

## CHAPTER XVII

## WORKSHOP ACCOUNTS

## A—INTRODUCTORY

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

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600. Large workshops, with special plant or machinery, may also be established, which may be treated as separate sub-divisions, or divisions, for account purposes. When such workshops are of the character of quasi-commercial undertakings, the system of accounts will be that prescribed for similar undertakings. When they are run mainly for departmental purposes the accounts should be kept in accordance with the general rules and principles laid down in this chapter. In either case, the exact forms to be used and the procedure to be observed will be settled in respect of each workshop in consultation with the Principal Auditor.

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601. No work is to be undertaken in workshops of the department other than work required for the various branches of the department, except under some general or special order of the Local Government.

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602. For every job there must be an estimate of cost (providing for all charges, including the prescribed percentages for indirect charges, *vide* paragraph 608) sanctioned by competent authority and accepted by the intending officer, local body or individual: *see* also paragraph 603. The amount to be realized from the indenting party will, however, be based on the actual cost, though the authorized limit of cost, which the officer in charge of the workshop may incur without further authority is that shown in the accepted estimate.

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

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603. No work should be undertaken for municipalities or private parties before the whole estimated cost, including all charges for supervision, profit, etc. that may be leviable under the rules for the time being in force, has been paid to their divisional officer, or into the treasury to be credited to the revenues of the Province under the head of account concerned. This rule may be relaxed at the discretion of the divisional officer or superintendent in the case of government servants where full recovery is not open to doubt. In such cases a rough estimate of the probable cost must be prepared in advance and the government servant concerned required to give an undertaking that he agrees to pay the actual charges in full on completion of the work. The full expenditure incurred must be deducted from the government servant's pay and allowances for the following month. In all cases prior to work being put in hand, an undertaking should be procured from the party concerned that it will not hold the department responsible for loss by fire or theft or any other factor which could not be foreseen when the estimate was prepared. In cases where it is found that the original estimate is likely to be appreciably exceeded a revised estimate should be prepared and the procedure outlined above adopted. The cost of the operations should be charged monthly to the head "Miscellaneous P. W. advances" pending recovery.

B—DIRECT AND INDIRECT CHARGES

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

- (a) Where capital accounts are kept of a workshop intended mainly for the needs of the Irrigation Branch i.e. if the workshop is to be regarded as being on a quasi-commercial basis), the capital expenditure should be recorded under the relevant division and sub-division of the major head 68. Receipts representing recoveries of capital expenditure will be taken in education.

in reduction of such expenditure, while revenue receipts and working expenses will be booked under a new minor head, opened under the corresponding division and sub-division of the major head XVII, entitled "Receipts from workshops," divided so as to meet the requirements of the *pro forma* accounts of the shop (*vide* paragraph 610).

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

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

605. All capital charges on buildings, plants and machinery and stock materials, and all revenue charges incurred on their maintenance and on the upkeep of the necessary general establishment, should be accounted for as ordinary Public Works transactions under the major head concerned, in accordance with the proceeding paragraph and under the general rules of other chapters of this volume. These are charges which neither pertain to any individual job executed in the shops, nor are capable of direct apportionment amongst all the

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job, and are, therefore, met out of the grants of the department, the distribution of such charges over individual jobs being made in accordance with the rule in paragraph 608.

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606. All other expenses connected with the operations of a workshop are chargeable to the jobs concerned, and should, therefore, be accounted for under the suspense head "Workshop suspense" (*vide* paragraphs 595 to 598). The charges pertaining exclusively to any job should be debited to it at once, and those of a general nature should be treated, in the first instance, as general charges (under one or more suitable headings) and apportioned subsequently amongst the jobs concerned in accordance with a definite procedure.

(1). This paragraph does not apply to incidental charges connected with the stock of materials which should be dealt with under paragraphs 605 and 221.

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

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607. In the case of jobs of all classes, the cost of operations should be charged off or adjusted in transfer (paragraph 596), as the case may be, month by month but in the following cases the accounts of a job may be settled once a year in March, or in an earlier month if the job is completed earlier (*vide* paragraph 597) :

(a) When the total cost during the year is not larger than Rs.500.

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

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

(2) In the case of large jobs undertaken by workshops, the following procedure may be adopted to enable divisional officers to watch the receipt of the articles. The debit received on account of the cost of such operation should be held under "Suspense" in the works account, under a temporary sub-head "Workshop liabilities" and this should be relieved later on actual receipt of the articles.

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608. In addition to the direct charges referred to in paragraph 606, the account of each job should be debited, not through the "Workshop suspense" account.

but directly under the head of account concerned, with suitable percentages to cover the indirect charges enumerated below :

- (a) Overhead charges under paragraph 187.
- (b) Interest on the capital cost of buildings, plant and machinery.
- (c) Maintenance charges of buildings, plant and machinery.
- (d) Depreciation of buildings, plant and machinery.
- (e) Establishment charges (including one per cent) on account of audit and account establishment : *see* rule 9 of Appendix V.

*See* also paragraph 605.

The percentage for overhead charges should be calculated on the book value of materials issued to each job. The other charges are ordinarily calculated on the total cost of labour and stores pertaining to the job. It is usual to charge a further percentage on account of profit except in the case of jobs executed for other divisions of the province.

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

609. The indirect charges referred to in paragraph 608 should be brought to account whenever the settlement of the account of direct charges is effected under paragraph 607.

### C—ANNUAL ACCOUNT AND REVIEW

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

- (i) the capital account, showing the values (after making due allowances for depreciation) of the buildings, machinery and plant, and stock, and the outstanding balances of the workshop suspense account ;
- (ii) the outturn account showing, in such detail as may be necessary, the charges on labour

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and stores, and the general and indirect charges, and

- (iii) the profit and loss account, showing on the one side the actual working liabilities of the year, e.g. (a) interest calculated on the mean capital of the year under all the heads named in (i) above, (b) the actual maintenance charges of buildings and machinery and plant, (c) depreciation of buildings, machinery and plant calculated on the capital value thereof and (d) general establishment charges plus (1) a suitable addition thereto on account of leave and pensionary charges and (2) one per cent for audit and accounts establishment only on such jobs in respect of which this percentage is not credited to the major head "26—Audit" or in "XLVI Miscellaneous—Fees for Government audit" in the regular accounts (*vide* rule 2 to paragraph 11 of Appendix V); and on the other side the percentage charges made under paragraph 608, excluding the one per cent for audit and accounts establishment credited to "26—Audit" or "XLVI Miscellaneous—Fees for Government audit," under rule 1 to paragraph 11 of Appendix V.

The stock account should be treated as a part of the workshop account only if and to the extent, the reserve stock is declared by the Local Government to be part and parcel of the shops. When the whole or part of a stock is merely an adjunct to a workshop, neither the interest charges on it nor the losses or gains (including storage charges) arising out of it, should appear in the profit and loss account of the workshop.

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611. The Principal Auditor should review the annual accounts of a workshop, in consultation with the officer in charge of it, and submit a report to the Local Government on its financial working, specially bringing out the necessity, or otherwise, of revising the percentage fixed by the Local Government for the several charges referred to in paragraph 608 above.

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