffic will be obtained from CRIS at the level of Zonal HQ.

- a. **Source of Information:** Information is to be obtained from Divisions/Workshops/Units.
- b. **Custodian of Data:** This information will be obtained from the Commercial Department at all Divisions/Workshop/Units.
- c. **Data Collection Format:** Details are to be collected in Form CL-18 named, 'Details of Earning Contracts'. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of Earning Contract

Form: CL – 18

S. No.	Name of Contractor	Nature of Contract	Location	License Fees	Cycle of License Fees	Period of Contract		Remarks
						From	To	

xiii. Details of Income Received in Advance/Way leave Charges (CL-19)

Way leave is the facility given by Indian Railways to other Government Department/Private companies by providing the way over/under track. For example, facility given to BSNL for laying cables under the tracks. At present, way leave charges are received in advance for 10 years and same is considered as earning at the time of receipt. However, from accrual perspective, any amount which pertains to the next financial year should not become part of earning. Therefore, all earnings of way leave charges are to be segregated into earning (current) and advance earning.

- a. **Source of Information:** Details are to be obtained from Divisions/Workshops/Traffic Account Office.
- b. **Custodian of Data:** Books section at Divisions/Workshops/Traffic Account Office
- c. **Data Collection Format:** Details are to be collected in Form CL-19 named, 'Details of Income Received in Advance/Way leave Charges'. The prescribed format is given below:

Zonal Railway, Indian Railways
Details of Income Received in Advance/Way leave Charges

Form : CL-19

S. No.	Particulars	Amount Received during the Year	Date of Advance Received	Period of Advance	Remark

Chapter 7 - Preparation of Financial Statements

Financial statements are intended to meet the needs of users. Users of financial statements include stake holders like taxpayers, members of Legislature, Government entities, the media and the public.

7.1 Purpose of Financial Statements

The objective of financial statements is primarily to provide 'true and fair' view of the financial position, financial performance and cash flows of the entity which is useful to a wide range of users in making and evaluating decisions about allocation of resources and to demonstrate the accountability of the entity for the resources entrusted to it. Financial statements can also have a predictive or prospective role, providing information useful in predicting the level of resources required for continued operations, the resources that may be generated by continued operations, and the associated risks and uncertainties. Primarily, financial statements are used for:

- a. Providing the information about the sources, allocation, and utilization of financial resources;
- b. Providing information about how the entity financed its activities and met its cash requirements;
- c. Providing information that is useful in evaluating the entity's ability to finance its activities and to meet its liabilities and commitments;
- d. Providing information about the financial condition of the entity and changes in it, including its assets and liabilities;
- e. Providing aggregate information useful in evaluating the entity's performance in terms of cost of providing services and efficiency in delivery of services besides other accomplishments.
- f. Whether resources were allocated, obtained and used in accordance with the budget;
- g. Whether resources were allocated, obtained and used in accordance with legal and contractual requirements, including financial limits established by appropriate legislative authorities and
- h. Whether resources were obtained outside the budget/direct transfers.

7.2 Responsibility for Financial Statements

As per IGRS-1 as issued by GASAB, "The responsibility for the preparation and presentation of financial statements vests with the Chief Accounting Authority" as defined in Rule 64 of the General Financial Rules (GFR) 2005, notified by Department of Expenditure, Ministry of Finance, and Government of India. The Chief Accounting Authority is the Secretary of a Ministry/Department who is responsible and accountable for financial management of his

Ministry or Department". In case of Indian Railways, the Financial Commissioner/ Railways is the Chief Accounting Authority.

7.3 Components of Financial Statements

A complete set of financial statement comprises of:

- a. A statement of financial position;
- b. A statement of financial performance;
- c. A statement of changes in net assets/equity;
- d. A cash flow statement;

7.4 Transfer without Financial Adjustment (TWFA)

TWFA stands for transfer without financial adjustment. These transactions take place within Indian Railways without passing any accounting entry in journal. TWFA is directly adjusted by modifying the opening balance s of the relevant Accounts.

As effect of TWFA transactions has also been given in the Financial Statements of North Western Railways prepared on accrual basis, there might be a difference in Appropriation Accounts and financial statements as prepared on accrual basis with the amount of TWFA.

Indian Railways
Statement of Financial Position
As on 31st March 20XX

(Figure in Rs.)

Liabilities	Schedule	Current Year	Previous Year
<i>Equity</i>			
Capital at Charge	1		
Safety Funds	2		
Designated Funds (Internally Generated Fund)	3		
Investment Financed from Designated funds (Internally Generated Funds)	4		
Reserves and Surplus	5		
<i>Non-current liabilities</i>			
Finance Lease Obligations			
Deposits	6		
Provident and Other Funds	7		
<i>Current Liabilities</i>			
Finance Lease Obligations			
Employee Benefits Payable	8		
Other liabilities	9		
Total Liabilities			
Assets			
<i>Non-Current assets</i>			

Fixed Assets			
Tangible Assets	10		
Gross Block			
Less: Accumulated Depreciation			
Net Block			
Intangible Assets	11		
Gross Block			
Less: Accumulated Amortization			
Net Block			
Capital work in progress (CWIP)	12		
Loans and advances	13		
<i>Current Assets</i>			
Cash and cash equivalents	14		
Receivables	15		
Inventory	16		
Other assets	17		
Adjustment Accounts (Annexure C)			
(Zonal) Railways Fund*			
Total Assets			

Indian Railways
Statement of Financial Performance
As on 31st March 20XX

(Figure in Rs.)

Particulars	Schedule	Current Year	Previous Year
Revenue			
Revenue from operations			
Coaching Earnings-Passenger	18		
Coaching Earnings- Other than passenger	19		
Goods earnings	20		
Sundry Other Earning	21		
Total Revenue (A)			
Expenses			
Establishment	22		
Power and Fuel	23		
Repair and Maintenance- Other than Stores	24		
Repair and Maintenance- Stores	24		
Finance Lease Charges			
Operational Expenses	25		
Other Expenses	26		
Increase/ (Decrease) in Inventory	27		
Statutory Audit			
Expenditure on Survey			
Total Expenses (B)			

Profit before Depreciation and Appropriation to Fund and payment of Dividend (A-B)			
Depreciation and Amortization	10, 11		
Profit after Depreciation and before Appropriation to Funds			
Appropriation to Pension Fund			
Appropriation to Depreciation Reserve Fund			
Dividend payable to General Revenue			
Surplus/(Deficit) after contribution to Reserve Fund			

Schedules forming part of financial statements

Schedule 1 Capital at Charge (Loan in Perpetuity)

(Figure in Rs.)

Particulars	Opening Balance as on 1 st April 20XX	Surplus/ Deficit during the year	Adjustment during the Year	Closing Balance as on 31 st March 20XX
Loan Capital				
Total				

Schedule 2 Safety Funds**(Figure in Rs.)**

Particulars	Opening Balance as on 1st April 20XX	Surplus/ Deficit during the year	Closing Balance as on 31st March 20XX
Special Railway Safety Fund			
Railway Safety Fund			
Total			

Schedule 3 Designated Funds (Internally Generated Funds)**(Figure in Rs.)**

Particulars	Opening Balance as on 1st April 20XX	Additions during the year	Interest earned during the year	Deduction during the year	Closing Balance as on 31st March 20XX
Depreciation Reserve Fund					
Pension Fund					
Total					

Schedule 4 Investment Financed from Designated funds (Internally Generated Funds)
(Figure in Rs.)

Particulars	Opening Balance as on 1 st April 20XX	Additions during the year	Adjustment during the year	Closing Balance as on 31 st March 20XX
Railway Capital Fund				
Depreciation Reserve Fund				
Development Fund				
Open Line Works Revenue				
Total				

Schedule 5 Reserves and Surplus

(Figure in Rs.)

Particulars	Opening Balance as on 1 st April 20XX	Additions during the year	Interest earned during the year	Deduction during the year	Closing Balance as on 31 st March 20XX
Surplus carried forward from P&L account					
Total					

Schedule 6 Deposits**(Figure in Rs.)**

Particulars	Current Year	Previous Year
Securities Deposits of Subordinates		
Security Deposits of Contractors & others		
Contribution for work done for Private persons and Public bodies		
Sums due to Contractors on closed accounts		
Private Companies		
Miscellaneous Deposits		
Total		

Schedule 7 Provident Fund and other Funds**(Figure in Rs.)**

Particulars	Current Year	Previous Year
General Provident Fund		
State Railway Provident Fund (Non-Contributory)		
Staff Benefit Fund		
Total		

Schedule 8 Employees Benefits Payable**(Figure in Rs.)**

Particulars	Non-Current		Current	
	Current Year	Previous Year	Current Year	Previous Year
Salary Payable				
Total				

Schedule 9 Other Liabilities**(Figure in Rs.)**

Particulars	Non-Current		Current	
	Current Year	Previous Year	Current Year	Previous Year
Expenses Payable (Annexure A)				
Advance Earnings (Annexure B)				
Commercial claims pending payments				
Deposit of Govt. Companies (IRFC)				
New Pension Scheme				
Payable to contractor and Suppliers				
Total				

Schedule 10 Tangible Assets

(Figure in Rs.)

Particulars	Gross Block				Depreciation/Amortization				Net Block	
	Opening Balance	Additions	Deduction	Gross block	Accumulated Depreciation	Depreciation	Deduction	Accumulated depreciation till 31 st March 20XX	As on 31 st March 20XX	As on 1 st April 20XX
Own Assets										
Land										
Buildings										
Bridge/Flyover/Tunnel/Subways										
Road/Street										
Railway Tracks										
Furniture and Fixtures										
Office Equipment's										
Vehicles										
Computers and Peripherals										
Medical Equipments										
Locomotives										
Coaches										
Wagons										
Plant, Machinery & Equipments										
-Signal										
-Telecom										

-Electrical										
-Mechanical, Civil and others										
Total (A)										
Leased Assets										
Locomotives (Leased)										
Coach (Leased)										
Wagons (Leased)										
Total (B)										
Grand Total (A+B)										

Schedule 11 Intangible Assets

(Figure in Rs.)

Particulars	Gross Block				Depreciation/Amortization				Net Block	
	Opening Balance	Additions	Deduction	Gross block	Accumulated Amortization	Amortization for the year	Deduction	Accumulated amortization till	As on 31 st March 20XX	As on 1 st April 20XX
Software										
Total										

Schedule 12 Capital work in progress (CWIP)**(Figure in Rs.)**

Particulars	Opening Balance as on 1 st April 20XX	Addition/ Adjustment during the year	Transfer to fixed assets during the year	Closing Balance as on 31 st March 20XX
Capital work in Progress				
Total				

Schedule 13 Loans and Advances**(Figure in Rs.)**

Particulars	Current Year	Previous Year
Misc. Advance Revenue		
Departmental Advances		
Advance against SRPF (State Railway Provident Fund)		
Total		

Schedule 14 Other Assets**(Figure in Rs.)**

Particulars	Non-Current		Current	
	Current Year	Previous Year	Current Year	Previous Year
Security and Earnest Money Deposit				
Deposits with Central Government (contra to Schedule 6)				
Total				

Schedule 15 Cash and Cash Equivalents**(Figure in Rs.)**

Particulars	Current Year	Previous Year
Cash Imprest		
Departmental Cash Balances		
Cheques and Bills		
Remittance into Bank		
Public Sector Bank Suspense		
Saving Account with Government		
Account with RBI		
Cash Imprest		
Departmental Cash Balances		
Total		

Schedule 16 Receivables**(Figure in Rs.)**

Particulars	Current Year	Previous Year
Pay and Accounts Office		
Accountant General		
Controller of Defence Accounts (CDA)		
Postal and Telecom Department		
Tourism Development Corporations		
Siding Charges		
Foreign Service Contribution (FSC) Recoverable		
Closed User Group (CUG) Recoverable		

Adjustment account with Pakistan Railways		
Adjustment account with Bangladesh		
Traffic Suspense		
Total		

Schedule 17 Inventory**(Figure in Rs.)**

Particulars	Current Year	Previous Year
Store Suspense		
Workshop Manufacturing Suspense		
Diesel in RDI		
Stores and Spares		
Total		

Schedule 18 Coaching Earnings- Passenger**(Figure in Rs.)**

Particulars	Current Year	Previous Year
Earning from passenger traffic		
Add: Advance apportioned earning for ticket booked in previous year and travel taken place in current year		
Less: Advance apportioned earning for ticket booked in current year and travel taken place in next year		
Total		

Schedule 19 Coaching Earnings- Other than passenger**(Figure in Rs.)**

Particulars	Current Year	Previous Year
Parcel		
Luggage		
Special Train reserve carriage - Other than Military		
Special Train reserve carriage – Military		
Carriage of Live Stock by passengers		
Haulage of Postal Vans & Compartments		
Penalty Levied for irregular travelling		
Wharfage		
Left Luggage		
Platform Tickets		
Other Misc Coaching Receipts		
Less : Refunds		
Total		

Schedule 20 Goods Earnings**(Figure in Rs.)**

Particulars	Current Year	Previous Year
Fuel-Coal, Coke, Oil etc.		
Wharfage and Demurrage		
Other Goods Traffic		
Less : Refunds		

Add: Advance apportioned earning of previous year		
Less: Advance apportioned earning of Current Year		
Total		

Schedule 21 - Sundry Other Earning**(Figure in Rs.)**

Particulars	Current Year	Previous Year
Receipts from Railway Recruitment Boards/ Recruitment Cells		
Advertisement receipts		
Rental Income		
Catering Income		
Sale of Revenue Scrap, grass/trees, damaged/ unclaimed goods		
Reimbursement of Operating Loss on Strategic Lines		
Subsidy from General Revenue towards Dividend Relief and Other concessions		
Dividend from Railway PSUs		
Receipt towards RELHS and diet charges		
Other Miscellaneous earnings		
Less: refunds		
Add: Income received in Advance (Previous Year)		
Less: Income received in Advance (Current Year)		
Total		

Schedule 22 Establishment**(Figure in Rs.)**

Particulars	Current Year	Previous Year
Salary, Wages and other benefits (Annexure D)		
Pension and other Retirement benefits		
Staff Welfare expenses		
Administrative Expenses		
Misc. Establishment		
Cost of Railway Board		
Total		

Schedule 23 Power and Fuel**(Figure in Rs.)**

Particulars	Current Year	Previous Year
Diesel Traction		
Electricity		
Others		
Total		

Schedule 24 Repair and Maintenance**(Figure in Rs.)**

Particulars	Current Year	Previous Year
A) Repair Maintenance – Stores		
Locos		
Wagons		
Coaches		
EMU/DMU		
Plant, Machinery and Equipment (Signal and Telecom)		
Plant, Machinery and Equipment (Mechanical)		
Plant, Machinery and Equipment (Electrical)		
Tracks		
Bridge/Tunnel		
Building		
Repair and Maintenance – Others		
B) Repair and Maintenance - Other than Stores		
Locos		
Wagons		
Coaches		
EMU/DMU		
Plant, Machinery and Equipment (Signal and Telecom)		
Plant, Machinery and Equipment (Mechanical)		

Plant, Machinery and Equipment (Electrical)		
Tracks		
Bridge/Tunnel		
Building		
Repair and Maintenance – Others		
Total		

Schedule 25 Operational Expenses

(Figure in Rs.)

