

KERALA ACCOUNT CODE

VOLUME I

I Introduction

1. The Kerala Account Code is issued in three volumes, namely;
 1. General Principles and Methods of Accounts
 2. Treasury Accounts
 3. Departmental Accounts
2. Volume I of the code describes the functions of the Controller and Auditor General of India in relation to Government Accounts and General Outlines of the system of the accounts and also sets out the main directions issued by the Controller and Auditor General (C & AG) of India with the approval of the President of India by virtue of the provision in Art 150 of the constitution of India.
3. Certain rules of the Account Code, Vol I of the C & AG vest power in State governments to frame rules or issue orders in regard to particular matters. The rules and orders issued by the Kerala Govt. as such matters and those of local interest which are not inconsistent with the basic principles laid down by the C & AG are incorporated as 'Local Rulings'.

II 1. Functions of C & AG in relation to Accounts (Vice para 3.1 & 3.2 of notes on introduction to Indian Govt. Accounts and Audit)

2. Appropriation Accounts (Art 5)

Appropriation Accounts are accounts of expenditure, voted and charged of Govt. for each financial year compared with the amount of the voted grants and charged appropriation for different purposes as specified in the schedules appended to the Appropriation Acts passed by the Parliament or Legislature, to exhibit the excess or savings as the case may be over the final grant or appropriation.

III 1) General Outlines of the system of accounts

Accounts of the Central and State Govt. with the Bank (Art 9-12):-

The central Govt. and State Govt. Have made separate agreements with the Reserve bank of India (RBI) by virtue of which the general banking business of the govts is carried on and transacted by Bank. Central or State Govt. business is transacted by any of the offices, branches or agencies of the Bank. The Central Govt. as a general rule, operate in every branch of RBI and State Bank of India (SBI) throughout India. The operations of each state are confined to the offices and branches of the two Banks falling within the state. The receipt and payment of money on behalf of a state outside its jurisdiction are ordinarily arranged through the Accountant General (AG). Each office or

branch of RBI keep separate accounts of cash transaction on behalf of Govt. – one for central got. And the other for state Govt. Separate statements of transactions in their central and state govt. accounts are transmitted by each office and branch of the bank daily to Treasury officer or AG. At the close of each month the balance of the two account are transferred to central accounts section of RBI at Nagpur which acts as a general clearing house for the adjustments of transaction between different Govts. All adjustments are all payments are advised the Accounts Officers authorised in this behalf to the central accounts section of RBI which will pass necessary entries the accounts of the Govt. concerned. At the close of the accounts of each month a statement of closing balance of each Govt. on the books of the Bank after taking into accounts all cash transactions in all the office branches and agencies of the Bank and the adjusting transactions in its own book is forwarded by the Central Accounts to the AG concerned.

III. General Outline of the System of Accounts (Article 15)

1. All receipts are paid into a Treasury/Bank and their initial accounts are maintained there.
2. Receipts realised in the Railways, Defence, P&T, PW and Forest are paid into the Treasury/Bank in lump and the initial accounts are maintained by the concerned departments.
3. Payments are made by the Treasury/Bank and initial accounts are kept there. Officers authorised to draw money in lump for payment keep initial accounts by themselves.
4. At the beginning of each month, the Accountant General receives accounts from the Treasuries supported by schedules and vouchers in respect of their transactions during the previous month.
5. Civil Departmental Officers who pay/withdraw money in lump submit detailed accounts of their transactions to the respective Accounts officers.
6. From the Accounts furnished by treasuries and Civil Departmental Officers compiled by the Civil Accounts Officers showing the monthly receipts and payments pertaining to each Department for the whole account circle classified under the relevant major, minor and detailed heads. Separate classified abstracts are maintained for each department. Transactions adjustable against a department/a major head not relating to any particular department which are intimated to the Civil Accounts Officer and all book adjustments which are intimated in the Accounts Office itself are also incorporated in the relevant “Departmental Classified Abstracts” so as to include all transactions connected with the receipts and payments. From these classified abstracts separate ‘Departmental Consolidated Abstracts’ showing the progressive totals month by month under major, minor and detailed heads of revenue receipts and service payments are compiled.
7. Transactions relating to Debt, Deposits, Advances etc. heads appearing in the Treasury Cash Accounts and list of payments and in the departmental and other abstracts are collected for the whole circle of accounts under each head of account from month to month in a ‘Detail Book’. From these figures the consolidated abstract of Debt, Deposit, Advances, Remittances, Suspense etc. transaction is

