

# The M.P. Housing Board Accounts Rules, 1991

MADHYA PRADESH

India

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### Rule THE-M-P-HOUSING-BOARD-ACCOUNTS-RULES-1991 of 1991

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The M.P. Housing Board Accounts Rules, 1991 Published vide Notification No. F-14(4)-86-32-1, dated 2-2-1994, published in the M.P. Rajpatra (Asadharan), dated 14-2-1994 In exercise of the powers conferred by sub-sections (1) and (2) of Section 102 of the Madhya Pradesh Griha Nirman Mandal Adhiniyam, 1972 (No. 3 of 1973), State Government hereby makes the following rules for regulating Accounting and financial Management of the Madhya Pradesh Griha Nirman Mandal, namely :-Section 1 Preliminary

#### 1. Short title and commencement.

(1) These rules may be called the Madhya Pradesh Housing Board Accounts Rules, 1991. (2) They shall come into force with effect from such date as the State Government may by notification appoint in this behalf.

#### 2. Definitions.

- In these rules unless the context otherwise requires :-(a) "Adhiniyam" means the Madhya Pradesh Griha Nirman Mandal Adhiniyam, 1972 (No 3 of 1973); (b) "Composite Project" means a set of projects grouped for purposes other than maintenance of General Accounts of the Board (e.g. obtaining loans from financial institutions or rendering returns to lending agencies); (c) "Chart of account" means a collective record of account heads under which the financial transactions are grouped for management information, making up monthly accounts and to facilitate preparation of final accounts; (d) "Contingency fund" means the Contingency Fund established under Section 73 of the Adhiniyam; (e) "Divisional Officer" means the Executive Engineer or any other officer in charge of a Construction Division; (f) "Detailed Chart of Account" means the Chart of Account containing minor heads, sub-heads, and detailed heads of account; (g) "Detailed Instructions" means the instructions referred to in rules; (h) "Deposit Works" means works of Government or Semi-Government Bodies or private organisations undertaken by the Board on payment of deposit

to cover the cost of work;(i)"General Account" means the account in which financial transactions are classified under the account heads as per Chart of Accounts;(j)"Grant" means in relation to the Budget, the amount noted by the Board or expenditure on a project or service;(k)"Input Document" means a record containing "Primary Data";(l)"Maintenance Works Code" means the code assigned to maintenance works in a separate series for each Division;(m)"Main Chart of Accounts" means the Chart of Accounts containing the major heads of Accounts;(n)"Memorandum Account" means an account incorporating the balances under more than one account extracted from the Trial Balance for the purpose of generating additional management information (e.g. overheads account in which expenses recorded under separate major heads and amount defrayed by charge to project account are incorporated);(o)"Nodal Agency (World Bank Funds)" means the (Housing) Board acting on behalf of Director of Urban Development in performance of the function of channelling the funds provided by World Bank under Madhya Pradesh Urban Development Programme to various Implementing Agencies;(p)"Nominal Muster Roll" means a record of attendance of the labour directly employed by the Housing Board and also wages earned and paid;(q)"Project" means a work sanctioned as a separate unit for the purpose of accounting. In relation to building projects, the unit shall be the category of building (i.e., H1G, MIG, LIG, etc.);(r)"Primary Data" means the data containing the full description of financial transactions necessary for grouping several transactions under the account heads appearing in Chart of Accounts;(s)"Project Code" means the code assigned to each constructions project in a single series for the Board covering Land Development Projects and Building Projects for identification in accounts;(t)"Revised Accounting System" means the system introduced under new rules;(u)"Running Salary Ledger Account" means employee-wise account of salaries paid and deductions made therein;(v)"Subsidiary Account" means an account containing details in support of the entries in the General account;(w)"Secured advances" means advances to contractors for their financial accommodation on the strength of materials purchased by them and brought to the site for consumption on work; and(x)words and expressions used in these rules, and not defined, but defined in Adhiniyam, shall have the meanings assigned to them in the Adhiniyam.

**Section 2 Features of the Accounting System**

**2.0 Principles of Accounting.** - The following principles and procedures shall govern the accounting system of the Board.

**2.1 Double Entry.** - Accounts shall be maintained under Double Entry System.

**2.2 Accrual Accounting.** - Accounts shall be maintained on accrual basis involving recognition of liabilities and receivable amounts. However, for convenience, the Housing Commissioner shall be empowered to permit' accounting on cash basis in monthly accounts in specified categories of transactions on an exception basis subject to the condition that this relaxation shall not apply to the final accounts of the Board. At the beginning of introduction of these rules, these exceptions shall be listed in Part-I of Annexure 'A' to these rules. Except as otherwise provided in these rules the accounts of the Board shall be maintained on generally accepted commercial principles and practices of accounting.

**2.3 Budget.** -

**2.3.1** The Budget of the Board shall be framed adopting the following procedure subject to the provisions of the Adhiniyam.

**2.3.2** Annual Budget shall be related to long term plans.

**2.3.3** Budget allocations shall be made separately, for each service or function represented by the head(s) of account on the prescribed Chart of Accounts.

