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MANUAL OF THE RUPEE LOAN SECTIONS

FIRST EDITION

1972

OFFICE OF THE ACCOUNTANT GENERAL
CENTRAL REVENUES
NEW DELHI

TABLE OF CONTENTS

	PARA	PAGES
CHAPTER 1—CONSTITUTION		
A. Introductory	1.1	1
B. Items of work done in Rupee Loan I & II Sections	1.2 to 1.3	1—2
C. Strength	1.4	2
CHAPTER 2—PUBLIC DEBT		
A. Scope of Public Debt as used in this Manual	2.1 to 2.3	3
B. Permanent Debt	2.4	3
C. Floating Debt	2.5	3
D. Administration and Management of Public Debt	2.6 to 2.9	4
E. Debt Redemption	2.10	4
F. Annexure (Interpretation of Art. 292 of the Constitution)		5
CHAPTER 3—RUPEE LOANS		
A. Responsibilities of this office in connection with the Rupee Loans	3.1	6
B. Issue of Rupee Loans	3.2 to 3.3	6—7
C. Accounting of New Loans	3.4 to 3.10	7—8
D. Interest on Rupee Loans	3.11	10
E. Discharge of Rupee Loans	3.12 to 3.19	10—12
F. Govt. Securities held by the Posts & Telegraphs Deptt.	3.20	12
G. Reconciliation of balances of loans under Discharge	3.21 to 3.22	13
H. Maintenance of Loan Registers and Broadsheets	3.23 to 3.28	13—14
I. Explanation of difference between the ledger balance and R.B.I. balance	3.29	14
J. Loan schedules	3.30	14—15
K. Loan Abstract	3.31	15
L. Statements of debits from Account Current Sections	3.32	15—16
M. Statement of Loan Balances	3.33	16
N. Annexure (Forms A to E)		17—21
CHAPTER 4—SPECIAL TYPES OF LOANS		
A. Special types of Loans	4.1	22
B. 15 Year Annuity Certificates	4.2 to 4.7	22—25
C. Interest Free Prize Bonds	4.8 to 4.12	26—27
D. Compensation Bonds issued in connection with the nationalisation of Banks	4.13 to 4.15	27—28

	PARA	PAGES
E. Treasury Savings Deposit Certificates and Defence Deposit Certificates	4.16 to 4.17	28—29
F. Compulsory Deposits	4.18 to 4.22	29—30
G. Annuity Deposit Certificates	4.23 to 4.26	30—32
H. Fixed Deposits	4.27 to 4.29	32—33
I. National Saving Certificates (Bank Series)	4.30 to 4.33	33—35
J. Deposit of surplus funds of U.S. Govt. Counterpart Funds and Rural Electrification Corporation	4.34 to 4.35	35—36
K. Annexure (Procedure for the accounting and reconciliation of T.S.D. Certificates and D.D. Certificates)		37—43

CHAPTER 5—MISCELLANEOUS ITEMS OF WORK

A. Adjustment of the Commuted Value of Interest on Amanati Stock Certificates	5.1 to 5.5	44—45
B. Nationalisation of the Reserve Bank of India	5.6 to 5.10	45—47
C. Write off of Unclaimed Loans to Revenue and their subsequent Payment, if claimed	5.11 to 5.15	47—49
D. Cash Balance Investment Account	5.16 to 5.25	49—52
E. Inspection of the Public Debt Offices of the Reserve Bank of India by the Audit Department	5.26 to 5.31	52—53
F. Reimbursement to the Pakistan Govt. of the value of Discharged Govt. of India Securities paid in Pakistan and vice-versa	5.32 to 5.34	53—55
G. Audit of interest payment Vouchers received from the A.G. Pakistan Revenues	5.35 to 5.36	55
H. Taking over the Assets and Liabilities in respect of Hyderabad Paper Currency	5.37	56
I. Adjustment on account of Discount Sinking Fund	5.38 to 5.39	56
J. Calculation of Average Rates of Interest Chargeable on the Capital Outlay of the Central Government	5.40 to 5.44	56
K. Annexure I (Register of readmission of Securities credited to Revenue)		60
L. Annexure II [C.A.G.'s letter (with enclosures) regarding local audit of transactions connected with the Purchase and Sale of Securities held in Cash Balance Investment Account]		61—66
M. Annexure III (Ministry of Finance letter dated 19-12-58 regarding taking over of Assets and Liabilities in respect of Hyderabad Paper Currency)		67
N. Annexure IV (Statement showing Calculation of Average Rate of Interest)		68
O. Annexure V (Statement showing Expenditure connected with the Management of Central Loans)		69

CHAPTER 6—LOANS & ADVANCES TO LOCAL FUNDS, PRIVATE PARTIES ETC.

