(5.1) Balance Sheet

In continuation of this office Circular letter No. 1(1)/58-Accounts., dated 10. 1 1.59 regarding the submission of balance sheet with the annual accounts as on 31.3.1959 a number of points have been raised for clarification. At the outset, I would like to mention that it is neither the intention to prepare the balance sheet on commercial lines nor to work out any profit or loss. As ours is a non-commercial organisation a simple balance sheet to indicate only how the Government grants have been spent from time to time and what permanent assets of a concrete & material character have been acquired by this Society will do. In order, therefore, to facilitate the preparation of the same certain rigid principles of book-keeping have been set aside in consultation with the A.G.C.R. However in respect of commercial undertakings, separate proforma accounts and balance sheets are to be kept on commercial lines, where necessary. The various points raised by the Accounts Officers are clarified as under: -

1. Whether stores which have been received but payment has not been made are to be shown as assets in the balance sheet?

These stores need not be taken into accounts for the reason that payment has not yet been made from the Govt. Grant, and their value will automatically be included in the subsequent years when payment has actually been made.

2. Are accrued income and accrued liability to be taken into account?

This is not necessary and only actual transactions are to be taken into account.

3. Whether depreciation is to be allowed on assets?

As you are not concerned with the market value of our asset, only actual transactions are to be shown in the Balance Sheet without any depreciation.

4. Whether stores on hand at the end of the year and capital assets fabricated out of them are to be depicted in the balance sheet?

If the capital assets are of a permanent nature they should be shown in the balance sheet and the expenditure actually incurred thereon omitted from the income and expenditure statement of accounts, an equivalent amount being shown in the balance sheet on the liability side as a part of capital grant.

5. Are consumable stores in hand not to be depicted in the balance sheet?

According to the principles of commercial Undertakings the value of consumable stores in hand should be taken into accounts, but in order to facilitate the preparation of the balance sheet it has been agreed by the AGCR that their value may not be shown in the balance sheet. They are eventually to be consumed in due course and may be treated as final expenditure in the income and expenditure statement of accounts. (6) Whether the word 'grant referred to in para 2 of this office circular dated 10. 11.59 refers to actual funds received by the Laboratory or the budget grant?

The funds transferred from C.S.I.R. along with the receipts of the Laboratory, or any donation from outside party for general purposes received direct by the Lab. should be treated as grant which should be split up for recurring and capital expenditure as per instructions already issued in this office circular dated 10.11.1959 ibid.

7. Whether assets acquired during the year 1958-59 to be taken into account only

The balance sheet on 31.3.1959 is to include the assets acquired during all the preceding years also, and not for 1958-59 only.

8. Whether expenditure incurred from port to Lab., on assets acquired from TCA or C. Plan, are to be shown in the Income and Expenditure accounts or the balance sheet?

The value of equipment received under TCM and the C. Plan should be shown distinctly on either side of the balance sheet without taking into account the inland charges incurred thereon which may be shown as expenditure on TCA & Colombo Plan equipment in the Income & Expenditure statement. As regards the charges on other purchases of a capital nature they should be added to the purchase value thereof and shown in the balance sheet as capital expenditure.

9. Whether petty works constructed for certain experimental buildings are to be taken into balance sheet as assets?

If they are temporary constructions for experimental purposes only they need not be shown in the balance sheet, for they do not add to the capital value of the buildings and may have to be dismantled at any time. On the other hand if the petty works add to the capital value of the building they should be taken into account in the balance sheet.

10. What should be the distinction between consumable and non-consumable stores?

The value of consumable stores in hand which are to be used up in works, experiments, production of goods for sale, or apparatus for experiments, is not to be incorporated in the balance sheet. As regards non-consumable stores, these too need not necessarily be shown in the balance sheet unless they represent fixed assets of a material character and the officers in charges have to exercise their own discretion to overcome any difficulty in the matter. Petty items of day to day requirement in a laboratory such as stands, flasks, tubes etc. etc. purchased for experimental purposes only need not be shown in the balance sheet. For the purpose of the balance sheet only concrete assets of a material & permanent character should be taken into account e.g., land, Roads, Buildings (including services & installation), plant and machinery (like lathes, Milling, Machines, Brills, Shaping machines, Crushers. Seiving Machines, Blowers, Electric Motors, Transformers, Switch Gears, Air Ovens, Furnaces, X-ray, Spectro-photo meters, weighing machines, Chemical Balances. Microscopes etc.) furniture, office and laboratory equipment & apparatus, library books, motor vehicles, live stocks etc. etc. It would facilitate matters if the value of these assets is worked out on the basis of balances as on 31.3.59 in the various stock registers.

11. Sundry Creditors or Debtors

These transactions viz., fees for Analysis, Advice, Sale of Laboratory products, rent and other charges recovered from staff etc. and bills of suppliers contractors, taxes, telephones charges not yet paid need not be taken into account unless cleared.

12. Deposits and Advances

All deposits and advances should be shown in the balance sheet on the assets or the liability side, according to the nature they represent, i.e., debit or credit balance in the main accounts, e.g. advance for conveyance or festival or transfer, and earnest money or security money, CPF etc.

The balance in respect of schemes sponsored by outside authorities should also be shown in the balance sheet separately, under this head.

13. Remittances

The balance under this head should also be shown in the balance sheet.

14. Articles manufactured in the Laboratories but not yet sold outer proceeds not yet realised:

Except in the case of commercial undertakings the value of these articles may not be shown in the balance sheet, as the receipts when realised will automatically be taken into account in the income and expenditure statement of the year concerned.

15. Cash Balance

The balance in hand or in the bank as on 31.3.59 of the main accounts is to be shown in the balance sheet. The undisbursed money with the Drawing & Disbursing Officer should not be taken into account as it has already been accounted for in the main cash book. The balance of impress held by an officer will not be shown in the balance sheet. If, however, the original impress has been drawn from the funds of the laboratory it will be shown as asset under Deposits & Advances as per transaction in the main accounts. If it has been drawn from the main office and has not come in the main accounts of the Lab. then it will be shown on both sides of balance sheet.

16. UNESCO Coupons

The UNESCO Coupons whether purchased from capital or recurring grants need not be shown in the balance sheet as in the main accounts they have already been treated an final expenditure under the heads concerned.

17. Income & Expenditure statement and Balance Sheet.

A specimen proforma is enclosed which may be amplified according to the requirements of each laboratory. It may be borne in mind that the expenditure booked under the heads P- 1, P-2, P-3, P-4, P-5, P-6, P-7 has to be shown in the Income & Expenditure statement excluding the valuable assets of a permanent character, which are to be shown in the balance sheet. Similarly, expenditure booked under the head PP(2) (3) & (4), should be shown, in the Income & Expenditure statement of accounts as they do not represent capital assets.

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18. It is hoped that all efforts will be made to prepare the balance sheet as laid down in the bye laws of the CSIR and insisted upon by Audit, for information of the Governing Body. The question of staff raised by certain Laboratories should not stand in the way of completion of this work by the prescribed date and the authorities concerned may be requested to render all possible help required for this purpose. No additional staff will be provided.

(CSIR letter No. 1(1)/58-Accounts, dated 10th December, 1959)