**2.3.4** Budget allocations referred to in Rule 2.3.3 shall distinguish cash flows from book adjustment for the purpose of cash management. Monthwise projections of cash flows separately for each project shall be related to realistic time schedules of execution of projects, contractual obligations for payment, availability of project inputs and time schedules for sale as well as approved pattern of recovery of sale proceeds. Also budget proposals

shall distinguish between the following categories of allocations :-(i) Liabilities in respect of completed projects. (ii) Work-in-progress. (iii) New Projects.

2.3.5 In order to minimise variations between budget estimates and actuals the following procedure shall be adopted :-(a) As far as possible budget allocations for new projects should be restricted to projects which have received administrative approval. (b) In respect of project which received administrative approval but there is a long interval between such approval and first allocation in budget. It is likely that costs might have escalated during such interval. In such cases, projects estimates may be updated on the basis of revised cost norms before incorporation in the budget. (c) Financial Rules governing payment procedures shall be framed by the Board to prescribe that necessary checks should be exercised at the stage of award of contracts or commencement of work and also at the stage of payment of safeguard against excess of budget. (d) Unutilised budget allocations shall be surrendered by the Circle Officer at the earliest date to facilitate re-allocations among other projects. A cut-off date in this regard may be prescribed by the Board.

2.3.6 The Board shall frame delegation of financial powers rules to regulate re-allocations of budget provisions to meet unforeseen emergencies. Also a contingency fund may be prescribed in the Griha Nirman Mandal Adhiniyam and rules framed for operating the same.

2.3.7 Each Circle shall function as a budget centre. Accordingly a separate budget shall be framed and incorporated in the Board's Budget. Monitoring of actuals against estimates (i.e. expenditure and receipts) separately for cash component and total allocations including adjustments shall be done separately for each Circle. Reasons for variations exceeding prescribed limits shall be placed before the Board together with audit comments thereon.

2.4 Process of Accounting. - Accounting in the Board shall be organised as laid down in the following rules.

2.5 Format of Accounts. - 2.5.1 Primary Data regarding the financial transaction of the Board shall be recorded in the account format prescribed by the Housing Commissioner. Each set of transactions comprised in such data having common characteristic relevant to the functioning of the Board shall be grouped in the account formats and recorded as distinct entries. Each such group shall be assigned a descriptive name and code number by the Housing Commissioner denoted by account heads. At the beginning of the introduction of these rules the Board shall adopt the Chart of Account annexed hereto containing these account heads. These account heads (major heads) may be further sub-divided into sub-groups denoted by minor, sub and detailed head as set out in detailed chart of accounts.

2.5.2 Account Formats shall be categorised as :--Input documents (i.e. Vouchers, Money Receipts, Remittance Slips, Stock Indents, Bank Advices/scrolls). -Basic Accounts Records (i.e. cash book, journal etc.). -Ledgers. -Monthly accounts.

2.6 Processing of Data. - 2.6.1 Account heads prescribed under Rule 2.5.1 shall invariably be recorded in all input documents and checked by a nominated officer of the Board before a payment is made or remittance accepted by the Bank or the Board or a transaction is journalised. Opening of unauthorised account heads shall be prohibited. Account heads shall be transcribed from input documents into Basic Account Records.

2.6.2 Ledgers shall be organised by grouping them into Main Ledgers and Subsidiary Ledgers. Main Ledger shall contain accounts each corresponding to a major head of account. Subsidiary ledgers shall contain accounts each corresponding to a minor, sub or detailed head as set out in the Detailed Chart of Accounts. Main Ledgers shall be posted from the Cash Book(s) or journal whereas subsidiary ledgers shall be posted from the input documents. Main and Subsidiary Ledgers shall be agreed with each other and balanced. Project accounts which collect expenditure and receipts project-wise (without details of cost heads) shall be placed in Main Ledger notwithstanding the fact that each project account corresponds to a minor head. This exception

covers project revenue also. Accordingly project-wise recoveries of hire-purchase debts, sales etc., shall be placed in main ledger.2.6.3The ledger balances shall be collected in a Trial Balance and accounts proved.2.6.4Monthly Accounts shall be prepared from the Trial Balance. Although Trial Balance records closing balances in the various accounts, transactions during the month shall be distinguished for purposes of internal control and management information.2.6.5Before balances in various accounts are worked out, inter-account transfers shall be effected in accordance with the instructions and explanatory notes contained in the Chart of Accounts. (Also see Sections 3 to 8 for more details regarding operation of the accounting system.)2.7Final Accounts. - Final accounts of the Board comprising the following shall be prepared for each financial year (1st April to 31st March) in the formats annexed hereto.(i)Sale Account (Annexure 'B')(ii)Income and Expenditure Account or Profit and Loss Account (Annexure 'C')(iii)Balance Sheet (Annexure 'D')These accounts shall be supplemented by such schedule and explanatory notes as may be prescribed by the Board. These accounts and schedules shall be got certified by the Internal Audit Officer who shall submit his report in two parts as detailed below to the Housing Commissioner :-

## **Part I – Audit of accounts.**

## **Part II – Audit of expenditure and receipts.**

The Housing Commissioner shall after taking into account the comments of the internal audit, approve the final accounts and the prescribed schedules for submission to the Board before 30th June of the succeeding financial year or such date as may be prescribed by Government whichever is earlier.