A. Scope	6.1	70
B. Procedure of Drawal	6.2	70
C. Audit of Sanction	6.3 to 6.4	70—72
D. Utilisation Certificates	6.5	72—73

	PARA	PAGES
E. Watching the Recovery of Principal and Interest	6.6	73
F. Mode of Adjustment of Recoveries	6.7	73—74
G. Quarterly and Annual Statements	6.8	74—75
H. Maintenance of Broadsheets	6.9	75
I. Annual Accounts of Loans and Acceptance of Balances by the Borrowers	6.10	75
J. Certificate regarding Acceptance of Balances to be furnished to Book Section	6.11	75
K. List of Sanctions to be sent to OAD(C)	6.12	75
L. Annexure I [Ministry of Finance letter dated 1-6-1971 (with enclosures) regarding Interest rates and Terms and Conditions of Loans]		76—85
M. Annexure II (Forms of Loan Register and Abstract of Loans)		87—88
N. Annexure III (Form of Utilisation Certificate)		89
O. Annexure IV (Quarterly Statement of Defaults in Repayment of Central Loans)		90—91
P. Annexure V (Ministry of Finance letter dated 7-8-1965 regarding Method of Calculation of Penal Interest)		92—93
Q. Annexure VI (Form of Annual Account of Loans to be sent to the Borrowers for Acceptance)		94

APPENDICES

1. Statement of Central Government Loans	95—97
2. Forms of Statements received from the Public Debt Offices and the Reserve Bank of India relating to Discharged Loans	98—103
3. Calendar of Returns	104—108

OFFICE OF THE A.G.C.R., NEW DELHI

MANUAL OF RUPEE LOAN SECTIONS

CHAPTER 1

CONSTITUTION

1.1. Rupee Loans as referred to in this Manual include—

- (i) all loans raised by the Central Government through Reserve Bank of India and classified under "O.Public Debt-A.Debt raised in India" excluding "Floating Debt".
- (ii) Certain Special types of loans raised by the Central Government like T.S.D. Certificates, Defence Deposit Certificates, National Saving Certificates (Bank Series), etc., which are classified under "S. Unfunded Debt"; and
- (iii) loans and advances granted by Central Government to Local Funds Private Parties etc., which are classified under "P. Loans and advances" by the Central Government.

Formerly the audit and accounting of all these loans were being dealt with in Loan I Section (later renamed as Rupee Loan Section). The Rupee Loan Section has since been bifurcated into two independent sections viz., Rupee Loan I and Rupee Loan II, with effect from the 6th June, 1972. Rupee Loan I Section deals with the loans raised by the Central Government mentioned at S. No. (i) above and Rupee Loan II Section with the loans mentioned at S. No. (ii) and (iii) above.

1.2. The following are the main items of work being dealt with in the two Rupee Loan Sections:—

RUPEE LOAN I SECTION

- (i) Issue of rupee loans.—Bringing into account all transactions connected with the issue of New Loans on the basis of detailed information supplied by the Reserve Bank of India;
- (ii) Accounting of the discharged loans which *inter-alia* involves the reconciliation of loan balances as in the books of this office with those of the Reserve Bank of India and maintenance of Loan Registers and Broadsheets;
- (iii) Compilation of consolidated abstract of Rupee Loans (Transactions connected with the Loans dealt with in Rupee Loan II Section are also brought to account through this abstract);
- (iv) Collection of discharged securities (relating to loans dealt with in the Section) from the Treasury Compilation Sections and their transmission to the Public Debt Offices of Reserve Bank of India;
- (v) Preparation of the monthly statement of Rupee loan Balances for submission to the C.S. Section (local);
- (vi) Accounting of Securities, shares etc., purchased or otherwise acquired and held in the Cash Balances Investment Account, their sale or discharge on maturity and realisation of interest or dividend thereon;

- (vii) Co-ordination of the Reports on the inspection of Public Debt Offices.
- (viii) Audit of interest payment vouchers from Pakistan.
- (ix) Adjustment of the Commuted value of interest on Amanati Stock Certificates.