- prepared showing the progressive totals month by month by month under major head in Public Debt and Loans and Advances etc., section and in the Public Account.
8. Preparation of the Abstract of major head total showing the receipts and disbursements by major heads during the end of the month is done from the departmental Consolidated Abstract and the Consolidated Abstract of Debt and Remittance transactions. From these monthly and annual accounts are prepared.
 9. The P& T and Railway Departments submit accounts to the respective Accounts Officers. These Account Officers render accounts to the Accountant – General of P&T and Railway Board. The accounts of the Defence Service as a whole are compiled by the Comptroller- General. Defence Accounts on the basis of the accounts furnished by the various Defence Accounts Offices.
 10. A copy of the monthly account of the State is submitted to Government by the Accountant-General. The Accountant-General, Central Revenues receives from each Civil Account Officer an abstract of the accounts of the transactions of the Central Government compiled by it for each month and these accounts together with the accounts for the month prepared in his office are consolidated into a single monthly accounts for submission to the Central Government.
 11. Each Civil Account Officer works out the progressive figures during the year of the Central and State accounts of his circle. On closing the adjustments for March supplementary, a progressive account of the state transactions is furnished by him to the Accountant-General, Central Revenues. A copy of the Central transactions is sent to the Comptroller and Auditor-General also.
 12. The consolidated annual accounts of the P&T, Railways and Defence Service are submitted to the Accountant-General, Central Revenues by the Accountant General, P&T, Railway Board and Comptroller and Auditor-General.

IV. Accounts between different Account Circles (Art.16) Exchange Accounts:-

The accounts between the Central Government and State Government are settled through Exchange Accounts. Transactions between Central Government Account Circles other than Railway, P& T and Defence Services are also settled through Exchange Accounts.

Settlement Accounts:- Transactions between State Governments finalised through settlement accounts transactions initially taken against the balance of a State which are eventually adjustable against the balance of another state are passed on to the Accountant General of the latter State through the settlement account.

Account Current:- Transaction of Government of India with the United Kingdom and other countries are adjusted through the system of Account Current. An account current purports to be an extract from the books of the office who despatches it and to show the amounts he had passed to debit or credit of the other party to the account with necessary explanations of the credits with documents supporting the debts.

V. I) Annual Finance Accounts of the Central and State Governments (Article 17)

The Finance Accounts present the accounts of Receipt and expenditure of the Govt. for the year together with the financial results disclosed by revenue and capital accounts. The accounts of the public debt and liabilities and assets of the Govt. concerned as worked out from the balances recorded in the accounts.

II) The combined Finance and Revenue Accounts of the Central and State governments in India (Article 18)

It is a general financial statement incorporating summary of the accounts of the Central Government and of all the states for the last preceding financial year. This presents the transactions of all the governments side by side classified under the several major and minor heads of accounts. The comptroller and Auditor-General is required to submit this statement annually to the president.

III) Proforma Accounts (Article 19)

Proforma Accounts implies the maintenance of capital, manufacturing, trading and profit and a loss accounts of Government undertakings of a commercial or a quasi-commercial character outside the general accounts of governments Govt. system of accounts being in a punch, cash basis is unsuitable for such commercial accounts.

IV) **Journal and Ledger (Article 20)** deals with the double entry system of accounts. The purpose of the journal and ledger is to bring out by a scientific method. The balance of accounts in regard to which Government acts as a banker or remitter or borrower or lender. The state Accountant General is maintaining separate accounts for the State and Central Government. The Accountant-General, Central revenues also is maintaining journal and ledger for Central transactions.