Particulars	Current Year	Previous Year
Locomotives		
Carriage and Wagons		
Train Operations		
Yard Operations		
Station Operations		
Other Operational Expenses		
Total		

Schedule 26 Other Expenses**(Figure in Rs.)**

Particulars	Current Year	Previous Year
Security Expenses		
Compensation and Claim paid		
Workmen compensation		
Catering Expenses		
Misc. Expenses		
Less: Outstanding expenses of previous year and paid in current year		
Add: Outstanding expenses of current year and paid in next year		
Total		

Schedule 27 Increase/ (Decrease) in Inventory**(Figure in Rs.)**

Particulars	Current Year	Previous Year
Opening Inventory		
Less: Closing Inventory		
Opening Inventory RDI		
Less: Closing Inventory RDI		
Net Consumption		

Annexure A: Expense Payables**(Figure in Rs.)**

Particulars	Current Year	Previous Year
Hiring of vehicles		
Telephone Bills		
Advocate Dues		
Electricity Bills		
Water Charges		
Other Expenses		
Total		

Annexure B: Advance Income**(Figure in Rs.)**

Particulars	Non-Current		Current	
	Current Year	Previous Year	Current Year	Previous Year
Advance income from Catering/ Advertisement/ ATM contractors at Station				
Way Leave Charges				
Advance apportioned earning – Freight				
Advance apportioned Earning – Passenger				
Total				

Annexure C - Adjustment Accounts

(Figure in Rs.)		
Particulars	Current Year	Previous Year
Opening Balance on account of Adjustments		
a) Within Indian Railways		
Inter Zonal Railway Transactions (Dr.)		
Inter Zonal Railway Transactions (Cr.)		
Railway Capital Fund		
Development Fund		
Total Adjustment within Indian Railways		
b) With Reserve Bank of India		
Deposit with RBI		
Total Adjustment with RBI		
c) With Government of India		
Loan Capital		
Railway Safety Fund		
Advance to Employee		
TDS		
Service Tax		
Central Government Health Scheme		
Employee Insurance Scheme		

Employee Group Insurance Scheme		
Interest on Civil Advances		
Dividend Payable to General Revenue		
Subsidy Receivable		
Family Welfare		
Saving Accounts		
Deposit Accounts		
Total Adjustment with Government of India		
Total Adjustment Accounts (a + b + c)		

Annexure D : Salary Wages and Other Benefits**(Figure in Rs.)**

Particulars	Current Year	Previous Year
Demand 3 - General Superintendence and Services		
Demand 4 - Repair and Maintenance of Permanent Way and Work		
Demand 5 - Repair and Maintenance of Motive Power		
Demand 6 - Repair and Maintenance of Carriage and Wagons		
Demand 7 - Repair and Maintenance of Plant and Equipment		
Demand 8 - Operating Expenses of Rolling Stock and Equipment		
Demand 9 - Operating Expenses - Traffic		
Demand 10 - Operating Expenses – Fuel		
Demand 11 - Staff Welfare and Amenities		
Demand 12 - Misc. Working Expenses		
Total		

Indian Railways
Cash Flow Statement
For the year ended 31st March XXXX

(Figure in Rs.)

Particulars	Current Year	Previous Year
<u>A. Cash Flow from Operating Activities</u>		
Net Profit as per Profit & Loss Account		
Adjustment for:		
Depreciation and Amortization		
Appropriation to Pension Fund		
Appropriation to Depreciation Reserve Fund		
Dividend Paid		
Finance Lease Charges		
Operating Profit before working capital changes		
Adjustment for change in working capital:		
Increase/(Decrease) in Employees Benefit Payable		
Increase/(Decrease) in other current liabilities		
(Increase)/Decrease in Receivable		
(Increase)/Decrease in Inventories		
Increase/(Decrease) in Current Finance Lease Obligation		
(Increase)/Decrease in other current assets		
(Increase)/Decrease in Adjustment Accounts		
Net Cash Flow from Operating Activities		

<u>B. Cash Flow from Investing Activities</u>		
Addition/Deletion in Fixed Assets		
Addition/Deletion in Capital Work in Progress		
Addition/Deletion in Loans and Advances		
Increase/Decrease on in Provident Fund		
Increase/Decrease in Deposits		
Net Cash Flow from Investing Activities		
<u>C. Cash Flow from Financing Activities</u>		
Increase/Decrease in Capital In Charge		
Increase/Decrease in Safety Fund		
Decrease/Increase in Designated Funds (Internally Generated)		
Decrease/Increase in Finance Lease Obligation		
Dividend Paid		
Payment of Finance Costs		
Appropriation to Pension Fund		
Appropriation to Depreciation Reserve Fund		
Increase/Decrease in Investment Financed from Designated Fund		
Net Cash Flow from Financing Activities		
Cash and Cash Equivalents (Opening Balance)		
Net Increase/ (Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents (Closing Balance)		

7.4 Instructions for Compilation of Financial Statements

Liabilities

Schedule 1 - Capital at Charge (Loan in Perpetuity)

- a. It is not Railway's own Fund but is a loan account financed by the General Revenue. The expenditure met from this head is mainly for cost of construction and equipment of new lines including strategic lines and new production units.
- b. Every year dividend is payable on this amount at a prescribed rate as determined by Railway Convention Committee.
- c. Addition during the year to this fund represents the expenditure made from this fund and creation of assets out of this.
- d. Deletion during the year represents the amount of assets discarded during the year which was initially created from this fund.
- e. Adjustment during the year denotes the amount of Transfer Without Financial adjustment (TWFA)

Source of Information

Opening Balance	Appropriation Accounts of Zonal Railways
Closing Balance	Closing balance will be derived after adjusting during the year transactions as depicted in 'Account Current' of Zonal Railways.
Prescribed Format	CL-13

Schedule 2 - Safety Funds

Safety Funds are used for specific purpose of for which the same are created. Such ring-fenced funds ensure that the contributions made thereunder will be used for desired purpose.

In Indian Railways, these Funds include SRSF and RSF.

Special Railway Safety Fund (SRSF):

SRSF was created w.e.f. 1st April, 2001 as per recommendation of the Railway Safety Committee to wipe out the accumulated arrears of renewal of over-aged assets, especially safety related ones i.e., tracks, bridges, signalling gears and Rolling stock . It was closed w.e.f. 1st April, 2008.

Railway Safety Fund (RSF):

RSF is a non-dividend bearing fund created w.e.f. 1.4.2001 as per recommendation of RCC (1999). This is funded by MOF from diesel cess in Central Road Fund. This is utilized for road safety works like (1) conversion of unmanned level crossings into manned level crossings and (2) Conversion of busy manned level crossings into Grade Separator i.e., ROB Road Over Bridge/ RUB-Road Under Bridge,/FOB-Foot Over Bridge/Sub-way.

Source of Information

Opening Balance	Appropriation Accounts of Zonal Railways
Closing Balance	Closing balance will be derived after adjusting during the year transactions as depicted in 'Account Current' of Zonal Railways.
Prescribed Format	CL-13

Schedule 3 - Designated Fund (Internally Generated Fund)

These Funds are created from the revenue and set aside for defined purpose. There are following designated fund in Indian Railways:

- a. **Pension Fund:** Pension fund is created from railway revenues for payment of pension to employees. Each Zonal Railways appropriates an amount to this fund as advised by Railway Board each year. The balance of this fund represents unspent amount and earns interest which also becomes the part of this fund. The amount of this fund is used for payment of pension/ family pension, ex-gratia, DCRG, Leave encashment etc.
- b. **Depreciation Reserve Fund:** This fund is created from the amount appropriated from ordinary revenue, i.e., Railway Revenue as a charge on Railway working expenses. Unspent amount of this fund earns interest which also becomes the part of this fund. The fund is used for renewals and replacements of railway assets.

Source of Information

Opening Balance	Appropriation Accounts of Zonal Railways
Closing Balance	Closing balance will be derived after adjusting during the year transactions as depicted in 'Account Current' of Zonal Railways.
Prescribed Format	CL-13

Schedule 4 – Investment Financed from designated Fund (Internally Generated Fund)

This schedule represents the amount expended from the various funds for creation of assets. The addition represents the amount of new assets created during the year from the respective funds. Presently, following fund are in use for creation of fixed assets:

- a. **Railway Capital Fund:** This was created in 1992-93 on the recommendation of the Railway convention committee (RCC) to finance part of the requirement of work of a capital nature viz. construction and acquisition of new assets. The fund is financed from the surplus after providing for appropriation to Development Fund and Railway Safety Fund. This is also credited with the amount of interest earned on the balance of the Fund.
- b. **Development Fund:** Based on the recommendations of the Railway Convention Committee (RCC), it was created on 1st April, 1950 to meet the cost of new works relating to amenities for passengers and other railway users, labour welfare works including additions to existing or new Railway welfare works estimated to cost individually above Rs. 1 lakh. This fund is financed out of the Surplus left after meeting the dividend liability. Whenever the 'Excess/surplus' is not sufficient, the railways may temporarily borrow money from general revenues. The money borrowed together with the interest thereon has to be repaid in subsequent years. This is also credited with the amount of interest earned on the balance of the Fund.
- c. **Open Line Works Revenue Fund:** This is financed from the revenue of Indian Railway. This was created for meeting requirement of improvement and replacement whether new or additional, where cost is less than Rs.1 lakh. Further, this fund is abolished w.e.f. Financial Year 2014-15.

Source of Information

Opening Balance	Balances for the purpose of compiling OBS are to be obtained from Appropriation Accounts of Zonal Railways.
Closing Balance	Closing balance will be derived after adjusting during the year transactions as depicted in 'Account Current' of Zonal Railways.
Prescribed Format	CL-13

Schedule 5–Reserve and Surplus

Generally, Reserves are created from the profits as transferred from the profit and loss account. It is created for a known future obligation. For instance, reserve created for replacement of asset. While surplus is the credit balance of the profit and loss account after providing for all the expenditures. Balance of profit is carried forward in next year as retained earnings. Any surplus or profit of the current year is to be shown in this schedule.

Source of Information

Opening Balance	NA
Closing Balance	Profit and Loss Account
Prescribed Format	NA

Schedule 6 – Deposits

- a. It denotes the amount of various deposits taken by Indian Railways from Contractors/Suppliers. It also includes amount of unpaid salary.
- b. EMD, security deposits, are some of illustrative items which are included in deposit.

Source of Information

Opening Balance	Opening Balance of deposits is to be obtained from appropriation accounts of Zonal Railways.
Closing Balance	Closing balance of deposits will be derived after adjusting during the year transactions as depicted in 'Account Current' of Zonal Railways.
Prescribed Format	

Schedule 7– Provident Fund and Other Fund

- a. It includes the provident fund and other fund balances of Railway employees;
- b. Presently, there is no trust to maintain the provident fund;
- c. This amount is lies with central Government.
- d. Addition to this fund represents PF collection from the employees during the year and interest thereon;
- e. Deduction to this Fund represents amount paid to employees on account of final settlement or permanent/temporary withdrawal.

Source of Information

Opening Balance	Opening Balance of Provident Fund and Other Fund is to be obtained from appropriation accounts of Zonal Railways. The amount of recoverable loan from SRPF at beginning of year shall be added to this balance.
Closing Balance	Closing balance of provident will be derived after adjusting during the year transactions as depicted in 'Account Current' of Zonal Railways. The amount of recoverable loan from SRPF at the close of year shall be added to this balance.
Prescribed Format	CL-8

Schedule 8 - Employee Benefits Payable

- a. It includes any amount payable in respect of employee benefits which become due for payment but not paid.

Para 220 of Chapter II of Indian Railways Code for Accounts Department Part I (IRCA I) prescribes that *"Unlike Government accounts which record expenditure only*

when actually disbursed or receipts only when actually realised the railway accounts maintained on a commercial basis will record the expenditure incurred or earnings accrued in a month irrespective of whether they have actually been paid or realised". However, presently Demand Payables is operated in the month of March only for salary in some Railways.

Source of Information

Opening Balance	Information of Demand payable is to be obtained from appropriation accounts of Zonal Railways. However, information in respect of any other employee benefit except salary is to be obtained from Division/Workshop
Closing Balance	Information of Demand Payable is to be taken from schedule to account current of Zonal Railways for the month of March.
Prescribed Format	CL-7

Schedule 9-Other Liabilities

Liabilities which are not classified in other schedule of liabilities will be classified in under this schedule. Following are some of examples:

- a. **Expenses Payable:** Expenses payable includes those amount of expenditure whose bill has arrived but the payment of the same is not made till 31st March. For instance, Telephone, Electricity, etc.
- b. **Income Received in Advance:** Presently, income is recognized as and when it is received, i.e., purely cash basis. There are many incomes which are not only for one financial year but belong many financial years. For instance, Way leave charges which is received in advance for 10 years and considered as income of that year in which it is received.
- c. **Claims pending payment:** many types of claims are lodged against Indian Railways. For example, passenger claims, contractors claim. There may be some claims as on closing date of financial year which have been passed and are not subject to further litigation but the payment for the same is not made.
- d. **Payable to contractors and Suppliers:** It includes any amount payable to contractors and suppliers for which bill is received but the payment are not paid till 31st March.