RUPEE LOAN II SECTION

- (i) Accounting of transactions relating to certain loans which are classified under 'S—Unfunded Debt' like (i) Treasury Saving Deposit Certificates, (ii) Defence Deposit Certificates, (iii) Compulsory Deposit Scheme, 1963, (iv) 10 year Annuity Deposit Scheme, 1964 and 1966 and (v) National Saving Certificates (Bank series);
- (ii) Accounting of all Loans to Municipalities, District and other Local Fund Committees and Private Parties within the Union Territory of Delhi.
- (iii) Accounting of miscellaneous Loans and advances sanctioned by the Central Government with effect from the 1st July, 1970 to Local Funds and Private Parties outside the Union Territory of Delhi.
- (iv) Watching the timely payment of principal and payment of interest in respect of all loans mentioned at (ii) and (iii) above.

1.3. A statement of work done by each member of the section is separately maintained in both the sections. Each Assistant will be personally responsible for the efficient discharge of the duties assigned to him. The Superintendents of both the sections will be personally responsible for discipline and proper working of the respective sections. They will be further responsible for the duties assigned to them in this Manual and to Superintendents in general in the Manual of Office Procedure.

1.4. The present strength of each section is as follows:—

	Rupee Loan I	Rupee Loan II
S.A.S. Accountant	1	1
Upper Division Clerks	6	5
Lower Division Clerk	1	1

CHAPTER 2

PUBLIC DEBT

2.1. The term 'Public Debt' as used in this Manual is confined to regular loans raised from the Public in India which are termed as "Debt raised in India". It does not cover other interest bearing obligations such as Post Office Savings Bank Deposits, Small Saving Scheme, loans raised through Post Offices, in the shape of Post Office Cash certificates etc., and Provident, Depreciation Reserve and other Funds.

2.2. The loans obtained from the International Bank for Reconstruction and Development, International Development Association and from other foreign Governments which fall under "Debt raised outside India" are dealt in a separate Manual, called "Manual of Foreign Loan Sections".

2.3. The two main divisions of Public Debt are:—

(i) *Permanent Debt*; and (ii) *Floating Debt*.

"Permanent Debt" covers all such debt raised by Government in the open market as, at the time when it is raised, has a currency of more than 12 months. The term "Floating Debt" is applied to borrowings of a purely temporary nature, such as Treasury Bills and Ways and Means Advances from the Reserve Bank of India with a currency not more than 12 months. "Permanent Debt" is sub-divided into (i) Loans bearing interest or the current (i.e. extant) Loans and (ii) Loans not bearing interest (i.e. Expired Loans) which are loans notified for discharge and have therefore ceased to bear interest from the date of discharge.

NOTE.—During the war period two loans were floated which were interest free. These were "Three Year Interest Free Defence Bonds" and "Five Year Interest Free Prize Bonds, 1949". Another interest free loan namely "Five Year Interest Free Prize Bonds, 1965" was floated in 1960. All these bonds have since been discharged.

2.4. Permanent Debt.—A list of Rupee loans falling under this division (both current and discharged) will be found in Appendix I. All these loans are borne in the Register of the Public Debt offices. The transactions relating to all these loans are adjusted under "Sec. 'O'—Public Debt—Debt raised in India—Permanent Debt" centrally in the books of this office (excepting Five Year Interest Free Prize Bonds 1965 and Premium Prize Bonds 1963 and 1964 which are accounted for in the books of the Accountants General under whose jurisdiction the transactions originate).

2.5. Floating Debt.—This division of Debt consists of Treasury Bills issued to the Public, Ad-hoc Treasury Bills issued to the Reserve Bank of India and Securities issued to International Monetary Fund, International Bank for reconstruction and Development, International Development Association and Asian Development Bank. The transactions connected with this Debt are adjusted under "O—Public Debt - Debt raised in India - Floating Debt" in the books of the respective Accountants General.

NOTE.—The transactions relating to securities issued to International Financial Institutions are brought to account in the books of A.G., Central, Bombay.