FORM OF ACCOUNTS

Main Divisions of Accounts (Article 24)

a) The Government Account shall be kept in three parts, namely;

Part I Consolidate Fund } of India or of the State/union Territory
Part II Contingency fund } concerned
Part III Public Account of India or of the state

Part I Consolidated Fund has to divisions:

- i) Revenue Account consisting of Revenue receipt and Revenue expenditure heads
- ii) Capital Account dealing with Capital Public Debt, Loans and Advances etc.
- B) The first division deals with the proceeds of taxation and other receipts classified as revenue and the expenditure met therefrom.

- C) The section Receipt Head (Capital Account) in the second division deal with receipts of a capital nature which cannot be applied as a set off to capital expenditure.
- D) The expenditure Heads (Capital Account) in the second division deals with expenditure met usually from borrowed funds with the object either of increasing concrete assets of a material and permanent character or of reducing recurring liabilities. It also includes receipts of a capital nature intended to be applied as set-off to capital expenditure.
- E) The section “Public Debt, loans and advances etc;” of the second division shall comprise loans raised by the government such as internal debt and their repayments, external debt of the central govt. and loans and advances made by the government and their recoveries. The section also includes certain special types of heads for transactions relating to “Transfer from the consolidated fund to the Contingency Fund” and Inter-state settlement.
- F) In Part II of the accounts shall be recorded the transactions connected with the contingency fund set up by the Government of India or of a state or Union Territory under Article 267 of the constitution. This is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances for meeting unforeseen but unavoidable expenditure pending authorisation by Legislature.
- G) In Part III of the Accounts the transactions relating to the debt other than those included in the consolidated fund. Deposits, advances, remittances and suspense shall be recorded. The transactions under Debt, Deposit and Advances in this part are those in respect of which government incurs a liability to repay the money received or has a claim to recover the amounts paid together with the repayments of the former and the recoveries of the latter. The transactions relating to remittances and suspense in this part shall embrace all adjusting heads under which shall appear such transactions as remittances of cash between treasuries and currency chests accounts between different accounting circles etc. The initial debits or credits to these heads will be cleared eventually by corresponding receipts or payments either within the same circle of account or in another account circle.

(Article 25)

- a) Within each of the division/sections the transactions shall be grouped into sectors such as General Services, social and Community Services, Economic Services etc. under which specific functions or services are grouped. The sectors are sub-divided into major heads of account. In some cases the sectors are, sub divided into sub-sectors before division into major heads of accounts. The sectors shall be distinguished by a series of letters of the alphabet separately for the Revenue Receipt Section, the Revenue Expenditure Section and the remaining Sections/divisions.
- b) Each major head is allotted a four digit Arabic code number. The first digit indicates the section to which the major head pertains ie, the Revenue receipt Section/Revenue Expenditure Section/Capital Receipt Section/Capital

- Expenditure section/Public Debt, Loans and Advances etc. section or the Public Accounts. The next 3 digits indicate the functional major heads denoting the same function occurring in the several sections included in the consolidated fund.
- c) Under this scheme of codification the receipt major heads on Revenue Account are assigned the block of consecutive serial numbers from 0020-1999 and the expenditure major heads on and remain the same for the major head Revenue account the block from 2011 to 3999. The only Capital Receipt major head is 4000. The expenditure major heads on Capital Account are from 4011 to 5999 while the major heads under public debt loans etc. are assigned the code number from 6001 to 7999.

B. Major , Minor and Detailed Heads (Article 26)

The sectors, major heads, minor heads, sub-heads and detailed heads together constitute a five tier arrangement of the classification structure.

Sectors are broad grouping of relate functions

The **major heads** of account falling within the sections and sectors in the consolidated fund generally correspond to the functions of government.

The **minor head** identify the programme undertaken to achieve the objectives of the functions. A programme may consist of a number of schemes or activities and these correspond to the sub-heads.

The detailed head constitutes the object classification. The detailed heads are primarily meant for itemised control over expenditure and constitute the primary units of appropriation like salaries, wages, travel expenses, medical reimbursement, office expenses, motor vehicles, maintenance etc.

C. Classification of Accounts

- a) Article 150 of the constitution authorises the C& AG to prescribe the form in which the government accounts are to be maintained. He is the authority to determine the classification of any transaction.