### **3. Accounting Centres.**

- The following shall be the accounting centres in the Board :-(i)Division(ii)Estate Management (Where it is in charge of an officer who does not report to the Divisional Officer),(iii)Factory(iv)Circle (Including the charge of Account Officer, head office who is equated with a Circle Officer).(v)F.A. and C.A O.3.1Accounts of Field Officers. - 3.1.1 Division, Estate Management Officers and Factories shall maintain detailed accounts of financial transactions and render accounts on prescribed dates (accounts period not being in excess of one month) to the Circle Officer accompanied by vouchers, extracts of cash book, journal and the prescribed schedules (see book of formats).3.1.2. In addition, they may be required to submit classified summaries of transaction for a part of the account month as a pre-requisite for obtaining funds for further expenditure.3.2Circle Accounts. - 3.2.1 The provisions of Rule (3.1) shall apply mutatis mutandis in respect of receipts and payments relating to the headquarters office of the Circle. In respect of transactions reported to it by the Divisions and Estate Management offices through the summaries referred to in Rule 3.1.2, the Circle Officer shall maintain accounts under the various account heads (major, minor sub and detailed heads of account) posting in his ledgers only summaries without voucher-wise details. Separate sets of ledgers (main and subsidiary) shall be maintained in the Circle Office for each of the subordinate accounting centres.3.2.2Transactions relating to factories shall be accounted for by the Circle Officer in his accounts under a distinct major head "Investments

in Board's Factories. A separate account shall be maintained for each factory, while the officer incharge of the factory shall submit the classified summary referred to in Rule 3.1.2, the Circle Officer need post his accounts only in main ledger. Subsidiary ledgers shall be maintained only in factories.3.2.3The Circle Officer shall prepare a Circle Account from the ledger accounts observing the procedure laid down in Section 2. These accounts shall be proved by agreement with the monthly accounts of subordinate accounting centres referred to in Rule 3.1.1, and submitted to the F.A. and C.A.O accompanied by the prescribed schedules. Vouchers shall be retained in the Circle Office and made available to audit.3.2.4In addition, Circle Officer shall prepare at the end of each financial year final accounts of the Circle to disclose the financial results of its working. For this purpose overhead expenses incurred at Head Office but allocated to various projects for capitalisation shall be brought to account in the Circle Account on proforma basis debiting "Allocated Circle Share of Overheads" per contra credit to "Adjustment Account (Financial Accounts)". The F.A. and C.A.O shall drop the balances in this account proforma after effecting aggregate of this debits referred to above for all Circles and the actual expenditure on overheads appearing in his books.3.3Board's Accounts. - 3.3.1 The F.A. and C.A.O shall have ledgers containing accounts corresponding to the account heads as per Chart of Accounts. Transactions relating to all accounting centres shall be collected account head-wise and proved by agreement with the aggregate of the balances brought out in Circle Accounts.3.3.2Detailed account of the following transaction shall be maintained in Head Office.Accounts of Accounts Officer (Headquarters) Circle(i)Loans to the Board(ii)Loans by the Board to the public(iii)Investments(iv)Reserve Funds and sinking funds(v)Grants-in-aid and Subsidies from GovernmentAccounts of F.A. and C.A.O.(i)Provident fund(ii)Long Term Loans and Advances to staff of the Board(iii)Cash-in-Transit(iv)Stock transfers from factories to Divisions(v)Inter-circle transfers of balances (decentralised accounts)(vi)Memorandum Account of loss or gain on overheads.3.3.3The F.A. and C.A.O. shall consolidate the accounts of the various circles and prepare the Board's accounts (i.e. monthly accounts and final accounts). In respect of Board's factories, the net financial effect of the transactions shall be incorporated in the final accounts and a separate set of final accounts shall be prepared for each factory.3.4Period of Accounts. - 3.4.1 Monthly accounts of various accounts shall be made up for calendar months.3.4.2At the end of the financial year accounts shall be kept open for such period as may be prescribed by the Housing Commissioner to carry out book adjustments for the purpose of preparing final accounts and also to rectify errors in accounts, if any.

**Section 4**  
Functional Environment to Accounting System

#### 4. Elements of Functional Environment.

- The Board shall approve procedural instructions subject to the provisions of this section to regulate the functional environment to the accounting system so as to facilitate its harmony with the latter. Detailed financial rules may be framed for this purpose. The functional environment comprises :--organisational responsibility centres-banking arrangements and cash management procedures-procedure for collection of receipts-payment procedures.4.1Responsibility Centres. - The Divisions and Estate Management Officers shall function as Responsibility Sub-Centres in regard to project management under the overall charge of the Main Responsibility Centre i.e. Circle. In addition, the Circle shall function as a Budget Centre. The Board shall delegate to the officers in charge of these Responsibility Centres the financial powers necessary to discharge their

responsibilities.4.2Banking Arrangements. - 4.2.1 The Board shall reserve to itself powers to nominate the banker(s).4.2.2Opening of an account in a bank shall be subject to execution of a formal agreement with it regarding the procedures for transactions of banking business of the Board and rendering accounts returns to the latter.4.2.3The agree referred to in Rule 4.2.2 shall be designed to secure the timely flow of the input data into the accounting system smoothly. In pursuance of this objective, banker(s) to the Board shall be required to render the following services :-  
(i)Daily rendition of detailed statements of account {i.e. Bank Scroll) to the nominated officer of the Board.  
(ii)Usage of special forms approved by the Board for remittance slips, cheques, transfer advances and Bank Scrolls.  
(iii)Check of remittance slips by the Bank to ensure that it is signed or countersigned by nominated officers of the Board and the account head is noted thereon. (The Bank may not be required to check the correctness of the account head).4.2.4The Board shall have the following accounts in the Bank. The scope of each account shall be as set out below The officers noted against them shall be authorised to operate on them. The detailed instructions shall provide for arrangements for operating on these accounts in the absence of the nominated officers :-