Administration & Management of the Public Debt

2.6. Under Article 292 of the Constitution, the executive power of the Union extends to borrowing upon the security of the Consolidated Fund of India within such limits, if any, as may from time to time be fixed by parliament by law and giving of guarantees within such limits, if any, as may be so fixed. "Borrow" includes the raising of money by the grant of "annuities", and "loan" shall be construed accordingly.

NOTE—The interpretation of Articles 292 of the Constitution has been given in Annexure to this Chapter.

2.7. The law applicable to issue of Government loans is contained in the Public Debt Act, 1944 and the working rules framed under Sec. 28 of the said Act are contained in the Public Debt Rules, 1946. The procedure drawn up on the basis of the above-mentioned Act and Rules, for the guidance of Treasury Officers and other Government offices is in the Government Securities Manual issued under the authority of the Government of India. The instructions for the guidance of the offices of the Reserve Bank of India and the branches of the State Bank of India are embodied in the "General Instructions in connection with the Issue of Government Loans" (Commonly called the Hand-Book) issued by the Reserve Bank of India. The administration of public Debt has, in terms of the provisions of the Public Debt Act, 1944, devolved on the Reserve Bank of India.

2.8. Management of the Public Debt:—Section 21(2) of the Reserve Bank of India Act requires that the Government should entrust the Reserve Bank on such conditions as might be agreed upon with the management of the Public Debt (and with the issue of any new loans). Pursuant to above, the Government of India entered into an agreement with Reserve Bank of India for the management of its Public Debt. The agreement has been included as Appendix I in Vol. II of the Central Government Compilation of the Treasury Rules. ✓

2.9. The actual management of the Public Debt and the maintenance of accounts relating thereto vest in the Central office of the Reserve Bank of India which controls the working through the Public Debt office at Calcutta, Bombay, Madras, Delhi, Bangalore, Patna, Jaipur, Nagpur, Kanpur, Ahmedabad and Hyderabad. Information regarding the detailed working in the Public Debt offices will be found in the 'Public Debt Office Manual'. A reference may also be made to the "Manual of instructions for the Inspection of the Public Debt Offices". ad

2.10. Debt Redemption.—The Government of India have no arrangement for the creation of sinking funds for the amortisation of their Public debt. However, an adjustment used to be made annually by crediting a sum of Rs. 5 crore to "T. Deposits & Advances-Part II-Deposits not bearing interest-A. Sinking Funds-Appropriation for reduction or avoidance of debt Other appropriations" against specific provision made in the Budget Estimate for reduction or avoidance of debt. But the balance under this head used to be closed to Government account as per Foot Note 383 of the List of Major & Minor heads of account, and therefore, did not serve the purpose of Sinking Fund for the redemption of debt. Even this adjustment was discontinued from 1970-71.

ANNEXURE

Interpretation of Articles 292 of the Constitution

A question was raised as to whether in terms of Article 292 of the Constitution, the Government of India were competent to borrow unlimited amount of money from the public. The Comptroller and Auditor General to whom a reference was made has expressed the following opinion in the matter:—

“In the absence of any enactment by the Parliament fixing any ceiling limit for the borrowing powers of the Government of India under Article 292 of the Constitution, the Executive enjoy unlimited powers to raise loans on the security of the Consolidated Fund. The mere fact that the Government of India made a provision of Rs. 75 crores as credit for a market loan during 1954-55 cannot be construed as a limit fixed by the Parliament within the meaning of Article 292 of the Constitution, and as such it does not fetter the discretion of Government to raise any further loan beyond those limits.

In regard to the interpretation of Articles 292 and 293 of the Constitution, the Law Ministry, in another case, have held that the raising of Loans and giving of guarantees are purely executive acts and, therefore, require no previous sanction of the Legislature. The Government has unfettered discretion in the exercise of its executive power in this behalf. The Law Ministry were also of the view that the Government would, however, no doubt take the earliest opportunity in some appropriate form of informing the Legislature, of any important action e.g., where it accepts a heavy financial liability.

In view of the present constitutional position as stated in the preceding paragraphs howsoever unsatisfactory the same may be, audit cannot possibly take any objection to the Government borrowing on the security of its Consolidated Fund, without any limit. So long as this position subsists, audit should confine itself only to the statutory obligations as set forth in Articles 94 to 98 of the Audit Code [paras 472 to 476 of the M.S.O.(T)].