The introduction of any new major head or minor head, as well as the abolition or change of nomenclature of any of the existing heads shall require the approval of the C & AG. The Accountant enrl has discretion to open all the prescribed detailed heads and to open any detailed the following conditions:

- b) **General Principles of classification (Article 30)**

The classification of transactions in the government accounts shall have closer reference to the function, programme and activity of the Government and the object of the revenue or expenditure rather than the department in which the revenue or expenditure occurs.

Eg. Expenditure incurred by the PWD on the construction of a hospital should be debited 2210 or 4210 medical and not to PWD.

- c) **Classification of Expenditure as ‘charged’ or ‘voted’**

Expenditure which is not subject to the vote of the Legislature as specified in Article 202 93) a f, 229 93) 290 (A) 322 of the constitution of India is charged expenditure. This expenditure is charged on the consolidated fund of India or a state. Details are given in Appendix 4 of the Kerala Budget Manual.

Expenditure which is subject to the vote of the Legislature is voted expenditure. Eg. Pay and allowance, TA of Government Servants, establishment charges, expenditure on works.

The expression 'charged' or 'voted' shall be appended to the heads concerned to distinguish the two.

D. General Principles of Allocation of Expenditure between Capital and Revenue (Article 30-A)

	Capital	Revenue
1	Expenditure incurred with the object of (I) increasing concrete asset of a material and permanent character (ii) for reducing recurring liabilities	Expenditure on a temporary asset
2	Expenditure on all chares for the first construction immediate maintenance and future additions and improvements	Expenditure by govt. on grants-in-aid to local bodies for creating assets which will be long to the local bodies
3	Genuine improvements are to be debited to capital expenditure	Subsequent maintenance charges for upkeep
4	When interest is met during the process of construction of a project this capitalised interest will be the first charge on any capital receipt or surplus revenue	A fund for adequate replacement of all Wastage/depreciation to be provided and expenditure met.

E. IMPORTNT GENERAL ORDERS COVERING CLASSIFICATION

a) Pay and Allowances (Article –31)

1. The pay and allowances of a Government Servant shall be classified as part of the scheme, activity or organisation under a programme below a function to which the service of the Government Servant closely relates. Where it is not possible because of overlapping duties. The charge may be classified initially as part of the scheme or activity or organisation to which the major portion of the work of the government Servant relates. A suitable pro-rata allocation of such expenditure should be made in all such cases as far as possible.
2. The transit pay should be debited to the office to which he is proceeding.

Local Ruling

- 1) the leave allowance of an officer transferred to another Department is charged to the new department
- 2) the transfer does not take effect until he joins his new post.

b) Travelling Allowance (Article 32)

The travelling allowance of a Government Servant shall be debited to the same head of account as his pay.

Exceptions: i. In case where a government servant is required to travel on duty connected with an outside body of fund.

ii. when Government considers to show the cost of special service separately.

iii. with specific sanction of Government.

Local Ruling

1. The leave allowances of an officer transferred from one department to another while on leave is to be charged to the new department.
2. The transfer does not take effect until he joins his new appointment.

c) Expenditure on Public Works (Article 33)

1. Expenditure on construction of non-residential buildings will be debited to '2059 or 4059 capital outlay on public works'.
2. Expenditure on construction of buildings for functional purpose like Colleges, Hospitals etc. is to be debited under the respective major heads.
3. Maintenance and repairs of non-residential buildings are debited until '2059 Public works'.
4. Expenditure on roads and bridges will be accounted for under 3054/5054 Roads and Bridges in the Economic Sector.
5. Expenditure on residential buildings under social and community services under '221 b or 421 b Housing'.

Note 1. If the control is not vested with the PWD the expenditure may be debited to a detailed head 'Works' in the appropriate minor head of the function.

2. The construction of staff quarters for various functions may be debited to the major heads of relevant major heads and maintenance may be debited to '2059 Public works'.

Local Ruling

- 1) Rents recovered on account of buildings in charge of the Departments other than the PWD should be treated as departmental receipts and not the receipt of the PWD.