Sl. No.	Designation of the Officer	Name of the Account	Scope of the Account and related aspects
(1)	(2)	(3)	(4)
1.	Accounts Officer (Payments) in the Head Office	(a) General Account (Head Office)	Excluding transactions relating to projectsaided by World Bank, all other receipts shall credited to thisaccount and payments made therefrom.
(b) World Bank Project (Implementing Agency) Account.	The purpose of maintenance of this account is toensure that funds earmarked for projects receiving assistancefrom World Bank are not diverted for other purposes. Loansreceived from World Bank, HUDCO and Government as well as theImplementing Agency's {i.e. Housing Board's) share of investmentsshall be credited to this account and project payment madetherefrom. The sub-system for payments provides for transferringthese funds to the Circle Band Account for incurring expenditureon project. Therefore debit to the account operated in the HeadOffice do not entirely represent final expenditure on projectsbut only		

transfers to a similar account at a lower tier. The MIS shall provide for aggregating the accounts at the two tiers and presenting a full view of the utilisation of loan funds.

2.	Accounts Officer (Circle Office)	(a) General Expenditure (Circle Account)	Funds placed at the disposal of the Circle Officer by the F.A. and C.A.O. by means of cheques or demand drafts or mail transfers shall be credited to this account. Payments from this account comprise expenditure directly incurred by Circle Office on administration, imprests opened with Divisional Officers and Estate Managers and reimbursement of expenditure incurred by them out of such imprests.
(b) World Bank Project (Circle Account)	Funds received by the Circle from World Bank Projects (Implementing Agency) Account referred to at 1 (b) above shall be credited to this account. No direct expenditure shall be incurred from this account by the Circle. Entire expenditure shall be incurred only by opening imprests with Divisional Officers and making payment towards recoupments of such imprests.		
3.	Divisional Officers	(a) General Expenditure (Accounts Division)	Imprests received from the Circle Officer other than those relating to World Bank aided projects shall be credited to this account and payments made therefrom.
(b) World Bank Project	Imprests received from Circle Officer for financing expenditure on World		

(Division)  
Account. Bank aided projects shall be placed to the credit of this account and expenditure on these projects met therefrom.

All receipts collected in the Division including the deposits received in respect of Deposit Construction Works and contractors deposits shall be credited to this account.

(c) Revenue  
Account  
(Division) The Divisional Officers shall not utilise this account for making any payment and advise the Bank to transfer the entire balance on a day-to-day basis to their branch at Bhopal for credit to the General Account (Head Office) referred to at 1 (a) above. The Scope of the revenue account covers World Bank aided project also. Recoveries under sites and services projects are monitored through monthly accounts.

4. Estate Manager

(a) General  
Expenditure  
Account (Estate  
Management)

The scope of this account and the manner of operating it shall be as in respect of General Expenditure Account (Division) referred to at 3 (a) above.

(b) Revenue  
Account (Estate  
Management) This account comprises all receipts collected in Estate Management. It is not available for expenditure whether for refunds of revenue deposits or for other purposes. Entire balance shall be advised by the Estate Manager for transfer to the General Account (Head Office) at Bhopal referred to at 1 (a) above by means of inter-bank transfers.

The Board may at its discretion open any other account for the purpose of securing separate identify of a specified category of transactions in the account of bank or to safeguard against diversion of funds earmarked for certain services or investments. 4.3 Cash Management. - 4.3.1 Cash management shall be performed by the F.A. and C.A.O. All receipts collected in all the accounting centres shall be transferred to his account at Bhopal. He shall place funds at the disposal of the