Source of Information

Opening Balance	Opening information in respect of Advance income, pending claim, etc., will be obtained from Divisions/Workshop.
Closing Balance	Again closing information will also be obtained from Divisions/Workshop.
Prescribed Format	CL-11, CL-15, CL-16, CL-18, CL-19 and CL-21

Schedule 10 and 11- Fixed Assets

- a. Fixed assets will include assets acquired both from Revenue as well as Works grants. These will be segregated into two category viz Tangible fixed assets comprising Plant, Machinery and Equipment, Buildings, Flyover, Tracks, Furniture and Fixtures, Land, etc. and Intangible assets comprising Software, Trademark, Copyrights, etc.
- b. Addition during the year represents addition fixed assets irrespective of sources. Sometimes it may also include assets received from other Zonal Railways through Transfer without Financial Adjustment (TWFA).
- c. Deletion during the year represents assets discarded during the year from the block. Transfer without Financial Adjustment (TWFA).
- d. Depreciation refers to normal wear and tear as calculated on the basis of normal useful life of assets.
- e. Further, these assets are classified into following two categories from the presentation point of view:
 - i. **Owned Assets:** Owned assets refer to those assets which are owned by the Zonal Railways.
 - ii. **Leased Assets:** Lease assets refers to assets taken on financial lease. Primarily, it will include Rolling Stock which is major leased assets. Apart from rolling stock, some machines like Track machine, etc., are also taken on lease from IRFC. Leased assets are shown at fair value or present value of lease payment whichever is lower and depreciated over useful life.

Source of Information

Opening Balance	Information as received from the Divisions/Workshops in Fixed Assets Register.
Closing Balance	Information as received from the Divisions/Workshop in respect of assets introduced during the financial year.
Prescribed Format	FA-1 to FA-17

Schedule 12– Capital Work in Progress

- a. It denotes any amount spent on account of creation of assets which is not completed till closing of financial year.
- b. In Railway terminology, any expenditure made from 'Demand 16' on creation of assets like laying track, construction of bridge, building, etc., which was not completed till 31st March will be treated as CWIP. Further, upon completion it will be transferred from CWIP to respective asset head.
- c. There may be some instance where some kind of Repair and Maintenance work is done from Demand 16, any such expenditure will not become part of CWIP.

Source of Information

Opening Balance	Information as received from the Divisions/Workshops in prescribed format, i.e., FA-13.
Closing Balance	Information as received from the Divisions/Workshop in respect of amount expended during the financial year further reduced by amount of any asset which was completed and transferred to respective asset head.
Prescribed Format	FA-13

Schedule 13– Loans and Advances

- a. It includes any amount provided to employees or contractors in form of advances. In Railways, there may be following type of advances:
 - i. **Advance to Employees:** Advance to employees like House building Advance, Scooter Advance, Car advance is given from the Civil Grant. It is not given from the Railways Fund. It is received from the Government and further returned to Government upon recovery. *Advance to employees will not be shown in financial statements. However, transactions for the year are adjusted in adjustment account with Government.*
 - ii. **Advance to Contractors and Suppliers:** In rare cases advance is also given to contractor and suppliers for supplying the material and suppliers.
 - iii. *Project Advance will also be covered here.*

Source of Information

Opening Balance	i. Details of advance to employee as available in appropriation accounts of Zonal Railways will be taken from there; and ii. Detail of Other advances is to be obtained from Divisions/Workshops.
Closing Balance	Closing balance of provident fund will be derived after adjusting during the year transactions as depicted in 'Account Current' of Zonal Railways.
Prescribed Format	CA-2, CA-3

Schedule 14 - Cash and Cash equivalents

- a. Cash and cash equivalents refer to the line item on the balance sheet that reports the value of an entity's assets that are cash or can be converted into cash immediately.
- b. These include bank accounts, marketable securities, short-term Government bond with a maturity date of three months or less, etc.
- c. In Railways, followings are the shown under the schedule of cash and cash equivalents:
 - i. **Cash Imprest:** Imprest is a permanent advance given to employees to meet out the some petty expenditure.
 - ii. **Cheques and Bills:** Cheques and bill refers to those Cheques which has been issued but not presented for payment.
 - iii. **Remittance into Bank (RIB):** It refers to those Cheques which has been deposited into bank but not credited into accounts.
 - iv. **Saving Account with Government:** It represent the amount kept with Government on account of unspent amount of Depreciation Reserve Fund, Pension Fund (Refer Schedule 3) and Provident Fund and other Fund (Refer Schedule 7).
 - v. **Public Sector Bank Suspense:** It refers to cash deposited into public sector bank but the credit is not given by Reserve Bank of India.

Source of Information

Opening Balance	Opening Balance of Cash Imprest, Cheques and Bills, Public Sector bank suspense, etc. as available in appropriation accounts will be taken from there.
Closing Balance	Closing balance of items as mentioned above will be derived after adjusting during the year transactions as depicted in 'Account Current' of Zonal Railways.
Prescribed Format	CA-8, CA-9, CA-11

Schedule 15– Receivables

- a. It denotes outstanding amount of Indian Railways is owned from customers, i.e., for which bill has been raised but the payment is not received.
- b. It includes any amount receivables from the Government Department like Defence, Postal and Telecom Department, RTDC, etc.
- c. In some cases, amount is also receivable from private parties on account of Land License fees, Building Rent, way leave charges, etc.

Source of Information

Opening Balance	Opening Balance of all receivables from Government department like defence, PAO are available in appropriation accounts of Zonal Railways and same will be taken from there. However, details of any receivable from private parties is to be taken from Divisions/Workshop
Closing Balance	Closing balance of all Government receivable items as mentioned above will be derived after adjusting during the year transactions as depicted in 'Account Current' of Zonal Railways. However, details of receivable from private parties is to be obtained from Divisions/Workshop
Prescribed Format	CA-12, CA-13

Schedule 16 – Inventory

Inventory is the raw materials work-in-process products and finished goods that are considered to be the portion of a business's assets that are ready or will be ready for sale or providing services. Inventory represents one of the most important assets of an entity. It includes the followings:

- a. **Store Suspense:** In Railways, inventory is categorized into two parts one is stock items and another is non-stock items. Stock items are purchased at centralized level, i.e., zonal level while non-stock items are purchased by Divisions/Workshops according their requirement. Balance of Store suspense denotes unused stores of stock items.
- b. **Workshop Manufacturing Suspense (WMS):** Every workshop/production unit maintains WMS account which is debited with the cost of materials, labour, overheads, etc., and credited with sale of scrap, debit raised to zonal railways for PoH, etc. WMS balance represents work-in-progress.

- c. **Diesel in RDI:** There are several Railway Diesel Institutions (RDI) which keep the stock of diesel.
- d. **Stores and Spares:** Stores and spares refer to inventory of non-stock items purchased by Divisions/Workshop.

Source of Information

Opening Balance	Opening Balance of WMS, Stores suspense, are available in Block account of Zonal Railways and same will be taken from there. Further, inventory of non-stock items will be obtained from Division/Workshop. Furthermore, inventory of diesel in RDI is available at HQ.
Closing Balance	Same as Opening Balance
Prescribed Format	CA-10, CA-10A

Schedule 17 - Other Assets

- a. Assets which are not classified in other schedule to assets will be classified as other assets.
- b. Followings are some of the examples of other assets which will be shown in this schedule:
 - i. **Security Deposit:** It includes the amount of security deposit made by Indian Railways. For instance Security Deposit given to Electrical Department or Telephone department for obtaining new telephone or electric connection as the case may be.
 - ii. Deposit account with Government

Source of Information

Opening Balance	Details of security deposit will be obtained from the Division/Workshop.
Closing Balance	Again details of security deposit will be obtained from Divisions/Workshop.
Prescribed Format	CA-4, CA-5, CA-6

Schedule 18 - Coaching Earning – Passengers

It includes earnings from passenger traffic and will be further adjusted with advance earning pertaining to previous financial year and subsequent financial year.

Source of Information

Opening Balance	Opening balance will consist of that advance earning which are received during the year but pertain to subsequent financial year. Data of advance earning will be obtained from CRIS.
Closing Balance	Earning for the year is available in final account current of Zonal Railways. Further details will be taken from schedule to account current.
Prescribed Format	NA

Schedule 19 - Coaching Earning –other than Passenger

It includes earnings from other passenger traffic like luggage, parcel, etc.

Source of Information

Opening Balance	NA
Closing Balance	Earning for the year is available in final account current of Zonal Railways. Further details will be taken from schedule to account current.
Prescribed Format	NA

Schedule 20- Goods Earning

It includes earnings from goods traffic and will be further adjusted with advance earning pertaining to previous financial year and subsequent financial year.

Source of Information

Opening Balance	Opening balance will consist of only 1/3 rd of advance apportioned earning of last four days of March. This Data will be obtained from CRIS.
Closing Balance	Earning for the year is available in final account current and relevant schedule of Zonal Railways.
Prescribed Format	NA

Schedule 21 -Sundry other Earning

It includes all other sundry earnings except Goods and coaching will be further adjusted with advance earning pertaining to previous financial year and subsequent financial year.

Source of Information

Opening Balance	Opening balance will consist of those Sundry other earnings which are received in advance and pertain to subsequent financial years. For example, Way leave charges, catering charges, etc. This Data will be obtained from Divisions/Workshops.
Closing Balance	Earnings for the year are available in the final account current of Zonal Railways. However, further classification of this earning will be obtained from the schedule to account current.
Prescribed Format	NA

Schedule 22- Establishment Expenses

It includes expenditure made on establishment like Salary, Wages, Allowances, Bonus, pension, etc.

Source of Information

Opening Balance	NA
Closing Balance	Expenditure for the year is available in the final account current of Zonal Railways. However, further classification of the expenditure will be obtained from the schedule to account current and Revenue Allocation Register (RAR).
Prescribed Format	NA

Schedule 23 - Power and Fuel

It includes expenditure made on power and fuel.

Source of Information

Opening Balance	NA
Closing Balance	Expenditure for the year is available in the final account current of Zonal Railways. However, further classification of the expenditure will be obtained from the schedule to account current and Revenue Allocation Register (RAR).
Prescribed Format	NA

Schedule 24–Repair and Maintenance

It includes expenditure made on repair and maintenance of Tracks, Buildings, Bridge, plant and machinery, etc.

Source of Information

Opening Balance	NA
Closing Balance	Expenditure for the year is available in final account current of Zonal Railways. However, further classification of the expenditure will be obtained from schedule to account current and Revenue Allocation Register (RAR).
Prescribed Format	NA

Schedule 25–Operational Expenses

It includes operation expenditure like station operation, yard operations, and other operational expenditure of Permanent way and rolling stock.

Source of Information

Opening Balance	NA
Closing Balance	Expenditure for the year is available in final account current of Zonal Railways. However, further classification of the expenditure will be obtained from schedule to account current and Revenue Allocation Register (RAR).
Prescribed Format	NA

Schedule 26–Other Expenses

Those expenditures which are not covered in other schedules will be shown in this schedule.

Source of Information

Opening Balance	Opening Balance will consist only of outstanding expenditure which was not paid (Except salary which has already been covered earlier). Information will be obtained from the Divisions/Workshops
Closing Balance	Expenditure for the year is available in final account current of Zonal Railways. However, further classification of the expenditure will be obtained from schedule to account current and Revenue Allocation Register (RAR).
Prescribed Format	NA

Schedule 27 – Store Consumption

It denotes the difference between opening and closing inventory.

Source of Information

Opening Balance	Details of Inventory will be obtained from Divisions/Workshops/Units. However, for inventory of stock items, store suspense balance as appearing in Block Accounts may be obtained.
Closing Balance	Details of Inventory will be obtained from Divisions/Workshops/Units. However, for inventory of stock items, store suspense balance as appearing in Block Accounts may be obtained.
Prescribed Format	CA-10, CA-10A

Chapter 8 - Account Current and Preparation of Trial Balance

Account current is a statement of receipt and disbursement for a particular year. It does not contain opening balances. It is prepared at Division/Workshop level and first consolidation is done at Zonal Railway and further at Railway Board. Each Zonal Railway prepares their appropriation accounts on the basis of account current.

Trial Balance is a statement, prepared with the debit and credit balances of Ledger accounts to test the arithmetical accuracy of the books. For this purpose, the balance of each account in the ledger is put on a list. The list so prepared is called a Trial Balance.

8.1 Preparation of Trial Balance from Account Current

To prepare the financial statements of Zonal Railway, a Trial Balance is required to be prepared from the account current. For this purpose, the different heads of account current have been mapped into various category of Assets, Liabilities, Income and Expenditure.

There are two part of Account Current, viz., 'Receipt' and 'Outgoings'. The balances of all heads under receipts side are credit transactions while those under outgoing side are Debit transactions. Some of the heads appear on both sides. In Trial Balance, all credit transactions shall be put on credit side and all debit transactions on debit side and final balance would be derived, which might be debit or credit.

Opening Balance of the trial balance will be taken from the Opening Balance sheet. Further, all the information having accrual impact will also be included in respective heads of accounts. A final Trial Balance will be prepared after considering the opening balances, transactions for the year and information having accrual impact.