- 2) Expenditure on petty construction and repairs connected with the building etc. which is under the administrative control of a Civil Department should be debited to the head "works" if the expenditure exceeds Rs.1,000/-. If the expenditure is within this limit, it may be treated as contingent expenditure of the Civil Department.

d) Contributions made by or to Government (Article 34)

Contributions made by the central or the state governments to District Boards, Municipalities etc. or vice versa shall be debited as expenditure /receipt under the head of account most closely connected with the object for which the contributions are made.

Grants for any public purpose made under Article 282 of the Constitution by the Union or State Government may take the form of grant-in-aid or direct expenditure.

e) Refund of Revenue (Article 35)

Refund of revenue shall be taken in reduction of the revenue deposits. In respect of the sector 'A-Tax Revenue' the refund shall be accounted for under a distinct sub-head below the relevant minor heads. The refunds of revenue under 'B-Non-Tax Revenue' and C- Grants-in-aid and contributions may be accounted for under a separate minor head 'Deduct Refund'.

(Article 36)

f) Advances Repayable is renamed as 'Civil Advances'

- (a) Money advanced and recoverable in cash and sums over paid should be adjusted under '8550 Civil Advances'.
- (b) 1. Advance of pay and TA on transfer should be debited to the final head of account and not to civil advances.
1. In the case of the transfer of a Government servant from one government to another the adjustments are made by the new rules appended under this Article and the amended Art. 22 of the Account Code vol.IV of CAG.

Article 22:- The recoveries of over payments whether made in case or from payment vouchers, shall be posted direct under the service head concerned in the compilation book as reduction of expenditure, irrespective of other they related to over payment pertaining to the current year or to any previous.

g) Transaction under suspense (Art. 37)

Items of receipts and payment which cannot at once to taken to a final head of receipt or charge owing to lack of information may be held temporarily under '8658 Suspense Account' in the Sector 'L suspense & Miscellaneous'.

A service receipt of which full particulars are not given must be credited to the minor head 'other receipts'. Charges written back or disallowance from Exchange Accounts or charges disallowed from Inward Settlement account which are not susceptible of final adjustment against some other head are also kept under Suspense Account.

Article 38

Cost of land acquired for any specific project shall be debited to the relevant functional head. Acquisition by the PWD for general purposes may be debited to '2059/4059-PW-Acquisition of land'.

h) Article 40 Municipal Rates and Taxes

- a) Municipal rates on residential building utilised for functional purposes if met by the department would be adjusted in accounts in the detailed head 'Rent, Rates and Taxes' in that function. If met by the PWD that would be debited to 2059 – maintenance and Repairs'.
- b) For non-residential buildings (other than Defence Department) may be debited to 2090 other administrative Services – other Expenditure.
- c) Taxes on residential buildings, if payable by Government shall be debited to the head 2216-Housing – C Government Residential Buildings- maintenance and Repairs.
- d) Defence Debt will debit this expenditure to the Defence Service Estimates.

Local Ruling: Detailed Rules governing the payment of tax by Government/Government Servants are laid down in Article 117 of the Kerala Financial Code.

i) Article 42

Receipts or charges pertaining to more than one head of account may be booked in the first instance under one of the heads concerned but the portion debitible or creditable to the other head or heads involved should be transferred from the former head to the latter before the accounts of the year are closed.

Local Ruling

Revenue: The receipts from tolls should be credited to Tolls & Roads under Roads and Bridges'.

Expenditure

1	Expenditure incurred for effecting recoveries from defaulted losses etc.	Charges to be debited 'District 2053 Admn- etc. or 2014 Admn of Justice etc.'
2	Expenditure on the construction of toll houses	To be debited to 2059-PW-C construction

3	Expenditure incurred when toll gates have to be taken over from the lessees and managed by the Dept.	If special staff is employed the cost should be debited to under '2059-PW-Direction and Administration – Executions'.
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j)Record of Capital Expenditure in Accounts (Art.43)

The following principles shall govern the record of Capital expenditure in accounts

- i) The central and state governments should prescribe definite criteria for classifying 'Revenue' and 'Capital' expenditure, taking into account the nature and magnitude of the expenditure. The source of financing (whether Revenue Budget or Capital Budget) should follow this classification.
- ii) All items of expenditure to be met from Revenue according to the above criteria should be initially and finally debited to "Revenue" and is not permissible to debit such expenditure temporarily to a capital head pending its write back to Revenue over a period of years.
- iii) The detailed rules by which allocation or expenditure between capital and revenue in commercial departments and undertakings should be determined shall be such as may be made by Government after consultation with the C& AG.