Circle Officer and the latter shall be empowered to distribute the provision among the various disbursing units in his Circle subject to the budget provision and guidelines issued by the Board or Chairman or Housing Commissioner. 4.3.2 A cash budget shall be framed to supplement the General Budget, projecting the month-wise cash flows under the various account heads prescribed in Chart of Accounts. The cash outflows shall be estimated separately for each project based on realistic time schedules for execution of projects. Release of funds shall be on the basis of updated time schedules for completion of project. All variations between cash budget estimates, release of funds and actual expenditure shall be monitored to document the variations and analysis conducted. Results of such analysis highlighting the salient features shall be periodically submitted to the Housing Commissioner. Similarly cash inflow shall be estimated separately for each project and compared with the actual inflows. Results of such variance analysis duly approved by the Circle Officer shall be formally recorded in the Circle Office for evaluation of performance of the Circle. An advance copy shall be communicated to the Housing Commissioner through the F.A. and C.A.O. 4.4 Procedure for collection of receipts. - 4.4.1 Collection of receipts through bank shall be the rule and acceptance in cash by officer of the Board shall be by way of exception. The Board may by resolution authorise such exceptions. 4.4.2 In respect of remittances by private parties into the Bank, it shall be ensured that the full particulars of the transaction necessary for correct accounting are furnished in the remittance-slips. For this purpose either challan-cum-demand notices with pre-printed account heads shall be issued or the Registration Application may be similarly pre-printed. Where the accounting system does not, however, provide for the above internal control private parties shall be required to submit the remittance-slips to nominated officer of the Board for counter-signature before remittance into Banks. 4.4.3 In respect of challan-cum-demand notice the amount required to be remitted shall be filled in by an officer of the Board. The Bank shall be required to decline the remittance for an amount which varies from the demand. The Chairman may, however, issue guidelines for entertaining applications for part payment and also nominate officers to grant such permission. On grant of the same, the challan-cum-demand notice shall be revised. 4.4.4 Cash receipts referred to in Rule 4.4.1 shall be collected by the cashier or any nominated officers who may issue receipts after making entries in the Cash Book or Cash Scroll as the case may be. Cash Scrolls shall be subject to the same procedures as applicable to cash books in regard to all aspects including machine numbering of pages, custody, centralised control of stock, record of completed books and norms for preservation of records. Wherever feasible, totals of such cash scrolls may be incorporated in the Main Cash Book or the Cash Book of the concerned sector without repeating the details. Where such a practice hampers the posting of ledger, the Cash Book shall be posted separately from the Input Documents and agreed with the Cash Scrolls. Detailed instructions shall contain the necessary provisions in this regard. 4.4.5 In respect of remittances by private parties, cheques may be accepted by the Bank but credit to the account of the Board shall be afforded only on realisation. For the purpose of settlement of dues to the Board payment shall be deemed to have been made on the date cheque is realised by the Bank. Private parties located at outstation may be permitted to remit dues to the Board by means of demand drafts (not cheques). Such remittances shall be accounted for by the Board on the day of receipt in the designated office pending depositing the demand draft into the Bank. Payment to the Board in such cases shall be deemed to have been made on the day of receipt in the designated office. 4.5 Payment Procedure. - 4.5.1 Payment shall be made by means of crossed cheques in favour of the payee(s). The Housing Commissioner may make regulations prescribing exceptions to the above rule providing for payments in cash or for issuing

open cheques subject to the following provisions :-(a)Except in the case of salaries to non-gazetted staff, exceptions shall be clearly identified by a monetary limits.(b)Issue of open cheque should be on written request of the party concerned and permission should be granted by an officer immediately superior to the cheque drawing officer where the prescribed monetary limit is exceeded.(c)It should be ensured that no statutory provisions (e.g. Income Tax Act) are violated by issue of open cheques. In rendering returns to Income Tax authorities it should be ensured that adequate internal controls exist in the Board to ensure that the income through open cheques is reported as such.4.5.2Cheques in favour of officers of the Board for placing funds for opening or recoupment of Imprests shall be drawn by designation only and not by name. In the event of a change in the incumbency of the office, the successor officer shall be responsible for taking over the cash balance in the Imprest account.4.5.3The Housing Commissioner may prescribe that specified categories of payment be advised to the nominated bank for credit to the account of the payee. The payee shall, on issue of such orders, be required to open an account in the Bank and intimate the account number to the designated officer of the Board.

## 5. Features of Project Accounting.

(a)Each project shall be distinguished in accounts rendered to the Circle Officer at the following stage :-(i)Work-in-progress;(ii)Completion;(iii)Transfer of assets (i.e. completed projects); from Divisions to Estate Management;(iv)Assessment of Cost of Sales;(v)Deposits of Allottees;(vi)Sales;(vii)Operation of Hire-Purchase Debtor Accounts.(b)Project expenditure and revenues shall be collected in a unified account (separately for each project) called Integrated Project Account in the formats set out in Annexure 'E', 'F' and 'G';(c)Account of project shall be formally closed on complete disposal of the assets created under orders of officers authorised in this behalf by the Board. Loss or gain on project account shall be assessed for each project and explained. The Board may require that results of such project analysis duly audited should be submitted to it in respect of specified categories of projects or projects costing more than prescribed ceilings.(d)Project accounts shall be maintained on generally accepted principles of commercial accounting subject to the provision of this section.(e)Cost of land acquired and contractor's claims on project account shall be brought to account on accrual and cash basis respectively. Sales on project account shall be brought to account on accrual basis. (Also see Annexure 'A' and Rule 5.5).5.1Sections of Project Account - Project Account shall be maintained in two section i.e. in the General Account and Subsidiary Accounts. The General Account records project-wise expenditure and receipts whereas project subsidiary account records expenditure under prescribed cost and allottee-wise receipts.5.2Project Cost Heads - 5.2.1 The following shall be the project cost heads :-(i)Cost Heads (Works) (See Rule 5.2.2);(ii)Cost Escalation (Materials)(iii)Losses(iv)Overheads (Admn.)(v)Overheads (Interest)5.2.2The group of Cost Heads (Works) shall be sub-divided into suitable number of standard cost heads (e.g. earth, work Masonry, RCC) which shall be prescribed by the Housing Commissioner. A separate set of standard cost heads may if necessary, be prescribed for separate categories of projects, (e.g. Land Development Projects and Building Projects). During the progress of work as well as on completion of the project, a variance analysis shall be conducted to disclose to the Housing Commissioner the reasons for variation, if any, between estimates and actuals under each standard cost head.5.2.3All administrative approvals, technical sanctions, contracts, work-orders and bills shall also contain break-up under standard cost-heads. While

project subsidiary account shall also collect expenditure under standard cost heads, they may be done only once on completion of project where a project is executed under a single contract. In such cases, lump-sums amount under the group head "Cost Heads (Works)" may be posted for balancing the account when work is in progress.