SEQ NO	HEAD OF ACCOUNT	Trial Balance Mapping		Remarks
		Major Head	Minor Head	
Receipts				
	Income Tax on Union Emoluments including Pension	Liabilities	Current Liabilities	It depicts transactions during the year and will be adjusted in Adjustment Accounts with Government.
	Income Tax on other than Union Emoluments including Pension	Liabilities	Current Liabilities	
	Surcharge	Liabilities	Current Liabilities	
	Primary Education Cess (2%)	Liabilities	Current Liabilities	
	Higher Secondary Education Cess (1%)	Liabilities	Current Liabilities	
Total – 0021- Taxes on Income other than Corporation Tax				
	Basic Service Tax	Liabilities	Current Liabilities	It depicts transactions during the year and will be adjusted in Adjustment Accounts with Government.
	Primary Education Cess	Liabilities	Current Liabilities	
	Higher Secondary Education Cess	Liabilities	Current Liabilities	
Total – 0044- Service Tax				
	Interest from Railways (Dividend)	Expenditure	Expenditure	It denotes the amount paid towards dividend to general revenue and further adjusted in Adjustment Accounts (contra of Deduct- amount transferred to 0049-interest receipts)
	Other Receipts	Liabilities	Current Liabilities	It depicts the interest on Loans and Advances to employees during the year will be adjusted in Adjustment Accounts with Government.
Total – 0049- Interest Receipts				
	Contribution from Railways	Expenditure	Expenditure	It depicts Dividend payment made to General Revenues and further adjusted in Adjustment Accounts
	Contribution in lieu of Taxes on Railway Passenger Fares	Expenditure	Expenditure	

SEQ NO	HEAD OF ACCOUNT	Trial Balance Mapping		Remarks
	Deduct-amount transfer to 0049-interest receipts	NA	NA	
Total – 0050- Dividend and Profit				
	Receipts awaiting transfer to other minor heads (Employees & Govt)	Liabilities	Current Liabilities	
	Transfer to Trustee Bank	Liabilities	Current Liabilities	
Total-0071-Contribution & Recoveries towards Pension & other Retirement Benefits				
	Urban Health Services	Liabilities	Current Liabilities	
	Contribution for CGHS	Liabilities	Current Liabilities	
Total-0210-Medical & Public Health				
	Housing-General Pool Accommodation	Liabilities	Current Liabilities	
	Social Security & Welfare-GEIS	Liabilities	Current Liabilities	
Total Civil Heads				
	Subsidy from General Revenues towards Dividend	Income	Sundry other Income	Further, it will be adjusted in adjustment accounts
	Government share of Surplus Profits from subsidiary Companies	Income	Sundry other Income	
	Sale of Land of Subsidiary Companies	Income	Sundry other Income	
	Railway Recruitment Board	Income	Sundry other Income	
	Miscellaneous Receipts	Income	Sundry other Income	
	RCT	Income	Sundry other Income	
Total-Indian Railways Miscellaneous Receipts 01 Commercial Lines				
	Subsidy from General Revenues towards Dividend	Income	Sundry other Income	Further, it will be adjusted in adjustment accounts

SEQ NO	HEAD OF ACCOUNT	Trial Balance Mapping		Remarks
	Government share of Surplus Profits from subsidiary Companies	Income	Sundry other Income	
	Sale of Land of Subsidiary Companies	Income	Sundry other Income	
	Railway Recruitment Board	Income	Sundry other Income	
	RCT	Expenditure	Expenditure	
	Miscellaneous Receipts	Income	Sundry other Income	
Total-Indian Railways Miscellaneous Receipts 02 Strategic Lines				
Total-1001-Indian Railways Miscellaneous Receipts (Comml.+ Strategic)				
	Passenger	Income	Income from Passenger	Further classification of income will be obtained from the schedules of Account current.
	Other Coaching	Income	Income from other than Passenger	
	Goods	Income	Income from Goods	
	Sundry	Income	Sundry other Income	
	Suspense	Income/	Sundry other Income and current assets	
1002-Indian Railways Revenue Receipts (Commercial)				
	Passenger	Income	Income from Passenger	Further classification of income will be obtained from the schedules of Account current.
	Other Coaching	Income	Income from other than Passenger	
	Goods	Income	Income from Goods	
	Sundry	Income	Sundry other Income	
	Suspense	Income/ Assets	Sundry other Income & current assets	

SEQ NO	HEAD OF ACCOUNT	Trial Balance Mapping		Remarks
1003-Indian Railways Revenue Receipts (Strategic)				
Total (1002 + 1003)				
Total Revenue Head				
	Loans for Co-operatives	Assets	Loans and Advances	Advance to employee are given from the Civil Grant. These are pass through entries and will not be shown in Financial Statements. However, transaction for the year as depicts in account current is to be adjusted in adjustment accounts
	HBA	Assets	Loans and Advances	
	Motor Car Advance	Assets	Loans and Advances	
	Other Motor Advance	Assets	Loans and Advances	
	Other Conveyance	Assets	Loans and Advances	
	Personal Computer	Assets	Loans and Advances	
	Other Advances	Assets	Loans and Advances	
Total-7610-Loans to Government Servants				
	7615-Misc. Loans	Assets	Loans and Advances	
Total 'F' Loans & Advances				
PART-I Consolidated Fund of India				
PART-II Contingency Fund of India				
	General Provident Fund	Liabilities	Non-Current Liabilities	
	SRPF (Contributory)	Liabilities	Non-Current Liabilities	
	SRPF (Non-Contributory)	Liabilities	Non-Current Liabilities	
Total-8009-State Provident Funds				
	Central Government Employees' Group Insurance Scheme	Liabilities	Current Liabilities	

SEQ NO	HEAD OF ACCOUNT	Trial Balance Mapping		Remarks
Total 'T' Small Saving Provident Fund				
	Appropriation from Revenue (Commercial)	Expenditure	Expenditure	
	Interest (Commercial)	Liabilities/ Assets	Non-Current Liabilities /Current Assets	
	Appropriation from Revenue (Strategic)	Expenditure	Expenditure	
	Interest (Strategic)	Liabilities/ Assets	Non-Current Liabilities/ Current Assets	
Total-8115-Depreciation/ Renewal Reserve Fund				
	Appropriation from Surplus (Commercial)	Expenditure /Liabilities	Expenditure/ Liabilities	
	Interest on Fund Balance (Commercial)	Liabilities/A ssets	Non-Current Liabilities /Current Assets	
	Appropriation from Surplus (Strategic)	Expenditure /Liabilities	Expenditure/ Liabilities	
	Interest on Fund Balance (Strategic)	Liabilities/A ssets	Non-Current Liabilities /Current Assets	
Total-8116-Railway Debt Service Fund				
	Appropriation from Surplus (Commercial)	Liabilities	Liabilities	
	Loan to DF from General Revenue (Commercial)	Liabilities	Liabilities	
	Interest (Commercial	Liabilities	Non-Current Liabilities	
	Appropriation from Surplus (Strategic)	Liabilities	Non-Current Liabilities	
	Loan to DF from General Revenue (Strategic)	Liabilities	Non-Current Liabilities	
	Interest (Strategic)	Liabilities	Non-Current Liabilities	
	Interest on loan to branch line companies	Liabilities/ Assets	Non-Current Liabilities /Current Assets	

SEQ NO	HEAD OF ACCOUNT	Trial Balance Mapping		Remarks
Total-8117-Development Fund				
	Appropriation from Surplus (Commercial)	Liabilities	Non-Current Liabilities	
	Loan to Capital Fund from General Revenue	Liabilities	Liabilities	
	Interest (Commercial	Liabilities/ Assets	Non-Current Liabilities /Current Assets	
	Appropriation from Surplus (Strategic)	Expenditure	Expenditure	
	Interest (Strategic)	Liabilities/ Assets	Non-Current Liabilities /Current Assets	
Total-8118-Capital Fund				
	Railway Pension Fund (Commercial)	Expenditure	Expenditure	
	Interest (Commercial)	Liabilities/ Assets	Non-Current Liabilities /Current Assets	
	Railway Pension Fund (Strategic)	Expenditure	Expenditure	
	Interest (Strategic)	Liabilities/ Assets	Non-Current Liabilities /Current Assets	
	SBF (Commercial)	Liabilities	Liabilities	
	SBF (Strategic)	Liabilities	Liabilities	
Total-8121-General & other Reserve Fund				
	Railway Safety Fund (Commercial)	Liabilities	Equity	
	Railway Safety Fund (Strategic)	Liabilities	Equity	
Total-8231-Railway Safety Fund				
Total 'J' Reserve Fund				
	Indian Railways Deposits	Liabilities	Non-Current/ Current Liabilities	
	IRCA Employees' Provident Funds	Liabilities	Non-Current Liabilities	

SEQ NO	HEAD OF ACCOUNT	Trial Balance Mapping		Remarks
	IRCA Employees' Provident Funds Investment Account (Contributory)	Liabilities	Non-Current Liabilities	
	IRCA Employees' Provident Funds Investment Account (Non-Contributory)	Liabilities	Non-Current Liabilities	
Total-8337- Deposits of Railways				
	8342-Deposits of Govt Companies	Liabilities	Current Liabilities	
	NPS Employees' Contribution	Liabilities	Current Liabilities	
	NPS Govt's Contribution	Liabilities	Current Liabilities	
	NPS Interest	Liabilities	Current Liabilities	
Total-8342-New Pension System				
	8445-Indian Railways Deposits	Liabilities	Non-Current/ Current Liabilities	
	Deposit of Branch Line Companies	Liabilities	Non-Current/ Current Liabilities	
	Unclaimed Provident Fund Deposits	Liabilities	Non-Current/ Current Liabilities	
	Trust Interest Account	Assets	Current Assets	
	Deposits IRFC	Liabilities	Non-Current/ Current Liabilities	
	Unpaid Wages	Liabilities	Non-Current/ Current Liabilities	
	Other Deposits	Liabilities	Non-Current/ Current Liabilities	
Total-8445-Railway Deposits				
	National Investment Fund	Assets	Non-Current /Current Assets	

SEQ NO	HEAD OF ACCOUNT	Trial Balance Mapping		Remarks
	Department Advances	Assets	Current Assets	
Total 'K' Deposits & Advances				
	PAO Suspense	Assets	Current Assets	
	AG Suspense	Assets	Current Assets	
	PSB Suspense	Assets	Current Assets	
	Clearance from PSB Suspense	Assets	Current Assets	
	RBI Suspense	Assets	Current Assets	
	Net PSB Suspense	Assets	Current Assets	
	Transaction on behalf of RBI	Assets	Current Assets	
	Adjustment in Debt settlement with Pakistan	Assets	Current Assets	
	Transaction relating to Bangladesh	Assets	Current Assets	
	Miscellaneous Suspense	Assets	Current Assets	
	Loss or Gain due to rounding off	Income/ Expenditure	Income/ Expenditure	
Total-8660- Suspense Account				
	Cheques Issued	Assets	Current Assets	
	Cheques Encashed	Assets	Current Assets	
Net-8670- Cheques & Bills				
	Deposit with Reserve Bank – Railways	Assets	Current Assets	
	Pakistan Railways	Assets	Current Assets	
	Bangladesh Railways	Assets	Current Assets	

SEQ NO	HEAD OF ACCOUNT	Trial Balance Mapping		Remarks
Total-8679-Accounts with Govt of other Countries				
	Misc. Government Account	Assets	Current Assets	
	Total 'L' Suspense & Miscellaneous			
	Transfer within the same Railway	Assets	Current Assets	
	Adjusting Account with Posts	Assets	Current Assets	
	Adjusting Account with Defence	Assets	Current Assets	
	Adjusting Account with States etc. (State)	Assets	Current Assets	
	Adjusting Account with States etc. (Civil)	Assets	Current Assets	
Total-8790-Adjusting Account with States etc				
Total Inter Govt Adjustment Account				
	Accounts between Railways	Assets	Current Assets	
Total 'M' Remittances				
Total Part-III Public Account				
TOTAL RECEIPTS				
	Departmental Balances (Railways)	Assets	Current Assets	
	Permanent Cash Imprest (Railways)	Assets	Current Assets	
Outgoings				
	Interest on other obligation	Expenditure	Expenditure	This expenditure is made from civil head and is not part of normal working expenses. Any balance during the FY will be adjusted in adjustment
	Medical & Public Health-06-Public Health Grant under AIDS Control	Expenditure	Expenditure	

SEQ NO	HEAD OF ACCOUNT	Trial Balance Mapping		Remarks
	Training	Expenditure	Expenditure	accounts.
	Family Welfare-Other Services & Supplies	Expenditure	Expenditure	
	Family Welfare-Social component plan for Scheduled Castes	Expenditure	Expenditure	
	Social Security & Welfare-Other Social Security & Welfare programmes-GEIS	Expenditure	Expenditure	
Total Civil Heads				
	IR Policy Formulation, Direction & Other Misc. Org. (Commercial)	Expenditure	Expenditure	The expense of Policy Formation Survey, Statutory Audit and Miscellaneous Establishment and detail will be taken from the appropriation account of concern unit. However any assets created from these demand will be covered in Assets side and will not be treated as an expenditure.
	IR Policy Formulation, Direction & Other Misc. Org. (Strat.)	Expenditure	Expenditure	
	Deduct-Railway Pension Fund (Commercial)	NA	NA	
	Deduct-Railway Pension Fund (Strategic)	NA	NA	
Total-3001				
	IR Lines Working Expenses (Comml.)	Expenditure	Expenditure	Expense of Demand No. 3 to 13. However any assets created from these demand will be covered in Assets side and will not be treated as an expenditure.
	Deduct-Railway Pension Fund (Comml.)	Expenditure	Expenditure	Expense of Demand No. 14
Net-3002				
	IR Lines Working Expenses (Strat.)	Expenditure	Expenditure	Expense of Demand No. 3 to 13 However any assets created from these demand will be covered in Assets side and will not be treated as expenditure.
	Deduct-Railway Pension	Expenditure	Expenditure	Expense of Demand No. 14

SEQ NO	HEAD OF ACCOUNT	Trial Balance Mapping		Remarks
	Fund (Strat.)			
Net-3003				
TOTAL-3002+3003				
	IR Open Line Works Revenue (Comml.)	Expenditure	Expenditure	
	IR Open Line Works Revenue (Strat.)	Expenditure	Expenditure	
TOTAL-3004				
	Dividend to General Revenues (Current)	Expenditure	Expenditure	This amount will be adjusted in adjustment accounts.
	Dividend to General Revenues (Deferred)	Expenditure	Expenditure	This amount will be adjusted in adjustment accounts. However any unpaid deferred dividend will be shown as notes to accounts.
	Contribution to General Revenues for Grants to States in lieu of Tax on Railway Passenger Fares	Expenditure	Expenditure	
	Contribution to General Revenues for assisting the States for financing Safety works	Expenditure	Expenditure	
Net-3005				
	Appropriation from Railway Surplus to-RDSF	Expenditure	Expenditure	It will be depicted at Railway Board Level.
	Appropriation from Railway Surplus to-Development Fund	Assets	Fixed Assets	
	Appropriation from Railway Surplus to-Capital Fund	Assets	Fixed Assets	
	Appropriation from Railway Surplus to-Railway Safety Fund	Assets	Fixed Assets	
Net-3006				
	Repayment of Loans (Commercial)	Liabilities	Non-Current/ Current Liabilities	It will be depicted at Railway Board Level.
	Repayment of Loans (Strategic)	Liabilities	Non-Current/ Current Liabilities	