Article 50

k) Working expenses of Commercial Departments

As a general rule all expenditure pertaining to any department including a commercial department should be recorded on the expenditure side of the accounts only.

l) Write off from Balanced heads of Govt. (Art.53)

All irrecoverable amounts should be written off from the debit head of account concerned and expenditure head as a loss to government. Any amount due by Government remaining unclaimed for such time as may be presented by Government by debit to the Debt or Deposit head concerned. Amount outstanding due to book keeping errors may be written off with the approval of the C& AG.

Note 1

- a) The powers of the C& AG may be exercised by the AG in cases where the amounts to be written off do not exceed Rs.41,000/- provided that;
 - i. the amounts written off have been thoroughly examined by Internal audit Section.
 - ii. The AG is satisfied that items have been outstanding for over five years that a dead end has been reached in all cases and a write off is unavoidable.
 - iii. The AG has also satisfied himself that the outstanding is the result of a book-keeping error only.

- b) The amounts written off by the AG should be reported to the C& AH by 18th Nov. along with certificates regarding the fulfillment of above conditions.
- c) In the case of PF Suspense, the limit of 5 years will not be applicable. The group officer holding charge of the PF group may also write off the outstanding amount under this head upto Rs.500/- in each case subject to this having satisfied the above conditions. A quarterly report of write off should be submitted by the group officer to the AG for review. The AG should report to the C & AG on the write off of suspense half yearly on 10th May and 10th November.

Note 2

Where it is not possible to establish that unreconciled balances/differences under heads of accounts which close to balance are either due to book-keeping errors or involve loss/receipts. The balance/differences may be written off to “880 Miscellaneous Government Account written off from heads of account closing to balance” with the approval of the C& AG after obtaining the concurrence of the Government.

m) Accounts to work from balance to balance (Article 34)

The accounts of the Government shall work from balance to balance. The closing balance shown in the accounts of each month shall work up to the General Cash Balance of the Government to hold in the treasuries (including the remittances in transit) and by the Reserve Bank of India at the end of that month.

Inter-Departmental Transfers (Article 55-71)

Departments are divided into two:

- 1) Service Departments
- 2) Commercial Departments

a) Service Departments (Article 59)

These departments are constituted for the discharge of the functions of the Government. There are two types of such departments.

- i) some departments are the very idea of Government eg; Administration of Justice[police, education, medical public health etc.
- ii) some departments are necessary for the conduct of the business of Government eg; Department of Survey, printing stationery, PWD etc.

b) Commercial Departments or undertakings (Article 59)

These are maintained mainly for the purpose of rendering services/providing supplies of certain specific kinds of payments. They are required to work to a financial result.

Article 60 a service department shall not make charges against another department for services or supplies (which fall within the class of duties for which the former department is constituted).

Exceptions

1. The Forest Department may charge any other department for vegetable animal or mineral products extracted from a forest area.
2. No charge is paid for convict labour in the case of works undertaken by the PWD which are treated as jail works.
3. The cost of additional police guards supplied to an irrigation or other project while under construction may be debited to the project concerned.
4. The film division of the government of India may charge all other departments for the cost of production.

Local Ruling

1. Adjustments for the value of prison labour supplied to PW and other departments of government should be made at the rates prescribe for the purpose.
2. When any land or building is transferred from one service department to another the transfer should be free of charge.

Exceptions.