[Comptroller & Auditor General's letter No. 828-Admn. II/190-54, dated 3-7-54 (Dy.LN.I/882) in reply to this office letter No. LN.I-6-201, dated 1654 (Case LN.I-6(Part.I) 54-55)].

CHAPTER 3

RUPEE LOANS

3.1. As explained in Chapter 2 Rupee Loans are raised by the Government from the Public in India, from time to time, through the Reserve Bank of India. In connection with rupee loans this office is responsible for:—

- (1) Adjustment of transactions connected with the issue of loans;
- (2) Adjustment of transactions connected with the discharge of loans;
- (3) Reconciliation of loan balances as reported by the Reserve Bank of India, with those shown in the books of this office.

The procedure followed in each case is explained in the following paragraphs:—

Issue of New Loans

3.2 When the Government decide upon the issue of a new loan, a Gazette notification is issued to that effect. This notification details the terms and conditions under which subscriptions to the loan are to be received. The details are mainly in respect of:—

- (1) The date/dates on which subscription will be received;
- (2) The total amount of subscription to be received;
- (3) The rate of interest payable on the loan;
- (4) The price at which the loan will be issued and if the securities of any old loan are allowed to be converted the terms for such conversion;
- (5) The date of repayment of the loan;
- (6) The places at which subscription to the loan will be received; and
- (7) The form of application.

NOTE.—(1) A loan may be purely cash issue i.e., subscriptions are received only in Cash or a loan may be purely conversion issue i.e., subscriptions are received only in securities of an old loan offered for conversion. A loan may also be cash-cum-conversion issue i.e., subscriptions may be both in cash and in securities of an old loan offered for conversion.

(2) Loans are sometimes issued through the Bank only (termed Bank issue) when treasuries and sub-treasuries are not authorised to receive subscription.

(3) When subscriptions to a loan are received for an indefinite period and for unlimited amount, the loan is said to be on "tap".

3.3. Two copies of the loan notification are sent to this office by the Government of India, one copy of which is made over to the C.S. Section. The Reserve Bank of India, Central Office, which arranges for the issue of the loans in accordance with the terms notified by Government issues detailed instructions to all receiving offices and also to the Accounts Offices in regard to:—

- (1) the general and special features of the loan;
- (2) Classification in the Government account in respect of the credits (and debits, if any) for the subscription.

NOTE.—The initial adjustment is made temporarily under a deposit head, as subscription tendered towards a loan can be treated as 'Loan' only after they are accepted by the Reserve Bank on behalf of the Government and scrip issued therefor. The loan head Sec. "O" is credited only when the final adjustments are made by this office by relieving the temporary deposit head.

3.4. The transactions connected with issue of loans are initially adjusted in the accounts as under:—

Transactions	Classification
1. Subscriptions paid by tender of cash/cheque.	'T-Deposits & Advances-Part II-Deposits not bearing interest— (C) Other deposit Accounts-Departmental and Judicial Deposits-Civil Deposits-Deposit of (Here enter the denomination of the loan).
2. Refund of the difference between the amount tendered and the amount of the Loan allotted.	Same as above (Minus credit).
3. Debits on account of cash refunds in connection with the conversion of old loans into the new loan.	T-Deposits and Advances-Part IV Suspense-Suspense Account-Suspense Account-Cash Refund on (Denomination of the loan).

NOTE.—As the minor head required in this connection is a temporary one to be operated upon when a loan is floated, the same will not be incorporated in the List of Major and Minor Heads of Accounts.

3.5. On receipt of the Notification and the Loan circulars issued by the Reserve Bank of India this office has to scrutinise to see that the terms and conditions offered by the Government are within their competence and that the instructions issued by the Reserve Bank of India are complete in all respects from the accounting point of view.

3.6. After scrutiny, further instructions, if considered necessary, are issued to all accounts officers regarding the initial adjustments of the credits (and debits, if any) connected with the loan. The TAD Sections of the office are also advised of the procedure of adjustment of the credits (and debits, if any) arising in the Treasury accounts rendered to this office.