SEQ NO	HEAD OF ACCOUNT	Trial Balance Mapping		Remarks
	Payment of Interest (Commercial)	Expenditure	Expenditure	
	Payment of Interest (Strategic)	Expenditure	Expenditure	
	Deduct-amount transferred to 7002-Loans to Railways	NA	NA	
	Interest (Commercial)	Expenditure	Expenditure	
	Interest (Strategic)	Liabilities	Liabilities	
	Deduct-amount transferred to 0049-Interest Receipts	NA	NA	
TOTAL-3007				
	Railway Audit Offices (Commercial)	Expenditure	Expenditure	
	Railway Audit Offices (Strategic)	Expenditure	Expenditure	
	Deduct Establishment Charges (Commercial)	NA	NA	
	Deduct Establishment Charges (Strategic)	NA	NA	
TOTAL-2016				
TOTAL-REVENUE EXPENSES				
	Capital	Assets/ Expenditure	Fixed Assets/ Expenditure	Any project advance, CWIP and Inventory will be shown separately and will not form part of fixed assets.
	Depreciation Reserve Fund	Assets/ Expenditure	Fixed Assets/ Expenditure	
	Development Fund	Assets/ Expenditure	Fixed Assets/ Expenditure	
	Pension Fund	Assets/ Expenditure	Fixed Assets/ Expenditure	
	Capital Fund	Assets/ Expenditure	Fixed Assets/ Expenditure	
	Railway Safety Fund	Assets/ Expenditure	Fixed Assets/ Expenditure	
	Open Lines Works Revenue	Assets/ Expenditure	Fixed Assets/ Expenditure	
TOTAL 5002-Commercial				
	Amount transferred to National Investment Fund (NIF) MH-8542			

SEQ NO	HEAD OF ACCOUNT	Trial Balance Mapping		Remarks
Net 5002				
	Capital	Assets/ Expenditure	Fixed Assets/ Expenditure	
	Depreciation Reserve Fund	Assets/ Expenditure	Fixed Assets/ Expenditure	
	Development Fund	Assets/ Expenditure	Fixed Assets/ Expenditure	
	Pension Fund	Assets/ Expenditure	Fixed Assets/ Expenditure	
	Capital Fund	Assets/ Expenditure	Fixed Assets/ Expenditure	
	Railway Safety Fund	Assets/ Expenditure	Fixed Assets/ Expenditure	
	Open Lines Works Revenue	Assets/ Expenditure	Fixed Assets/ Expenditure	
TOTAL 5003-Strategical				
	Amount transferred to National Investment Fund (NIF) MH-8542			It will be depict at Railway Board Level. transaction for the year as depicted in account current is to be adjusted in adjustment accounts
Net 5003				
NET CAPITAL OUTLAY (5002+5003)				
	Loans for Co-operative	Assets	Loans and Advances	Advance to employee are given From the Civil Grant. These are pass through entries and will not be shown in Financial Statements. However, transaction for the year as depicted in account current is to be adjusted in adjustment accounts
	7002-Loans to Railways	Assets	Loans and Advances	
	HBA	Assets	Loans and Advances	
	Motor Car Advance	Assets	Loans and Advances	
	Other Motor Advance	Assets	Loans and Advances	
	Other Conveyance	Assets	Loans and Advances	
	Personal Computer	Assets	Loans and Advances	
	Other Advances	Assets	Loans and Advances	

SEQ NO	HEAD OF ACCOUNT	Trial Balance Mapping		Remarks
TOTAL-7610				
	7615-Misc. Loans	Assets	Loans and Advances	
Total 'F' Loans & Advances				
PART-I Consolidated Fund of India				
PART-II Contingency Fund of India				
	GPF	Liabilities	Non-Current Liabilities	
	SRPF (Contributory)	Liabilities	Non-Current Liabilities	
	SRPF (Non-Contributory)	Liabilities	Non-Current Liabilities	
Total-8009-State Provident Funds				
	Central Government Employees' GIS (Saving)	Liabilities	Current Liabilities	
	Central Government Employees' GIS (Insurance)	Liabilities	Current Liabilities	
	Union Territory Employees' GIS (Saving)	Liabilities	Current Liabilities	
	Union Territory Employees' GIS (Insurance)	Liabilities	Current Liabilities	
Total-8011-Insurance & Pension Funds				
Total 'I' Small Saving Provident Fund				
	Appropriation from Revenue (Commercial)	Expenditure/ Liabilities	Expenditure/ Liabilities	
	Appropriation from Revenue (Strategic)	Expenditure/L iabilities	Expenditure/ Liabilities	
Total Depreciation/Renewal Reserve Fund				
	Expenditure from Fund	Assets/ Expenditure	Non-Current Assets/ Expenditure	
TOTAL-8116				
	Development Fund (Commercial)	Assets	Non-Current Assets	
	Development Fund (Strategic)	Assets	Non-Current Assets	
	Interest on loan & repayment of loan	Expenditure/ Liabilities	Expenditure/ Liabilities	

SEQ NO	HEAD OF ACCOUNT	Trial Balance Mapping		Remarks
Total Development Fund				
	Capital Fund (Commercial)	Expenditure/ Liabilities	Expenditure/ Liabilities	
	Interest on loan & repayment of loan	Expenditure/ Liabilities	Expenditure/ Liabilities	
TOTAL-8118				
	8121-Railway Pension Fund (Commercial)	Expenditure/ Liabilities	Expenditure/ Liabilities	
	Railway Pension Fund (Strategic)	Expenditure/ Liabilities	Expenditure/ Liabilities	
	SBF (Commercial)	Expenditure/ Liabilities	Expenditure/ Liabilities	
	SBF (Strategic)	Expenditure/ Liabilities	Expenditure/ Liabilities	
	TOTAL-8121			
	RSF (Commercial)	Liabilities	Equity	
	RSF (Strategic)	Liabilities	Equity	
TOTAL-8231-RSF				
TOTAL-'J' RESERVE FUND				
	Indian Railways Deposits	Liabilities	Non-Current/ Current Liabilities	
	Indian Railways Conference Association (IRCA) Funds	Liabilities	Non-Current/ Current Liabilities	
	IRCA Employees' Provident Funds Investment Account (Contributory)	Liabilities	Non-Current/ Current Liabilities	
	IRCA Employees' Provident Funds Investment Account (Non-Contributory)	Liabilities	Non-Current/ Current Liabilities	
TOTAL-8337				
	Deposits of Govt Companies	Liabilities	Current Liabilities	
	NPS Employees' Contribution	Liabilities	Current Liabilities	
	NPS Govt's Contribution	Liabilities	Current Liabilities	
	NPS Interest	Liabilities	Current	

SEQ NO	HEAD OF ACCOUNT	Trial Balance Mapping		Remarks
			Liabilities	
TOTAL-8342-NPS				
	Indian Railways Deposits	Liabilities	Current Liabilities	
	Deposit of Branch Line Companies	Liabilities	Current Liabilities	
	Unclaimed Provident Fund Deposits	Liabilities	Current Liabilities	
	Trust Interest Account	Assets	Current Assets	
	Deposits IRFC	Liabilities	Current Liabilities	
	Unpaid Wages	Liabilities	Current Liabilities	
	Other Deposits	Liabilities	Current Liabilities	
TOTAL-8445-RAILWAY DEPOSITS				
	National Investment Fund (NIF)	Assets	Non-Current/ Current Assets	
	Department Advances	Assets	Current Assets	
TOTAL-'K' DEPOSITS & ADVANCES				
	PAO Suspense	Assets	Current Assets	
	AG Suspense	Assets	Current Assets	
	PSB Suspense	Assets	Current Assets	
	Clearance from PSB Suspense	Assets	Current Assets	
	Net PSB Suspense	Assets	Current Assets	
	RBI Suspense	Assets	Current Assets	
	Transaction on behalf of RBI	Assets	Current Assets	
	Adjustment in Debt settlement with Pakistan	Assets	Current Assets	
	Transaction relating to Bangladesh	Assets	Current Assets	
	Miscellaneous Suspense	Assets	Current Assets	
	Loss or Gain due to rounding off	Income/ Expenditure	Income/ Expenditure	

SEQ NO	HEAD OF ACCOUNT	Trial Balance Mapping		Remarks
TOTAL-8660-SUSPENSE ACCOUNT				
	DRB-Railways	Assets	Current Assets	
	Remittance into Bank	Assets	Current Assets	
	Clearance by Bank	Assets	Current Assets	
TOTAL-8677-RIB				
	Pakistan Railway	Assets	Current Assets	
	Bangladesh Railway	Assets	Current Assets	
	Misc. Govt Accounts	Assets	Current Assets	
TOTAL-'L' SUSPENSE & MISC				
	Transfer within the same Railway	Assets	Current Assets	
	Adjusting Account with Posts	Assets	Current Assets	
	Adjusting Account with Defence	Assets	Current Assets	
	Adjusting Account with States etc.-Railways	Assets	Current Assets	
	Adjusting Account with States etc.-Civil	Assets	Current Assets	
TOTAL-INTER GOVT ADJUSTMENT ACCOUNT				
	Accounts between Railways	Assets	Current Assets	
TOTAL-'M' REMITTANCE				
TOTAL PART-III PUBLIC ACCOUNT				
TOTAL CHARGES				
	Departmental Balances	Assets	Current Assets	
	Permanent Cash Imprest	Assets	Current Assets	

Chapter 9 – Peculiarities of Indian Railways Accounts

9.1 Key features of Books of Accounts of Railways

- i. In Railways, Profit and Loss account & Balance sheet are prepared both at Zonal level and Railway Board level.
- ii. Final accounts are prepared from Ledger. Further, detailed procedure exists for rectification of mistakes in accounts.
- iii. No Bank Reconciliation Statement is prepared even though reconciliation of Cheques & Bills and Remittance Into Bank are in vogue.
- iv. **Account Current** - Account current is a monthly statement of receipts and disbursements of an account circle, duly classified under the prescribed head of accounts. The main principle on which the Account Current is prepared is that all entries should be shown on "NET" basis, i.e., after deducting the write back adjustment against each head of account i.e. entries of (Debits) and (Credits). The figures are shown for the month as well as for the financial year. The monthly Account Current is prepared at workshop/divisions level and thereafter, is sent to Head Quarters Office where these are consolidated for the entire Zonal Railway.
- v. The monthly Account Current is supported by various schedules giving the details of the expenses/receipts. Presently, under AIMS, preparation of monthly account current and the connected schedules is computerised. It may be noted that separate account current is prepared for the revenue expenditure and for the capital expenditure in the prescribed Format.
- vi. **Suspense Heads:** The Suspense Heads are certain intermediary/adjusting heads of accounts operated in Government Accounts to reflect transactions of receipts and payments which cannot be booked to Final Head of accounts due to lack of information as to their nature or for other reasons. These heads of accounts are finally cleared, when the amount under them is booked to their respective final heads of accounts, by 'Minus Debit'/ 'Minus Credit' or Contra debit/ credit to suspense heads.

If these amounts remain uncleared, the balance under the 'Suspense Heads' would go on accumulating and Receipts and Expenditure of the Railway will not be reflected accurately.

- vii. **Transfer without Financial Adjustments (TWFA)** - TWFA stands for transfer without financial adjustment. These transactions are take place within Indian Railways without passing any accounting entry in journal. TWFA is directly adjusted by modifying the opening balance of the relevant Accounts.. Such types of transaction are dealt in the Books section of the Head Quarter. For TWFA passing of Journal Entry and raising Debits on another unit is not required. TWFA is done only through adjusting into the financial books of the Two Railways or Units by Transfer Entry. The amounts simply added up in the Opening Balances for the year of Unit taking over the asset/funds etc., and deducted from the Opening Balances for the year of the Unit surrendering the asset/funds etc.
- viii. **Budget** - Budget is a forecast of annual railway receipts and expenditure of the Central Government. In order to obtain the vote of Parliament, control the 'Ways and Means' and watch the pace of expenditure and receipts, budget estimate are prepared each year as required under article 112(1) of the Constitution of India. The proposed expenditure included in the budget is of two types, namely 'Voted' and 'Charged'.
 - a. Voted Class- The voted class includes the items for which the provision of funds is subject to the vote of the Parliament. Demands of grants relating to the votable part of the budget are recommended by the President and voted by the Parliament. These are called 'Grants' available for expenditure within the scope of the demands.
 - b. Charged Class- The funds for the charged class are sanctioned by the President. The assignment made by the President from the non-voted portion of the budget to meet specific expenditure on charged items are called 'Appropriations'. Under Grant No. 16 relating to works, voting is separately for revenue and other works expenditure by the Parliament and the appropriations as sanctioned by the President.
- ix. **Demands** - At present, the income and expenditure are classified under 'Indian Railways Finance Code Volume – II (also known as F-2)'. In F-2, all the expenditures heads have been segregated on the basis of various demands and as per the nature of expenditure. There are total 16 demands prevalent in the system of accounting, covering all revenue and capital expenditures of the Indian Railways. It is to be noted that budget is also prepared on the basis of demand. The essence of these demands can be understood as follows:

- a) Demand 1 and 2 is for policy formulation which covers the expenditure of Railway Board and Miscellaneous Expenditure (General);
- b) Ordinary working expenses are covered into Demand 3 to Demand 13;
- c) Appropriation to various Funds like DRF, DF, etc., are covered under Demand No. 14 and payment of Dividend etc., to General Revenues under Demand 15; and
- d) All capital and other works Expenditure (Demand 16).

