

Chapter 12 MANUFACTURE ACCOUNTS

12.1 INTRODUCTORY

12.1.1 When materials are manufactured departmentally, either for the general requirements of works or for a particular work, a separate account, called a Manufacture Account, must be kept of the transactions connected with each manufacture. See also paragraph 14.1.2.

12.1.2 The detailed account of the expenditure on a manufacture is maintained in the same way as the accounts of a work. An account of the quantities and value of the products of the manufacture is to be maintained in the job card opened for each job from which the cost of “operation” and “out-turn” can be ascertained directly.

12.1.3 The progress of the manufacture will have to be recorded in a “Register of Manufacture” (C.P.W.A. Form 42).

12.1.4 It is essential that the accounts of manufacture shall not remain open indefinitely. If the operations are seasonal, the accounts of each season should be kept separate and closed as soon as the operations are closed. In cases in which operations are continuous, the accounts must nevertheless be closed periodically, but at least once a year.

12.2 OPERATION CHARGES

12.2.1 A Manufacture Account is debited directly with (1) value of raw materials issued from stock or obtained otherwise, (2) the cost of the labour employed, and (3) other incidental charges connected with the operations.

12.2.2 The following directions apply to certain special incidental charges:-

(a) Capital charges, such as the cost of land, kilns, special plant, etc., incurred in connection with a manufacture which does not extend beyond a single season, are debited wholly to the account of the manufacture.

(b) Capital charges in connection with a manufacture extending over more than one season should be debited in the first instance, to a special account under sub-head “Land, Kilns, etc.” of the Stock Account. This account should also be debited with the cost of repairs and renewals of the kilns, etc. All these charges should be recovered in suitable instalments by debit to the ‘Operation’ Accounts of the several seasons, the number of instalments and the amount chargeable for each season being determined on the merits of each case, under the orders of competent authority.

Note 1 - The decision as to the suitable instalments whereby the “Land, Kilns, etc.” account is to be cleared periodically, as given by the authority sanctioning the initial charge, should be recorded in the Priced Stores Ledger Form 12, and not deviated from without the further orders of that authority.

Note 2 - When the land, kilns, plant, etc., acquired for departmental manufacture operations are leased to a contractor of the division or other person, the rent charged should be credited to this special account and not to Revenue.

(c) If the manufacture is undertaken on behalf of other divisions, Department of Governments or of local bodies or individuals, a charge should be made on account of establishment and tools and plant etc., if leviable under the rules, vide Appendix 4, for outlay on works undertaken on their behalf.

(d) Save as provided in clause (c) above, no charge is permissible on account of the general establishment and ordinary tools and plant charges, or on account of interest on the capital cost of the land, kilns, plant etc., though all these charges should be included

in any proforma accounts of the manufacture operations of the divisions, which may be prepared under orders of the Administrative Ministry / Administrator concerned, with a view to compare the cost of articles manufactured departmentally with rates charged by suppliers.

12.2.3 The accounts of road metal digging are not treated as manufacture accounts, but the charges connected with land and quarries acquired for such operations should be dealt with in accordance with paragraph 7.4.5.

12.2.4 A job card may be opened for each job and all the expenditure connected with the job should be noted in this card. The value of job should be finalized after adding/totaling this expenditure and adding suitable percentage to cover labour, tools and plants, overheads etc. The value of this can be compared with the market rates by the Divisional Officer to satisfy himself if the work is being done economically.

12.3 GENERAL ACCOUNT

12.3.1 A Manufacture Account is essentially a suspense account as the cost of the operations cannot be cleared finally until they are closed. Manufacture transactions are, therefore, recorded under a distinct sub-head, called "Manufacture" of the Stock Suspense Account.

12.3.2 In the Stock accounts, the manufacture transactions should be recorded thus:-

(a) "Operations" charges should be shown as receipts of Stock under the sub-head "Manufacture", charges representing value of Stock Material issued to manufacture being simultaneously treated as issue of Stock under the sub-heads concerned. (b) All out-turn should first be brought formally on the Stock account, by crediting its value to "Manufacture" and simultaneously showing the articles as receipts of Stock under the sub-heads concerned. The value of surplus material sold or otherwise disposed of should, also be credited to Manufacture".

Note 1 If the rate of which any article of out-turn, manufactured for particular work is valued, turns out to be different from the Issue Rate of a similar article already in stock, the value of the two articles may be averaged for the purpose of stock accounts, allowance being made necessarily for the different quantities at the different values.

Note 2 No supervision charge is leviable in respect of materials manufactured on behalf of other divisions, departments, Governments, local bodies and individuals, which are formally passed through the Stock account under this paragraph.

See also paragraph 12.2.2(c).