3.7. After the close of the new loan or at convenient intervals if the loan is on "tap", the Central Debt Section of the Reserve Bank of India, Bombay furnishes this office with a consolidated statement of the transactions connected with the loan together with a certificate that scrip for the total amount of subscription have been issued by the respective branches of the Reserve Bank of India. The statement will show the amounts of credits (and debits, if any) receivable from each account office separately. The

account offices are also furnished with a statement showing the treasury-wise details of the amounts of subscriptions received and refunds and other payments made at the treasuries under their jurisdiction.

3.8. On receipt of the detailed statistics from the Reserve Bank of India, the accounts offices from whom credits (and debits, if any) are receivable should be asked to pass them on to this office after verification with the Reserve Bank figures, relieving the deposit (or suspense) head under which they were initially adjusted in their books. The credits (and debits, if any) receivable through treasuries under the control of this office should also be verified.

NOTE.—Subscriptions received at the branches of the State Bank of India and the Reserve Bank of India (covering the Banking Treasuries) are consolidated at the Reserve Bank of India, Central Accounts Section, Nagpur and the total amount of credit passed on to this office through the Reserve Bank's Central accounts. These credits are brought to account under the Deposit head mentioned against S. No. 1 in para 3.4 above by per contra debit to "W. Reserve Bank Deposits—Reserve Bank Deposits". Subscriptions received through non-banking treasuries are accounted for through the accounts of the Local Accountants General.

3.9. After the credits and debits have been received from the accounts offices and those appearing in Treasuries under this office verified, the plan for the final adjustment of the connected transactions is drawn up by this office and forwarded to the Government of India, Ministry of Finance, Department of Economic Affairs, for approval. The final account adjustment is made on receipt of the orders from the Government of India, under intimation to the Comptroller & Auditor General of India and the Reserve Bank of India, Central Debt Section, Bombay.

3.10. As the terms and conditions attached to loans may not be identical in each case it is not possible to lay down a fixed procedure for the adjustment of the loan transactions. The accounting procedure for each loan will, therefore, have to be drawn up separately in the light of the terms and conditions attached to that loan. The following, however, will be a fair illustration:—

The detailed statement in the case of a cash-cum-conversion loan which, assuming for example, has been issued at a discount and for which the securities of the old loan offered for conversion are accepted at a premium would show the following particulars of the loan:—

	Amount Rs.
(i) Nominal value of New Loan issued by tender of	
(a) Cash/Cheque	
(b) Old loan offered for conversion	
Total—New Loan issued	(A)
(ii) Discount on the total loan issued	(B)
(iii) Net credit receivable through—	
(a) Exchange accounts on account of the subscriptions received in non-Banking Treasuries under the audit control of other accounts offices	(C)

- (b) Reserve Bank of India, Central Accounts Section,
Nagpur on account of subscriptions in the branches of
the Reserve Bank of India, State Bank of India and the
Banking Treasuries (D)
- (iv) Nominal value of old loan tendered for conversion (E)
- (v) Amount of Premium on above (F)
- (vi) Cash value of new loan issued against tender of old loan (G)
- (vii) Debits on account of cash refund in respect of old loans
receivable through
- (a) Exchange account (H1)
- (b) Treasuries under the audit control of this office (H2)

The account adjustment in respect of above is shown below:—

Item A Credit—	Sec. 'O'-Public Debt-A. Debt raised in India-I-Permanent Debt-Loans bearing interest - (Denomination of Loan).
Item (B) & (F) Debit—	Sec. T. Deposits & Advances-Part IV Suspense-Suspense Account-Discount Sinking Fund-Discount on (denomination of the loan).
Item (C) Debit—	U. Remittances-I-Remittances within India-Account between Civil and Civil-Exchange Account-Account between Central Revenues and the Accountants General concerned - Head III. Items adjustable by C.R.
Item (D) Minus Credit	Deposit head under which the credits were adjusted:
Item (E)	Sec. 'O' Public Debt etc. (Denomination of the old loan).
Item (G)	No account adjustment is necessary being already included in (A).
Item (H1)-Credit—	Exchange Account with the Accounts Officer concerned.
Item (H2) Minus debit—	Suspense head under which the debits were adjusted in accordance with the instructions of the Reserve Bank of India.