**5.3 Project Overheads.** - 5.3.1 Overheads shall be charged to the project account on completion of the project. However, in order to place year-wise expenditure on administration overheads on a comparable basis with the portion capitalised and charged to project account, overheads attributable to work-in-progress at the end of each year shall be brought to account as an asset under the account head "Supervision charges in respect of work-in-progress pending capitalisation" per contra credit to Income and Expenditure Account. The debit balance in this account shall be re-transferred to Income and Expenditure Account in this next year as opening balance.

5.3.2 Administration overheads including the liabilities for payment of retirement benefits of the Staff shall be allocated among the following functions on a realistic basis :- (i) Project Construction Activity. (ii) Project and non- Project Maintenance Works. (iii) Project Revenue Management. The portion attributable to project construction activity shall be allocated among various projects in accordance with the guidelines set out in Annexure 'H' However, actual expenditure can be allocated only after the end of the financial year whereas it may be necessary during the year to finalise the accounts of completed projects for the purpose of sale of sites or buildings. Therefore, project account may, on a uniform basis, be charged with administration overheads at an estimated percentage of project outlay per contra credit to overheads account. This percentage shall be so fixed by the Housing Commissioner as to secure to the maximum possible extent full absorption of these overheads. Fresh estimates may be made for each year and rates revised wherever necessary. As these rates are in the nature of arithmetical derivatives and no decision making is involved it is not necessary to obtain the approval of the Board (unlike in respect of determination of sale price). While the Income and Expenditure Account of the Board shall reflect the loss or gain or overheads being the difference between actual expenses and the aggregate of the portions absorbed by all the project accounts, the Integrated Project Account referred to in Rule 5 (b) explains such loss or gain through project-wise analysis.

5.3.3 Similarly the overheads relating to interest charges shall be charged to project account at an estimated average cost of funds separately for each year of investment in the project. As in the case of Administration overheads this is also an arithmetical derivative and does not require the approval of the Board. Average cost of funds may be notified by the Housing Commissioner. Applying this rate of interest, overheads shall be charged on the basis of actual expenditure. The procedure for working out loss or gain on this account is the same as in respect of administration overheads.

5.4 Sale Price. - Sale price of sites and buildings shall be separately determined in accordance with the guidelines issued by the Board. But where they yield a sale price for any reason different from cost price determined under Rule 5.3.2. and 5.3.3. (e.g. due to adoption of different rates of overheads for different income groups, charging premium from higher income groups for appreciation in land value, grant of concessions to Board's employees adoption of average expenditure on project instead of year-wise expenditure for calculating overheads on interest, adoption of uniform rate of interest for the entire construction period instead of varying rates of interest for separate years), sales may be brought to account in the revenue section of project accounts without prejudice to the operation of Rules 5.3.2 and 5.3.3 (these rules deal with account adjustments in the expenditure section of project account up to the stage of recording under the account head "Cost of Sales"). Accordingly account adjustments regarding capitalisation of overheads, transfer of assets from Divisions to Estate Management and

incorporation of costs in the account "cost of sales" in the ledgers of Estate Management shall be carried out immediately on completion of project and not held up till sale price is approved by the competent authority.

**5.5 Project Liabilities.** - Project liabilities shall be brought to account before submission of proposals by Divisional Officer to Circle Officer for assessment of cost price and determination of sale price. "Project Liabilities Account" which receives credit per contra debit to project account shall be cleared on liquidation of liabilities or on transfer of dues to the contractor to his personal account. The Board may prescribe a cut-off date for such liquidation. Liabilities remaining beyond the cut-off date and attributable to over assessment or under-assessment of liabilities shall be transferred to Income and Expenditure Account as gain. Where actual expenditure exceeds the liabilities brought to account, if the sale price is not yet finally determined the project account may be re-opened for receiving the additional debit. Where such re-opening is not permissible under the financial rules, it may be treated as a loss and transferred to income and Expenditure Account.

**5.6 Project Inputs.** - The following are the inputs for the project accounts. Treatment of these inputs in accounts shall be as set out in the subsequent rules in this section.

**Inputs**

**Project Expenditure**

(a) Land (b) Stock Materials (c) Contractors Payments (d) Wages to labour employed departmentally and materials consumed on work executed departmentally; (e) Miscellaneous expenditure (f) Sales (g) Recoveries from Hire-Purchase Debtors.