Each demand presents a distinct functional activity of the Railways. Demand for Works Expenditure is kept distinct from Demands for Revenue Expenditure. Each demand pertaining to Working Expenses and Miscellaneous Expenditure has a two way classification, by activity and by primary units of expenditure. The activity classification indicates the purpose for which the expenditure is incurred, e.g. Track maintenance, periodic overhaul of locomotives, etc. and the primary units of expenditure indicating how the expenses were incurred, e.g. Salaries, wages, cost of materials, etc. The two way classification integrates the requirements of performance budgeting which is based on activities and management control which is based on object of expenditure. The classification of various demands is as under:

Group	Demand No.	Abstract	Name of Demand
Revenue Demand			
Policy Formulation and Services common to all Railways	1.		Railway Board
	2.		Miscellaneous Expenditure (General)
General Superintendence and Services on Railways	3.	A	General Superintendence and Services on Railways
Repairs and Maintenance	4.	B	Repairs and Maintenance of Permanent Way and Works.
	5.	C	Repairs and Maintenance of Motive Power.
	6.	D	Repairs and Maintenance of Carriage and Wagons.
	7.	E	Repairs and Maintenance of Plant and Equipment.
Operation	8.	F	Operating Expenses-Rolling Stock and Equipment.
	9.	G	Operating Expenses-Traffic
	10.	H	Operating Expenses-Fuel
Staff Welfare, Retirement Benefits and Miscellaneous	11.	J	Staff Welfare and Amenities
	12.	K	Staff Welfare and Amenities
	13.	L	Provident Fund, Pension and other

			Retirement Benefit.
Railway Funds and Payment to General Revenues	14.	M	Appropriation to Funds.
	15.		Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortization of over Capitalization.
Capital Demand			
Works expenditure	16.		Assets- Acquisition, Construction and replacement

- x. **Block Accounts:** As per Indian Railways Finance Code 1, with effect from 1st April, 1950, two separate accounts are maintained to represent the value of all the physical assets of the railway zone- a Loan Account and Block Account. The Loan Account represents the loan (share) capital and the physical assets created there from. The Block Account represents all the physical assets of the Zone whether financed from loan capital or the Railways' own generation of funds. Block account includes plant, property and equipment (Fixed Assets) as the major item on the asset side with a detailed schedule indicating the plan head of assets, source of fund, etc. Block account is maintained in Form **F- 429**, separately for commercial and strategic lines. However, Block accounts shows only those assets which are created from *Demand 16*. No proper classification of assets is made in Block Account. Capital Work in Progress is also not shown separately.
- xi. **Track:** IR is maintaining TMS software which was developed by CRIS for the purpose of recording of various components of permanent way (Railway Tracks) like Rail, Ballast, Bridge, Formation, Sleeper, Fastening, etc. Specific formats are designed for. each component and updated/filed by concerned SSE/Stockholder periodically. But only quantitative details of track components are available in TMS. There is no financial data in respect of cost of track component in TMS.
- xii. **Rolling Stock:** Rolling Stock, i.e., Loco, Coaches and Wagons form significant portion of the Fixed Assets of Indian Railways. Details regarding Coaches, Wagons and Locos available with Mechanical department at Zonal Head Quarters. The value of Rolling Stock is reflected in Block Account. No separate Asset register is maintained for recording such assets.

Chapter 10 - Data Collection – Methodology and Challenges

This Chapter contains the data collection process adopted for preparation of the Financial Statements of North Western Railways and challenges faced during the field work.

ICAI ARF has listed out major challenges encountered while preparing the financial statements which would assist to overcome the same during Roll out on other Railways and complete the work in an efficient manner.

Common challenges while preparing the Financial Statements:

- i. Ensuring completeness of the data provided*
- ii. Lack of interpretation of the shared formats by concerned Railway officials*
- iii. Validation of the data provided*
- iv. Compilation and Reporting of the Information in the Financial Statements*

i. Ensuring Completeness of the Data Collected:

Completeness of the data is the major hurdle in the finalization of the deliverables. Data provided by units/ HQ with regard to the Accrual Impact Sheet or Fixed Asset Register was incomplete. For instance, any donated assets like water cooler, solar light, etc., installed at Railway Station were not included in Assets Register.

It is suggested that Railways should nominate nodal officers at appropriate level for this work in each department. The concerned nodal officers should ensure that all the assets has been included in the Assets Register and a certification may also be obtained from the concerned to ensure the completeness of the data.

ii. Lack of correct understanding of the formats by the concerned Railway officials:

This factor is also one of the main reasons for incorrect data. So it is necessary to get proper understanding of the Formats. For this purpose, Training sessions and workshops should be conducted to create awareness amongst concerned officials which will also ensure the correctness of data.

iii. Validation of Data Provided:

Accrual based Financial Statements as prepared by ICAI ARF needs to be counter approved by the concerned nodal officers of the Railway so as to confirm their agreement on the figures.

iv. Compilation and reporting of Information in Financial Statements:

1. The Major challenge in regard to the compilation of the financial statements is to collect the data within prescribed time limit. As far as possible, all the data should be

provided in single attempt rather than providing it into multiple phases, resulting in avoidable delays in completion of work.

2. Data should be collected in the prescribed format
3. A checklist (as given for Sources of Information) should be used to avoid any data inconsistency and integrity.

Chapter 11 - Observations and redundancies in the Existing Accounting System of Indian Railways

Here we will discuss ICAI ARF's observations on the existing system of accounting. These observations are based on our review of existing statements, records, manuals, documents, etc., and the team's interaction with IR personnel. It is to be noted here that this review should not be construed as audit or any type of due diligence of the existing system of accounting. The primary focus of this review is to implement an accrual based double entry system of accounting in Indian Railways. Therefore, our analysis has focused on the gaps in the existing accounting system and the issues that may impact the smooth implementation of accrual based system of accounting in Indian Railways.

Observations and Redundancies

The observations are classified under the following broad heads:

- i. System of Accounting;
- ii. Financial Statements;
- iii. Accounting Procedures; and
- iv. General observations.

i. System of Accounting:

A. Existing system of Accounting :- Indian Railways predominantly follow cash based system of accounting which also has some elements of accrual accounting like demand payable, demand recoverable, traffic suspense, etc. Further, accounting of Indian Railways is Demand Specific which is segregated into two parts:

- a. Revenue Demands; and
- b. Capital Demand

Any expenditure met out from revenue demand is considered revenue expenditure only even if the same is in nature of capital expenditure. Any asset purchased from Demand No. 3-13 is considered as Revenue Expenditure even though it is capital in nature.

Revenues are recorded in the accounting system as and when they are received. However, separate records are also maintained to trace the receivables. Similarly, expenditures are recorded only at the time of making the payment.

B. Problem in Existing system of Accounting: -Liabilities are not recognised in the accounting system either on utilization of the service or on receipt of the bills from the suppliers/contractors which is contrary to the principles of accrual accounting.

C. Recommendations:

1. *It is recommended to maintain separate records for billable assets to track records of receipts and there should be IT Functionality to raise bills automatically when due.*
2. *It is recommended to maintain separate records for expenses which are due but not paid, or Paid in advance, so that they can be matched to current year revenue.*

ii. Financial Statements:

- A. Existing System:** - Financial statements in Indian Railways are prepared in the form of Appropriation Accounts which is prepared at Zonal level and further consolidated at the Railway Board Level. These statements are prepared from the final account current of concerned Zonal Railways.
- B. Problem in Existing system of Accounting:** - Indian Railways predominantly follow cash based system of accounting which also has some elements of accrual accounting like demand payable, demand recoverable, traffic suspense, etc.
- C. Recommendation:** - *It is recommended that all accrual transactions should be taken care of while preparing final accounts.*

iii. Accounting Procedures: Further, accounting procedures may be classified into following broad categories:

a. Expenditure

- A. Existing System:** - The classification of Indian Railways' expenditure is made as per the Finance Code Vol. - II which is classified into various Demands as per the nature of expenditure. Demand 3 to 13 are considered as revenue demand while demand 16 is considered as capital demand.
- B. Problem in Existing system of Accounting:** - There is no difference between revenue expenditure and capital expenditure because some revenue expenditure is met from capital demand and vice versa. Therefore, assets are understated and expenditures are over stated and vice versa. Further, we may also not be able to know the true and fair view of financial position and financial performance of Zonal Railway unless all the expenditures are properly categorized.

C. Recommendations: -

1. *It is recommended to record all the expenditure as per their nature, i.e., capital or revenue instead of being recorded as per the source of their funding.*
2. **Capacity Building:** For this purpose, awareness needs to be created amongst concerned IR official so that proper accountal can be achieved.

b. Accounting of Income

- A. **Existing System:** - Income is recorded and accounted for on cash/collection basis irrespective of whether due or not. Traffic Account Office (TAO) is responsible for recording of earnings. Further, separate records are also maintained for unrealised earnings which are in sync with accrual accounting.
- B. **Problem in Existing system of Accounting:** - The income received in advance is shown as current year income and is not in consonance with Accrual Accounting System.
- C. **Recommendation:** The income which pertains to current year should be only recognized as current year income and Advance income should be taken to liabilities.

c. Assets

❖ **Fixed Assets**

- a)
 - A. **Existing System:** - Para 1720 of Engineering code manual as applicable on Indian Railways prescribe an asset register format for recording the details of fixed assets.
 - B. **Problem in Existing system of Accounting:** - IR does not readily have a listing of all fixed assets.
 - C. **Recommendation:** - It is recommended to maintain Asset Register for each class of asset in prescribed format so that one may be able to know the amount of total assets at a glance.

b) Depreciation:

- A. **Existing System:** At present, no depreciation is charged directly on any asset. However, each year Indian Railways contributes amount as decided by Railway Convention Committee (RCC) to the Depreciation Reserve Fund (DRF) for expenditure on renewal and replacement of assets.

B. **Problem in Existing system of Accounting:** The DRF contribution is not sufficient to meet the requirements of asset replacement.

C. **Recommendation:** The accounting depreciation should be provided on class of asset so that it is sufficient to meet the replacement of assets

c) **Useful life of Asset**

A. **Existing System:** Life of assets is determined as per Codal provision applicable to Indian Railways in this reference.

B. **Problem in Existing system of Accounting:** The codal life of asset is based on old estimates and are not scientifically assessed.

C. **Recommendations:**

1. *Assets' useful life as prescribed in Codal manual should be reviewed from time to time and if there is any change in useful life of asset then codal manual should be revised accordingly.* For example, life of Rails is prescribed in years in the codal manual; however, practically it is replaced on the basis of Gross Million Tonnes (GMT), i.e., quantum of traffic which has passed over it.
2. It is recommended to update the codal manual as and when it is required or at least after lapse of a period, say, five years.

D. **Capital Work in Progress**

A. **Existing System:** Any expenditure on account of capital, i.e., Demand 16 is directly charged to final plan head.

B. **Problem in Existing system of Accounting:** There is no concept of Capital Work in Progress. CWIP denotes the assets which are under completion.

C. **Recommendation:** To keep a track of the expenditure involved and proper accounting, it is recommended to record CWIP separately.

E. **Handing over of Assets by Construction Department**

A. **Existing System:** Construction department is engaged in construction of new line and upon completion it is handed over to concerned Divisions/Workshops. It is observed that completion report is not prepared even on the completion of assets. Completion report is required to determine when an asset is ready for use. Depreciation is charged on assets when they are ready for use.

- B. **Recommendation:** It is recommended to prepare the completion report in time so that depreciation can be computed in a correct manner.

❖ **Receivables**

- A. **Existing System:** Records are maintained for amount receivable. For Example EMD and Security Deposits paid by IR are expensed off at time of payment
- B. **Problem in Existing system of Accounting:** No provisions for irrecoverable dues are made for long pending dues and they are not written off from the books of account.
- C. **Recommendations:**
1. It is recommended that a policy should be drafted in this regard and provision should be made for the long pending dues to know the true and fair view of the financial performance and financial position.
 2. EMD , Security deposits and such other items be kept under suspense account and be regularly monitored.

d. **Liabilities**

- A. **Existing System:** As cash basis of accounting is followed, no provision is made for unpaid liabilities except salary. Demand payable is operated in the month of March and only for salary. However, Para 220 of Chapter II of Indian Railways Code for Accounts Department Part I (IRCA I) prescribes that *“Unlike government accounts which record expenditure only when actually disbursed or receipts only when actually realised the railway accounts maintained on a commercial basis will record the expenditure incurred or earnings accrued in a month irrespective of whether they have actually been paid or realised”*. This para is in sync with accrual accounting.
- B. **Problem in Existing system of Accounting:** No provision is made for unpaid liabilities.
- C. **Recommendation:** *It is recommended to record all the expenditure on due basis irrespective of whether paid or not.*

iv. **General Observations**a) **Use of Suspense head:**

- A. Existing System:** In Indian Railways, various transactions are recorded with the help of suspense head. As per the 'Suspense Accounts Manual' issued by Controller General of Accounts (CGA) certain intermediary/adjusting heads of accounts known as 'Suspense Heads' are operated in Government Accounts to reflect transactions of receipt and payments which cannot be booked to a final head of account due to lack of proper information as to their nature, or for other reasons.
- B. Problem in Existing system of Accounting:** Balances in Suspense account are not cleared for long and are carried in accounts.
- C. Recommendation:** It is recommended that these suspense head should be closed at the earliest possible i.e. the entries should be booked in their final destination (account head) at the earliest possible opportunity.

b) **Costing of Periodical Overhauling (POH):**

- A. Existing System:** POH refers to periodical overhauling of Rolling stock. Workshop raised debits to other Divisions except for Divisions which comes in home Railways. For instance, Ajmer Workshop raises debit for POH to other Divisions except those Divisions which comes in NWR, i.e., Ajmer, Bikaner, Jaipur and Jodhpur.
- B. Problem in Existing system of Accounting:** Based on our study at Ajmer group of workshops it is observed that administrative costs are not included in computing the cost of POH. Therefore, cost of POH is understated. This also affects the profitability of a particular Zonal Railway.
- C. Recommendations:** It is recommended that all costs whether direct or indirect including administrative cost should be considered while calculating costing of POH so that the proper costing can be achieved.

c) ***Lease Payment towards Leased Assets:***

- A. Existing System:** Major Rolling stock of Indian Railways is taken on lease from Indian Railways Finance Corporation (IRFC). Each year, a standard lease agreement is entered between Indian Railways and IRFC for the assets taken on lease. It may be noted that no separate

lease agreement is entered with Zonal Railways. Indian Railways paid the lease charges to IRFC and allocates the same to all Zonal Railways in the ratio of actual holding of Rolling stock rather than lease assets.

B. Problems in Existing system of Accounting: There is no linkage between actual lease assets holding and lease charge paid by Zonal Railways.

C. Recommendations:

1. It is recommended that lease charges should be allocated to all Zonal Railways in the ratio of actual lease assets holding.
2. The rolling stock leased by IRFC to IR does-not matches with RB records. There should be periodic reconciliation of leased assets.

d) Non-integration of Software:

A. Existing System: Indian Railways is using various software like MMIS, IPAS, E-Recon, TMS, etc., for the efficient and smooth working.

B. Problem: All these software are stand alone, i.e., they don't have any linkage between other software. For instance, MMIS is used to record the inventory of stock items and IPAS is used to pass the bill but both don't have any linking.

C. Recommendations:

1. It is recommended that all such software should be worked in an integrated manner for the better MIS.
2. Further, integration of all software would help in identifying the redundancies or improvement in the existing system.

e) Contingencies

Certain expenditure/income viz. Court cases, compensation for Land disputes, RCT claims, Arbitration Claims etc. in nature of contingent liabilities which although are not part of books of accounts would be required to be reflected in accrual accounts. It is recommended that proper record of such items of expenditure/liabilities should be kept by IR.