1. Transfer of land or building to the Governor's official residence should be charged for.
2. When any Government land and improvements in the possession of one service department is transferred to another service department for starting any industry or for any remunerative undertakings, Government can order the collection of market value, according to merits of each case.
3. The Animal Husbandry Department is charging other departments for treatment of the elephants in charge of other departments.
4. In the case of Agriculture and Animal Husbandry Departments, adjustments of costs should be made in respect of supplies made/services rendered by the Department to other service departments between branches of departments if the adjustments affect the schemes financed by outside bodies like Indian Council of Agricultural Research and Indian Council of Coconut committee etc.
5. The cost of paper supplied by the stationery department for examination conducted by other departments for which fees are collected should be credited the stationery department by debit to the departments conducting the examination.
6. The Public Works Department and the Department of Town Planning Charge for supply of copies of designs to other departments. A higher rate is charged when supplied to departments of central government, Quasi-government bodies, private institutions etc.

7. The Fire Force Department charges other departments for pressure testing of fire extinguishers.

Article 61

A commercial department or undertakings shall ordinarily charge and be charged for any supplies and services made or rendered to or by other departments of government.

Local Ruling:

1. Expenditure by the PWD on building of commercial department should be charged to the grant of the latter department
2. Rent should be charged for office accommodation supplies by the PWD to commercial departments, government commercial undertakings and departments of central govt.
3. When any land with improvements is transferred from or to a commercial department the full market value or the book value which ever is higher should be charged.

Article 62

When one department makes payment or renders services as an agent of another department of the same government, the principal department may be debited with the expenditure incurred on it behalf by the agent department.

Local Ruling

Payment or service costing above Rs.1000/- will alone be made a charge on the principal department by the agent department.

Article 63

The Defence Services shall charge and be charged for services rendered and supplies made to or by other departments except when the government orders otherwise.

Local Ruling

The loan or transfer of defence services property to state government be effected only after the terms and conditions have been approved by the Government of India and accepted by the transferee.

If the State Government requires the property of the Defence Service (excess of their requirements) as an emergency measure the property will be initially handed over on loans with the approval of the Government of India on the basis that the transferee will accept the terms and conditions of the Government of India.

Such terms and conditions will be settled within a period of six months from the date of taking over possession of the property in question falling which the State Government will have to accept the relevant debit on account of rental on the basis of the assessment made by the Government of India.

The same procedure will be adopted in respect of the lending of the State Government property to the Defence Services.

Article 64

A branch of a service department performing duties supplementary to the main functions of the Department and intended to render particular services on payment may levy charges in respect of the work for which it has been created.

Eg. Jail maintenance, survey map publishing

Article 65

A branch of a department constituted for the subsidiary service of the department but employed to render similar service to another department may share the other department. Eg. Workshop of a department.

Article 66

A regularly organised store branch of a department should ordinarily charge any other department for supplies made. Petty supplies may be made without payment.

Local Ruling

Procedure for the adjustment of the cost of stores issued from the PWD is prescribed in Article 18 IN Vol.III of Kerala Account Code.

Article 67

Government may for special reasons permit inter-departmental adjustments in any case where such adjustment may be considered necessary in the interest of economy or of departmental control of expenditure.

Local Ruling

1. Fees and duties leviable by law should be paid by government departments in the same way as private individuals.
2. In respect of plan schemes, adjustment of a cost should be made in respect of supplies made or services rendered by one service department to another and between branches of the same service department.

Article 68

Payment is required to be made by one department to another . Such payments may include adequate charge for supervision or other indirect expenditure connected with the service or supply for which payment is made,.

Article 69

Payment of amount due both the department to another shall ordinarily be made by book transfer except when such transfers do not suit the methods of accounts or business adopted by the receiving department/