**5.7 Land.** - **5.7.1** Land acquired shall be brought to account on accrual basis. Land made over to the Board free of cost shall be brought to account at nominal price. **5.7.2** Land account shall be maintained in General Account under prescribed heads of account (see Rule 5.7.3). In addition a subsidiary account in the nature of a numerical account shall be maintained. Provision shall be made therein for recording cost price of land and it shall be agreed with the General Accounts. **5.7.3** Land acquired for reserve or for more than one project shall be brought to account under a distinct major head "Land (Reserve)". On commencement of work on a project, cost of the portion covered by the project shall be transferred to the Project Account. **5.7.4** For the purpose of assessing the cost of a project i.e. debiting "Cost of Sales" as well for the purpose of valuation of closing stock in Final Accounts, appreciation in land value shall be ignored. The Board may, however, take it into account for the purpose of determination of sale price. **5.7.5** On closure of a Project Account, utilised virgin land, if any, shall be transferred back to the account "Land (Reserve)".

**5.8 Stock Materials.** - **5.8.1** Material required for consumption on projects shall be initially brought to account in a common account "Stock and Stores". Cost of materials issued therefrom for consumption on individual projects shall be transferred to individual project account. **5.8.2** Stock materials shall, for the purpose of transfer from stock account to individual project account, be valued at cost price (i.e. Basic Issue Rate) but an addition (at a percentage of Basic Issue Rate) shall be made to cover the expenses of Material Management. **5.8.3** Stock Accounts shall be maintained in separate set of books by a nominated Sub-Divisional Officer who shall render a classified account to the Divisional Officer. In these accounts issues to each project shall be distinguished. In addition, the following break-up shall be furnished in respect of issues to contractors.

$$\text{Issue Rate} = \frac{\text{Debits to contractors a/c (total contractors relating to a project)} + \text{Debits to project or a/c or all (balancing entry)}}{\text{total credit to stock}}$$

The Stock Account rendered to the Divisional Officer shall be accompanied by the indents containing contractor's acknowledgements for the materials received by them. The Divisional Officer shall arrange to bring to account the debits to contractors account under a separate major head "Contractors Accounts". Simultaneously, the Contractor-wise Subsidiary Account in the contractors ledger shall be posted direct from the

indent. For the purpose of updating the contractors ledger the Sub-Divisional Officer may be required to forward indents to the Divisional Officers weekly in advance. Classified Stock Account may, however, be rendered monthly.

**5.8.4 Materials Management Expenses** shall be brought to account under a separate minor head below the major head "Stock and Stores". Expenses charged to the project account by an addition to the Basic Issue Rate shall be transferred at the end of each year from the minor head "Materials Management Expenses" to the minor head "Store Articles". Any difference between the actual expenses and the amount charged to project account shall be transferred to the Income and Expenditure Account.

**5.9 Contractors Payments.** - 5.9.1 Payment to contractors shall be regulated by the financial rules of the Board subject to the following provision (also see Rule 4).

5.9.2 Payments shall be made on bills in prescribed form which shall provide for recording details of payments under the prescribed project cost heads.

5.9.3 Separate bills shall be prepared for Secured Advances to contractors where permissible under the financial rules of the Board. Payment of these advances shall be recorded in contractors personal accounts and recoveries in bills checked with them.

5.9.4 Cost of materials issued to the contractors under the terms of agreement shall be debited to contractors personal account both in General Accounts (under the major head "Contractors Accounts") and in Subsidiary Accounts (Contractors Ledger). In the Contractors Ledgers separate folio shall be set apart for each contract to facilitate providing of contractors accounts by reference to the corresponding debits worked out in the classified Monthly Stock Account. As a rule no payment to contractor shall be made without verification with the Contractors Ledger to ensure that no recoveries due are lost sight of.

**5.10 Work executed departmentally.** - 5.10.1 Work may be executed departmentally (i.e. by engaging labour directly) on a formal Department Work Order issued by Circle Officer.

5.10.2 Payments towards work executed departmentally shall be recorded in vouchers in the same manner as payments to contractors i.e. in a running account for each work order. Advances to the Sub-Divisional Officers for disbursement of wages shall be accounted for under "Work Advances with Officer of the Board". On measurement of the work done (wherever it is susceptible of measurement), the update cost of work covered by Departmental Work Order shall be billed for and disbursed wages shall be deducted therefrom. Difference between value of work billed for at the rates specified in project estimate and disbursement of wages represents the loss or gain on project account due to departmental execution. It shall after analysis be written off to Income and Expenditure Account.

5.10.3 Stock materials issued to the Sub-Divisional Officers for use on works executed departmentally shall also be debited to the account mentioned in Rule 5.10.1 and deductions made in works bills to the extent of usage assessed with reference to the work done. Differences between work billed for and recovery of cost of stock materials shall be dealt with in the same manner as laid down in Rule 5.10.1.

**5.11 Project Revenue (Inputs).** - 5.11.1 Project revenues (i.e. sales and recoveries from Hire-Purchase Debtors) shall be collected in Cash Book or main Ledger project-wise in accounts called project Revenue Central Accounts. Pending making up of allottee-wise or debtor-wise accounts balances in these control accounts shall be incorporated in Trial Balance. Subsidiary accounts (i.e. debtor-wise accounts) shall be proved by agreement with the Control Account.