Chapter 12 - Chart of Account

12.1 Introduction

Chart of Accounts (COA) is systematic arranged list of heads of accounts in which all the accounting heads are assigned a unique code for better controlling, classification and presentation of accounting transactions. COA defines the scheme in which all the accounting heads falling under Income, Expenditure, Assets, and Liabilities are classified and facilitates proper maintenance of accounts and preparation of Financial Statements.

In a large organization there exists various kind of accounting transactions in huge volume. Further, similar types of accounting events or transactions are booked by using different nomenclature of heads of accounts by different accounting centres/units. Due to this anomaly, following problems may be faced:

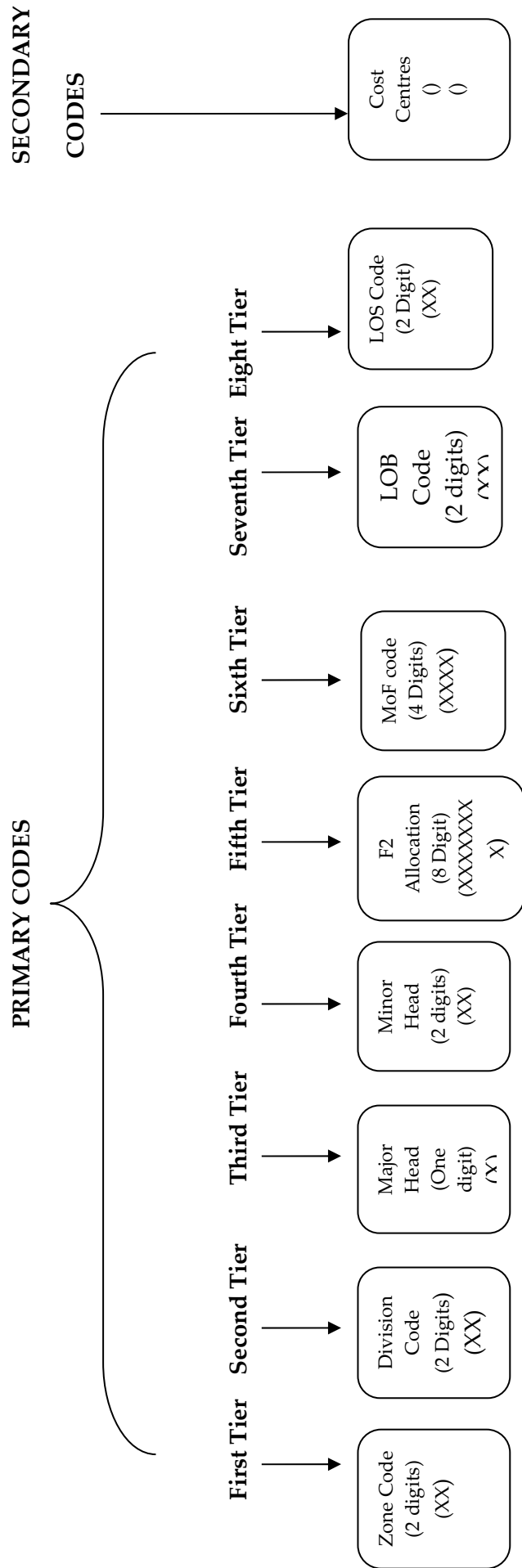
- Difficulty in proper consolidation at central accounting/information centre level;
- Non – Comparability of financial information between Centres;

For the purpose of removing these anomalies COA is required to be prepared and applied. A well designed COA not only fulfils accounting requirements but also helps in Budgeting and Management information system (MIS) requirements for an organization.

12.2 Proposed chart of accounts for Indian Railways coding logic and procedure

The proposed COA for IR has been designed to give a systematic unique code to each head of account classified under various classes and sub classification as given in “Finance Code Volume 2” and applicable for Indian Railways.

A COA with 27 digits accounting codes, classified into nine tiers is proposed for IR. These tiers have been further classified into Primary Codes and Secondary Codes. First Eight tiers shall be called Primary codes and these codes shall be compulsory. The last tier shall be called secondary codes. Secondary Codes shall be optional and shall facilitate capturing of transactions relating to the cost centres. These codes shall also be permanent.



A) PRIMARY CODES

These are the compulsory codes assigned to each accounting head to capture accounting transactions. The primary codes have eight tiers namely;

- (i) Zone Code;
- (ii) Division/workshop Code;
- (iii) Major Head;
- (iv) Minor Head;
- (v) F2 Allocation;
- (vi) Ministry of Finance wrapper code;
- (vii) Line of Business (LOB) code'; and
- (viii) Line of Service Code.

i. Tier One: Zone Code

The first tier of Primary codes structure shall have two digits numeric code and shall signify the Zonal Railways. Based upon this assumption following codes may be assigned to the identified centres of Zonal Railways:

S. No.	Identified Zonal Railways	Proposed Zonal Railways Code
1	Central Railways	01
2	Northern Railways	02
3	Northern Western Railways	03
4	Western Railways	04
5	Eastern Railways	05
6	Southern Railways	06
Accordingly, code will be allocated to all other Zonal Railways.		

ii. Tier Two: Division Code

The second tier consisting of two digits shall be used for signifying the Divisions/workshops under the concerned Zonal Railways. For example following codes may be given to different Divisions/Workshops in Northern Western Railways:

S. No.	Zonal Railways	Code	Division/Workshop Name	Division/ Workshop Code
1.	Northern Western Railways	03	Ajmer Division	01
2.	Northern Western Railways	03	Jaipur Division	02
3.	Northern Western Railways	03	Jodhpur Division	03
4	Northern Western Railways	03	Bikaner Division	04
5	Northern Western Railways	03	Ajmer Workshop	05
6	Northern Western Railways	03	Construction Office	06
7	Northern Western Railways	03	Traffic Accounts Office	07
Similarly, code will be allocated to all other Divisions/Workshop in NWR Zonal Railways.				

iii. Tier Three: Major Head

The third tier named as 'Major Head' shall consist of only one digit. This will signify the nature of accounts like 'Revenue Income', 'Revenue Expenditure', 'Capital Receipts & Liabilities', 'Capital Expenditures & Assets' and 'Accumulated Depreciation'.

For example, following codes can be used signify the nature of accounts under first part of 'Major Head':

Numeric Code	Description
1	Revenue Income
2	Revenue Expenditure
3	Capital Receipts & Liabilities
4	Capital Expenditures & Assets
5	Accumulated Depreciation

iv. Tier Four: Minor Head

The fourth tier shall consist of two digits and shall classify the nature of accounts into broader heads of accounts Income, Expenditure, Assets and Liabilities based upon its nature, source and its characteristics, etc. This tier can be understood with the help of following table and example given below:

Major Group	Major Group Code	Minor Group	Minor Group Code
Capital Expenditure & Assets	4	Land	01
Capital Expenditure & Assets	4	Buildings	02
Capital Expenditure & Assets	4	Railways Tracks	03
Capital Receipts and Liabilities	3	Capital at Charge	01
Revenue Expenditure	2	Establishment	01
Similarly, code will be allocated to all others assets, expenditure, income and liabilities.			

Example:

Accounting Head (Accounting Code)	Zonal Railway Code		Division Code		Major Head		Minor Head	
	Tier-1		Tier-2		Tier-3		Tier-4	
Ajmer Division Land (03-01-4-01)	03	'03' Represent 'NWR'	01	'01' Represent 'Ajmer Division'	4	'4' Represents 'Capital Expenditure & Assets'	01	'01' Represents Land.
Ajmer Division-Establishment (03-01-2-01)	03	'03' Represent 'NWR'	01	'01' Represent 'Ajmer Division'	2	'2' Represents 'Revenue Expenditure'	01	'01' Represents Establishment
Ajmer Division-Capital at Charge (03-01-3-01)	03	'03' Represent 'NWR'	01	'01' Represent 'Ajmer Division'	3	'2' Represents 'Capital Receipt and Liabilities'	01	'01' Represents 'Capital at Charge'

v. Tier Five: F2 Allocation

Indian Railways is following Finance Code Volume – II for classification of revenue and capital expenditure. All revenue expenditure denoted by eight digit numerical code. Out of which first 3 digit stands for demand no., next three digits for detailed head corresponding to demand and last two digits denotes primary unit.

On the other hand all capital expenditure too denoted by eight numerical codes. First two digits indicates the source of fund, next two digit represents the standard plan head, next two digits represents detailed head of classification and last two digit will depict the primary unit.

Examples:

Accounting Head (Accounting Code)	Zonal Railway Code	Division Code	Major Head	Minor Head	F2 Allocation code
	Tier-1	Tier-2	Tier-3	Tier-4	Tier-5
Basic Salary – General Manager ‘A’ (03-01-2-01-03011101)	03 ‘03’ Represent ‘NWR’	01 ‘01’ Represent ‘Ajmer Division’	2 ‘2’ represents ‘Revenue Expenditure’	01 ‘01’ represents ‘Establishment’	03011101 F2 allocation represents Establishment officers
Ajmer Division-Survey expenditure on new lines (03-01-4-03-20111101)	03 ‘03’ Represent ‘NWR’	01 ‘01’ Represent ‘Ajmer Division’	4 ‘4’ Represents ‘Capital Expenditure & Assets’	03 ‘03’ represents ‘Railways Tracks’	20111101 F2 allocation represents survey expenditure-new lines (source of fund-Capital)

vi. Tier Six – Ministry Of Finance Wrapper Code (MoF)

Tier six will denote the code allocated to the expenditure/earning head of Indian Railways in the Civil Code as issued by Controller General of Accounts (CGA). It will be consisting of 4 digits as already in use. These Civil Heads are used to consolidate the Railways accounts

with the accounts of Ministry of Finance (MoF). Following table depicts the Civil Code which has already been allocated to Indian Railways Civil Code:

S. No.	Particular	Major head code (CGA)
1	Indian Railways – Misc Receipt	1001
2	Indian Railways – Commercial Lines (Revenue Receipts)	1002
3	Indian Railways – Strategic Lines (Revenue Receipts)	1003
4	Indian Railways – Policy formulation, Direction, Research and other Miscellaneous Organization	3001
5	Indian Railways – Commercial Lines (Working Expenses)	3002
6	Indian Railways – Strategic Lines (Working Expenses)	3003
7	Indian Railways – Open Lines Works (Revenue)	3004
8	Payments to General Reserve	3005
9	Appropriation from Railways Surplus	3006
10	Repayment of Loan taken from General Reserve	3007
11	Payment towards amortization of over Capitalization	3025
12	Capital outlay on Indian Railways – Commercial Lines	5002
13	Capital outlay on Indian Railways – Strategic Lines	5003

Examples based on F2 allocation and Ministry of Finance (MoF) wrapper code:

Accounting Head (Accounting Code)	Zonal Railway Code	Division Code	Major Head	Minor Head	F2 Allocation code	Ministry of Finance (MoF) Code
	Tier-1		Tier-2		Tier-3	
	03	'03' represent NWR	01	'01' represent 'Ajmer Division'	2	'2' represents 'Revenue Expenditure'
	Tier-4		Tier-5		Tier-6	
	0301	1101	F2 allocation represents Establishment officers	'01' represents Salary	3002	'3002' represents Commercial Lines - (Working Expenses)
Basic Salary – General Manager 'A' (03-01-2-01-03011101-3002)						
Ajmer Division-Survey expenditure on new lines (03-01-4-03-20111101)						

vii. Tier Seven - Line of Business (LOB)

The term line of business denotes a segment of related products and services which cater to a specific customer group or business need. Each LOB should ideally:

- a) An identifiable piece of business with generating revenue;
- b) Be positioned in a manner such that accounting for production and delivery of its services and products can be isolated; and
- c) Be in a position where an opening balance sheet can be established.

ICAI-ARF team has made detailed discussions with IR officials to define the LOB/LOS which may be applicable to Indian Railways in the present scenario. ICAI-ARF team recommends that, there may be following line of business in the existing structure of Indian Railways:

- a) Passenger Earnings;
- b) Goods Earnings;
- c) Suburban;
- d) Parcel and Luggage Earning; and
- e) Sundry Earning.

Based upon above recommendations, following code is allocated to Line of Business in Indian Railways:

S. No.	Identified line of business	Proposed Code
1	Passenger Earnings	01
2	Goods Earnings	02
3	Suburbans	03
4	Parcel and luggage Earnings	04
5	Sundry Earning	05

viii. Line of Service (LOS)

Line of service denotes the number of identifiable services within a line of business. For instance, following may be treated as line of service for passenger line of business:

- a. Mail/Express - Ist AC;
- b. Mail/Express - IIInd AC;
- c. Mail/Express - IIIrd AC;
- d. Mail/Express - Sleeper class

S.	Line of Business	Line of	Line of Service with	Line of Service
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No.	Business Code	in LOB	Code
1.	Passenger Earnings	01	Mail/Express - 1 st AC
2.	Passenger Earnings	01	Mail/Express - 3rd AC
3.	Goods Earnings	02	Coal
4	Goods Earnings	02	Steel
Similarly, code will be allocated to all other LOS with in a LOB.			

B. Secondary Codes

The Secondary codes have four digits consisting of two tier system. These codes will be used to identify cost centres and to facilitate capturing of transactions relating these cost centres for the purpose of compute costing. Further, these codes will be divided into two tiers. First tier of two digits will denote primary cost centres and second tier of two digits will stand for secondary cost centres.

i. Primary Cost Centres

Basically, a cost centre is a part of an organization that does not produce direct profit and adds to the cost of running an Organization. Further, cost centre has been segregated into following two parts for the purpose of costing and accountability:

- Primary cost centres; and
- Secondary cost centres.