Local Ruling

1. petty supplies not costing more than Rs.50/- shall be made in cash.
2. Fees due by departments to the registration department and fees due to the Labour department (Boiler Inspection Wing) should be adjusted by means of contingent bills drawn by the departmental offices concerned duly endorsed for payment by transfer credit to the registration or labour department as the case may be. The forest department and the PWD should draw a cheque for the fees due and endorse it to transfer credit to the registration or labour department as the case may be.
3. Payment to commercial departments for supplies made or services rendered should be made in cash.
4. Payment of taxes of Government buildings should be done by book adjustment in the case of Municipalities and Panchayats which have a banking account at the Treasury.
5. Payments to the KSEB should be made in cash.
6. Payments should as far as possible be made by cheque or Government drafts which should be crossed and marked 'Not Negotiable'. If the payment to be made is below the minimum money limit for which a cheque or Government draft can be issued the amount may be paid in cash or remitted by money order.
7. Claims on account of rent and maintenance of telegraph leased to PWD of the telegraphic instruments supplied to that Department should not be adjusted by book transfer. Half yearly bills for the period ending on 30th June and 31st December should be sent to the Accountant General, P&T Madras. The amount of the bills should be accepted in full subject to liable bank draft on the Reserve Bank of India in favour of the Senior Deputy Accountant General, P&T, Madras. The debits appearing in the Bank account should be treated as PW remittances and adjusted in the manner prescribed by the Comptroller and Auditor-General.

IX. Exhibition of Recoveries of Expenditure in Government Accounts.

Article 73

- 1) Recoveries from private persons or bodies including local funds and government outside India are to be treated as revenue and not as deduction of expenditure.

Exceptions:

1. When a government undertakes a service merely as an agent of a private body the recovery may be taken as reduction of expenditure.
 2. Recoveries of expenditure on works in progress such as sale proceeds of materials etc. and receipts under stock and suspense should be taken as reduction of expenditure.
- 2) Recoveries by one Government from another (Article 74)**
- j) If the recoveries represent debits to another government of expenditure which was so debitible from the moment it was sanctioned, they should not be treated as revenue of the government affecting the recoveries by as deduction from expenditure.
 - ii) In the case of joint establishment where the expenditure is not shared by two or more governments initially but is incurred by one of the Governments partly repaid by the others, the payment, if made while the accounts of the year are still open should be treated as deduction from expenditure.
 - iii) In both cases if the recoveries are not affected within the accounts of the year in which the expenditure was incurred they should be treated as revenue.
 - iv) Recoveries on account of commuted value of pensions effected from other governments should be treated as deduction from expenditure.
 - v) All other recoveries should be treated revenue of the recovering governments whenever they are received.

3) Recoveries by one department from another department of the same government (Article 75)

Recoveries should be treated as deduction from the gross expenditure except such recoveries as are made by a commercial department which should be treated as receipts of that department.

Note:- Recoveries made from another department if not affected within the accounts of the year in which the expenditure was incurred should be treated as revenue unless the latter course is authorized by provision in the budget estimates.

4) Receipt and recoveries on capital account (Art.76)

In so far as they represent recoveries of expenditure previously debited to a capital major head should be taken as reduction of expenditure under the major head concerned except where under the rules of alteration applicable to a particular department such receipts have to be taken to revenue.

X. Exhibition of losses in Accounts (Art.79-85)

1. If a claim is relinquished the claim should not be recorded on the expenditure side as loss (Article 80(1))
2. If money due to government has actually reached a government servant and they stolen or lost, even though it may not have been remitted into the treasury, it should be taken as a receipt under the relevant head concerned and then shown as loss on the expenditure side under a separate head (Article 80 (2)).
3. Losses of deficiencies in buildings, lands, stores and equipment are not to be recorded under a separate head in the accounts but should be written off (Article 81)
4. All losses and deficiencies of cash in hand whether in treasuries or in departmental charges should be recorded under separate heads in the accounts. The acceptance of the counterfeit coins or notes be regarded as loss of cash.

Any recovery made in the course of the year in which the losses are brought to account are to be shown as deduction from the head under which the loss is recorded and any recovery made after the accounts of the year are closed should be shown as an item of receipts.

Local Ruling

A loss of cash written off under the orders of a competent authority should be debited as a contingent check of the department. A loss of cash due to acceptance of counterfeit coins or notes and any amount transferred from treasury balance in order to make good any deficiency found in the currency chest should be debited under the head "Advance payable" pending recovery or orders to write it off.

5. Where losses are an inevitable feature of the working of a particular department the major head of account under which the expenditure of that department is recorded should contain separate heads for recorded of losses (Article 84).

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