## 6.

Subsidiary Accounts contain detail relevant to the information needs of the management as well as operation of internal controls in the financial and accounting system. The following subsidiary

accounts shall be maintained in the Board (The detailed procedure and nomination of offices responsible for maintenance of the same shall be laid down in the Detailed Instructions) :- (i) Project Subsidiary Account (ii) Project Liabilities Account (iii) Current Assets Transferred from Construction Division to Estate Management (iv) Fixed Assets Transferred from Construction Division to Estate Management (v) Inter-Divisional Settlement Accounts (vi) Deposits of contractors (vii) Short term loans and advances (viii) Provident Fund Accounts (ix) Loans Accounts (x) Subsidies and Grants-in-aid from Governments (xi) Cash-in-Transit (xii) Permanent Imprests (xiii) Works Advances with Officers of the Board (xiv) Sinking funds (xv) Stock of factories-in-Transit (xvi) Any other account prescribed by the Housing Commissioner.

## 7.

World Bank Project Accounts comprise the following :- (i) Accounts of Nodal agency; (ii) Accounts of Housing Board in its capacity as an Implementing Agency.

**7.1 Accounts of Nodal Agency.** - 7.1.1 Accounts of Nodal Agency shall be maintained in separate books of account. A separated bank account shall be maintained in respect of funds of Nodal Agency.

7.1.2 Expenditure on staff of the Housing Board deployed on work of the Nodal Agency shall be accounted for under a distinct minor head below the administration major head. Service charges recoverable by the Board from the Nodal Agency shall be set off against this expenditure and the resultant loss or gain transferred to Income and Expenditure Account.

7.1.3 At the end of each year separate final accounts shall be prepared for the funds of Nodal agency.

**7.2 Accounts of Implementing Agency (World Bank Project).** - 7.2.1 World Bank Projects shall be distinguished in the accounts of the Housing Board (Implementing Agency) through Project Code. Transactions relating to these projects shall be incorporated in the General Account and Subsidiary Accounts of the Housing Board. However, separate schedules containing data necessary for rendering the prescribed Returns to the World Bank shall accompany the Monthly Accounts of the Circles and Board.

## 8. Organisation of Factory Accounts.

- Accounts of factories shall be maintained under generally accepted principles and practices of commercial accounting. Accordingly, all transactions except petty office expenses shall be brought to account on accrual basis, Each factory of the Board shall be an accounting centre. Factory Manager shall be responsible for maintenance of detailed accounts and rendering of classified monthly accounts to the Circle Officer. The monthly accounts shall record receipts and expenditure under the heads of account prescribed in Factory Chart of Accounts annexed to the rules. The Factory Manager shall render in addition to the monthly account the following accounts quarterly :-

Manufacturing Account	(Annexure I)
Trading and Profit and Loss Account	(Annexure J)
Balance Sheet	(Annexure K)

Final accounts in the same format as quarterly accounts shall also be rendered to the Circle Officer on the prescribed due dates. These accounts certified by the internal audit shall be appended to the Final Accounts of the Board.

**8.1 Relation to General account of the Board.** - 8.1.1 Each factory shall be

treated as a separate operational unit which is required to be self sufficient. Funds made over to the factory by head office shall be treated as an investment and brought to account in the books of the latter under a separate account head "Investments in Board's Factories".8.1.2 Finished goods transferred from the factory to the stores of various Divisions of Housing Board shall be brought to account under the following account beads :-

Books of Factory -	Debit Transfer of Goods to "divisional Stores" percontra credit to Stock of Finished Goods.
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Books of Divisions -	Credit "stock of Factories in Transit Debts Accepted" under the major head "Stock and Stores" per contradebit to "Stock Articles" under the same major head.
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On the basis of the debits appearing in the monthly account of the Factory (supported b v Gate Passes and acknowledgement of Store Keeper of Divisions) the F.A. and C.A.O. shall provide working capital of equivalent sum to the Factory debiting "Stock and Stores-Stock of Factories in Transit Debts raised against Divisions". These payments towards making good the working capital shall not be treated as investments. These debits shall be paired off with the corresponding credits in the books of the Divisions referred to above. To help evaluate performance of the factories interest shall be charged by the Factory from the General Funds of the Board on transfer of fund delayed beyond one week from the date of rendering of accounts by the Factory. An advance copy of monthly accounts supported by indents shall be sent to the F.A. and C.A.O. direct by the Factory simultaneously with rendering of account to the Circle Officer.8.1.3 Working capital for each factory shall be sanctioned by the Board. To impose financial discipline the factory shall be required to operate with such working capital. In the event of an emergency funds may be provided in the shape of loans by the F.A. and C.A.O. on application of the Factory Manager submitted through Circle Officer and subject to sanction of Housing Commissioner. In the normal course such funds are available from internal sources on payment of interest. In order to work out the true financial results of working of factories, funds made available by F.A and C.A.O. from General-Funds may be placed on the same footing for internal control purposes. Accordingly, these loans shall carry interest at such rates as may be prescribed by the Board.8.1.4 Transactions arising in the books of factories which are adjustable in the books of F.A. and C.A.O. (e.g. Provident Fund recoveries) shall be settled in cash. The principal shall apply mutatis mutandis to transactions with other accounting centres in the Board.