Where primary cost centres will be the Departments in each Division/Workshop of Indian Railways. Further, following codes may be proposed to Departments/primary cost centres:

S. No.	Name of Department	Proposed Code
1	Engineering Department	01
2	Operating Department	02
3	Commercial Department	03
4	Mechanical Department	04
5	Electrical Department	05
Similarly, code will be allocated to all other departments in a Division/ Workshop.		

ii. Secondary cost centres

Similarly, all identifiable units in a department (primary cost centres) will be treated as secondary cost centres. In Indian Railways, there are many SSE(s) in a department which can be treated as secondary cost centres/units for the costing purpose. Following table depicts an illustrative list of the secondary cost centres in a particular department:

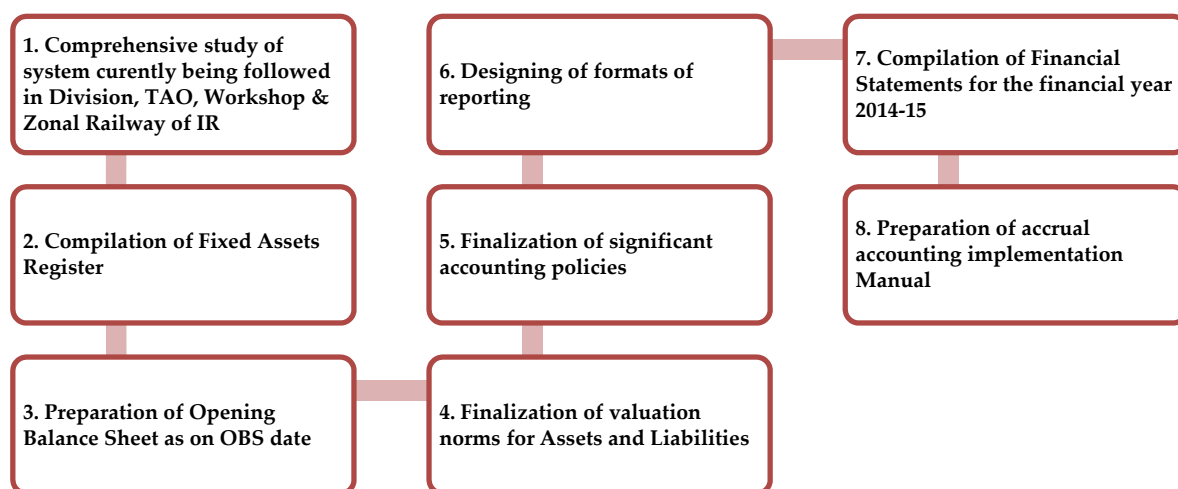
S. No.	Division	Division code	Primary Cost Centre	Primary cost centre Code	Secondary cost centre	Secondary cost centre Code
1.	Ajmer	01	Engineering Department	01	SSE-PW/ABR	01
2.	Ajmer	01	Engineering Department	01	SSE-IW/ABR	02
3.	Ajmer	01	Electrical Department	05	SSE-ABR	01
4	Ajmer	01	Mechanical Department	04	SSE-AII	01
Similarly, code will be allocated to all other secondary cost centres in a particular Divisions/ Workshop.						

Chapter 13 - Way Forward & Improvement Plan for Implementation of Accrual Accounting

The following diagram depicts the steps which have already been taken by Indian Railways for effective and complete implementation of accrual based system of accounting (*It may be noted that cash system of accounting will continue and preparation of financial statements on accrual basis is an additional exercise*):

i. Comprehensive Study of Existing Accounting Systems

This step has already been initiated by Indian Railways, i.e., comprehensive study of existing accounting system. The study has been undertaken in a Division, Workshop, Traffic Account Office, Production Unit and Zonal Head Quarter. However, this might be changed in specific area for a Zonal Railway. Further, study of electrified section, sub-urban section, Railway Board, COFMOW, etc. is also required to be undertaken for comprehensive study of existing system of entire Indian Railways. This will help in smooth implementation of accrual accounting across the Indian Railways.



ii. Compilation of Fixed Assets Register (FAR)

Fixed Assets, being a significant portion of the total assets of any organization, the accounting thereof involves proper classification, segregation, recording and presentation for the purpose of reflecting the financial status and determining the level of efficiency of the organization in relation to the cost incurred on the assets.

One of the most important steps in the process of implementation of accrual based double entry system is identification and accounting of Fixed Assets. It may be noted that fixed assets register of NWR has already been prepared as on 31.03.2014 and

31.03.2015. For implementation of accrual accounting in Indian Railways, it is necessary to prepare Fixed Assets Register of entire Railways. The Fixed Assets Register (FAR) will give:

- Details of all fixed assets owned by the Indian Railways;
- It will give the list of comprehensive single record of all information necessary about each physical asset;
- The FAR will provide the information to manage the assets and this information will be the basis for knowing the investment in assets and will help in planning for further investments in future.
- Date of purchase of asset which will help in determining the age of asset and replacement of assets; and
- Information about location of the asset in the Indian Railways so that any assets can be trace easily.

It is essential to record all the assets in the books of accounts and make provision for depreciation not only in a commercial environment, but also for entities that do not operate for profit. Governments, particularly those that operate in a parliamentary democracy, are custodians of the money raised from the citizens and other sources. They have a duty to ensure that assets created out of such borrowings are looked after properly, so that they are not frittered away or used inefficiently. This duty of the Government is irrespective of the fact whether the assets are put to use to generate profit or otherwise.

iii. **Preparation of Opening Balance Sheet (OBS)**

This is the first step which is required to be taken while migrating from cash system of accounting to accrual based system of accounting. *It may be noted that Indian Railways is not migrating from cash based system of accounting to accrual based system of accounting and cash based system will continue. This is an additional exercise. However, Opening Balance Sheet is required to be prepared before preparing financial statements on accrual based system of accounting.*

Apart from Fixed Assets Register, information in respect of other assets and liabilities is also required. For this purpose, accrual impact sheet has already been designed to capture the data having accrual impact. *It may be noted that these areas are not sacrosanct and some new areas may be also be emerged during the implementation of accrual accounting across Indian Railways.*

iv. **Finalizing Valuation Norms for Fixed Assets**

Valuation norms for valuation of Fixed Assets have already been finalised during the pilot study. These valuation norms have been prepared on the basis of IGFRS.

v. Significant Accounting Policies

Accounting policies are important to any entity to maintain consistency in recording of financial transactions and MIS Reporting. Generally, based upon the accounting policies followed by the entity, the procedures and internal control systems, etc., are developed and followed. For example, the decision relating to capital expenditure, processing of payment of bills, cash management and budgeting, etc., are governed by the accounting policies. Accounting policies are usually developed and approved by the top management of the entity and do not get changed over a period of time. They are developed for long-term use and reflect a firm's values and ethics. Accounting policies are not the same as accounting principles. Accounting principles are the rules while accounting policies describes how an entity adheres to these rules.

The Policies with respect to accounting and maintaining standardization across the board are used as uniform disclosures in the Financial Statements. It is also important that the policies with respect to all the aspects of the activities undertaken by the Organization must be used consistently and disclosed in the Financial Statements. Disclosure of accounting policies helps readers in better interpretation of the entity's financial health.

Consequent to the adoption of Accrual System of Accounting, it is imperative to look into, discuss and decide upon the issues related to accounting policies and the methods of their application. The choice of appropriate accounting policies and principles and the methods of applying those principles in the specific circumstances depends upon the activities carried out by the entity. *Accounting policies in the following areas have already been finalized by ICAI ARF and Indian Railways after due consultation:*

- a. Basis of Preparation of Financial Statements;
- b. Use of Estimates;
- c. Accounting for Fixed Assets;
- d. Capital Work in Progress;
- e. Depreciation;
- f. Provisions, Contingent Liabilities and Contingent Assets;
- g. Valuation of Inventories;
- h. Revenue Recognition; and
- i. Lease Accounting.

Accounting policies in following areas have been prepared and under consideration;

- a. Retirement Benefits; and
- b. Investment.

Further, it may be noted that some new areas requiring accounting policy may also be emerged later which implementation of accrual accounting across Indian Railways, and accounting policies for those areas will be prepared accordingly.

i. Preparation of Accrual Accounting Implementation Manual

Accrual Accounting Implementation Manual contains relevant accounting rules, policies, principles, guidelines and other information to provide detailed guidance on how to prepare financial statements on accrual basis. The document lays down the systematic procedures on preparing financial statements.

ii. Designing of Formats of Reporting

Formats of reporting have already been designed and finalized.

iii. Preparation of periodical Financial Statements

This is the ultimate objective of implementation of accrual based system of accounting. Financial statements are intended to meet out the needs of users. Users of financial statements include stake holders like taxpayers, members of Legislature, Government entities, the media and the public, including citizens. The objective of financial statements is primarily to provide 'true and fair' view of the financial position, financial performance and cash flows of the Government entity which is useful to a wide range of users in making and evaluating decisions about the allocation of resources and to demonstrate the accountability of the Government entity for the resources entrusted to it, by:

- a. Providing information about the sources, allocation, and utilization of financial resources;
- b. Providing information about how the Government entity financed its activities and met its cash requirements;
- c. Providing information that is useful in evaluating the Government entity's ability to finance its activities and to meet its liabilities and commitments;
- d. Providing information about the financial condition of the Government entity and changes in it, including its assets and liabilities; and
- e. Providing aggregate information useful in evaluating the Government entity's performance in terms of cost of providing services and efficiency in delivery of services besides other accomplishments.

Apart from above mentioned activities, following activities are also required to be undertaken:

i. Finalizing Chart of Accounts

Chart of Accounts (COA) provides the structure for recording and reporting financial transactions in a uniform manner for the whole entity. This module focuses on the codification structure that will be followed by all the accounting unit of IR while accounting of transactions.

Presently, financial statements of NWR is prepared on grafting method, i.e., without entering any transaction except some adjustment on accounts of accrual part. *To get a true and fair view of Indian Railways it is strongly recommended that Financial Statements should be prepared on transaction level. For this purpose, Chart of account i.e., Finance Code Volume – II (F-2) is required to be modified with reference to accrual accounting. A well designed COA shall not only fulfil accounting requirements but also the Budgeting and MIS requirements and shall be flexible enough to consolidate and collate to facilitate generation of various information reports.*

ii. **Devising Documents/Registers/Subsidiary Ledgers Formats**

Necessary documents/ledgers and other subsidiary books will be required to be in place at the appropriate transaction points such as the Division, Traffic Accounts Office and Workshop as applicable, for capturing transactions at their point of origin and same will also require to be designed.

iii. **Capturing Accounting Transactions on day-to-day Basis**

Once the chart of account is revised and necessary changes are made in software, the next step is to capture accounting transactions on a day to day basis. For effective implementation, it is necessary to impart proper training to the IR officials.

iv. **Capacity Building, Hand Holding & Training**

ICAI-ARF team will strengthen, support and supervise the Indian Railway's officials for implementing accrual based system of accounting. It will include Balance Sheet, Statement of Income and Expenditure, Cash Flow Statement with Schedules to Balance Sheet.

Appendix

List of Acronyms

Sl. No.	Abbreviation	Details
1.	AR	Accounting Reform
2.	AG	Accountant General
3.	ATM	Automated Teller Machine
4.	C&AG	Comptroller and Auditor General of India
5.	CGA	Controller General of Accounts
6.	CRIS	Centre for Railway Information Systems
7.	CEGIS	Central Employees Group Insurance Scheme
8.	COA	Controller of Accounts
9.	CO	Cash Order
10.	CA	Current Assets
11.	CDA	Controller of Defense Accounts
12.	CL	Current Liabilities
13.	CMM	Chief Material Manager
14.	CPO	Chief Personal Officer
15.	CSER	Comprehensive Scope Evaluation Report
16.	CUG	Closed User Group
17.	COFMOW	Central Organization for Modernization of Workshops
18.	CRRM	Credit for Railway Released Material
19.	CWIP	Capital Work in Progress
20.	EMU	Electrical Multiple Unit
21.	DF	Development Fund
22.	DRF	Depreciation Reserve Fund
23.	DMU	Diesel Multiple Unit
24.	Dy. FA & CAO	Deputy Financial Advisor & Chief Accounts Officer
25.	DLC RATE	District Level Committee Rate
26.	DPO	Divisional Personal Officer
27.	EMD	Earnest Money Deposit
28.	FA & CAO	Financial Advisor & Chief Accounts Officer
29.	FIFO	First in First Out
30.	FA	Fixed Assets
31.	FAR	Fixed Assets Register
32.	FOB	Foot Over Bridge
33.	FSC	Foreign Service Contribution
34.	GASAB	Government Accounting Standards Advisory Board
35.	GAAP	Generally Accepted Accounting Principles
36.	GFR	Government Financial Rules
37.	GRP	Government Railway Police
38.	HBA	House Building Advance
39.	HSD	High Speed Diesel
40.	HQ	Head Quarter
41.	ICAI	Institute of Chartered Accountant of India
42.	ICAI ARF	ICAI Accounting Reform Foundation

43.	IRFC	Indian Railways Finance Corporation Limited
44.	IGFRS	Indian Government Financial Reporting Standards
45.	IPAS	Integrated Payroll and Accounting System
46.	IRCS	Indian Railways Code for Accounts Department
47.	IR	Indian Railways
48.	IRR	Internal Rate of Return
49.	MB	Measurement Book
50.	MMIS	Material Management Information System
51.	MAX	Miscellaneous Advances
52.	MOR	Ministry of Railways
53.	NWR	North Western Railway
54.	NPS	New Pension Scheme
55.	ORH	Officers Rest House
56.	OLWR	Open Line Works Revenue
57.	OBS	Opening Balance Sheet
58.	PAO	Pay and Accounts Office
59.	PO	Purchase Order
60.	RAR	Revenue Allocation Register
61.	RBI	Reserve Bank of India
62.	ROB	Road Over Bridge
63.	RO	Receipt Order
64.	RUB	Road Under Bridge
65.	RSF	Railway Safety Fund
66.	RIB	Remittance Into Bank
67.	RDI	Railway Diesel Installation
68.	RTDC	Rajasthan Tourism Development Corporation
69.	RCC	Railway Convention Committee
70.	SSE	Senior Section Officer
71.	Sr. AFA	Senior Assistant Financial Advisor
72.	SRPF	State Railway Provident Fund
73.	S & T	Signaling & Telecom
74.	SLM	Straight Line Method
75.	SRSF	Special Railway Safety Fund
76.	TMS	Track Management System
77.	TC	Transfer Certificate
78.	TAO	Traffic Accounts Office
79.	TDS	Tax Deducted at Source
80.	TWFA	Transfer Without Financial Adjustment
81.	UOM	Unit of Measurement
82.	VAT	Value Added Tax
83.	WCT	Works Contract Tax
84.	WMS	Workshop Manufacturing Suspense
85.	WDV	Written Down Value