NOTE (1).—The adjustment of items (B) & (F) under "Discount Sinking Fund" requires the approval of the Government of India. It is, therefore, necessary to take special orders of the Government of India in this respect. If, however, in any particular case, the Government of India do not want to create a sinking fund for the expenditure on discount and/or premium, amounts at item (B) and (F) should be debited to "16. Interest on Debt and other Obligations—A. Interest on Public Debt and Other Obligations—I. Interest on Ordinary Debt—(i) Debt raised in India—Discount on loans—(Denomination of the loan).

NOTE (2).—In the case of 'Tap Loans' the issue price is ordinarily fixed in such a way as to include approximately the amount of net interest accruing to the securities on the date of issue. This additional amount included in the issue price is adjustable as in reduction of interest charges.

[Government of India, Ministry of Finance U.O. No.F.3(21)-B1/55, dated 21-9-55 Dy.LNIUO/37-F.LNI-6 Pt.II/55-56]

NOTE (3).—In cases where the debits on account of cash refunds receivable from other accounts offices through exchange account are not received in time, the corresponding amounts (Item H1) should be credited to the suspense head mentioned against item 3 in para 3.4. above, to be cleared when the debits are ultimately received through exchange account.

3.11. Till a loan matures for repayment, interest on the securities is payable at the rate specified in the notification for the issue of the loan. Interest on the securities is payable half yearly (a) at any of the Public Debt Offices of the Reserve Bank of India (b) at the Central Government Pay & Accounts offices at Jammu and Srinagar and (c) at any Treasury or Sub-treasury elsewhere in India other than those in the State of Jammu and Kashmir, where the securities are encased for payment of interest. The debit on account of interest payment is adjusted under the head "16-Interest on Debt and other Obligations-A.Interest on Public Debt and other Obligations-I-Interest on Ordinary Debt (i) Debt raised in India-Interest on (Nomenclature of the loan)" in the books of the concerned Accountant General.

The interest payment vouchers received in this office from the treasury along with the bi-monthly lists of payments are dealt with by the D.C. Sections dealing with the concerned treasury. The vouchers are audited by them with reference to para 512 of the CAG's Manual of Standing Orders (Tech.) and adjustment carried out under the *final head* of account mentioned above. The interest payment vouchers are then made over to Book Section who transmits them to the Public Debt Offices of the Reserve Bank of India, New Delhi.

NOTE.—In special cases where the interest is paid for a broken period, the amount is calculated on the basis of 360 days in a year i.e., each month is taken as one twelfth of a year and each day as one-thirtieth of a month irrespective of the actual number of days in the particular month.

Discharge of Rupee Loans

3.12. When a loan matures for payment, the Government of India issue a notification in the Gazette announcing their intention of repaying the loan on the date of maturity with all interest due. The Reserve Bank of India, Central Debt Section, Bombay also issues instructions to the paying offices including the Treasuries.

3.13. According to the wording of the Government Promissory Notes issued before the 1st February, 1957 the Government of India are legally liable to repay the principal of their loans only at the "General Treasury at Fort William" i.e., at the office of the Reserve Bank of India, Calcutta. In the promissory notes issued from and after 1st February, 1957, the expression "the General Treasury at New Delhi" has been substituted for the expression "the General Treasury at Fort William" and consequently the Government of India are legally liable to repay the principal only at the Reserve Bank

of India, New Delhi. However, in either case, for the convenience of the security-holders, arrangements have been made to repay the principal of these Securities (a) at any of the Public Debt Offices of the Reserve Bank of India, (b) at the Central Government Pay and Accounts Offices at Jammu and Srinagar and (c) at any Treasury or Sub-treasury elsewhere in India other than those in the State of Jammu and Kashmir where they are enfaced for payment of interest.

NOTE.—Part payment of securities is not ordinarily permissible; but in case if such payment has to be made in special circumstances, the balance amount of the security not claimed is to be kept in trust with the Government under the Minor head "Deposits of unclaimed interest and Principal of securities" under the major head "Civil Deposits" in Sec. "T-Deposits and Advances-Part II Deposits not bearing interest. C. Other Deposit Account-Departmental and Judicial Deposits", and the security treated as discharged *vide* the Comptroller and Auditor General's letter No. 1129-AC/181-53, dated 11-9-1954 and No. 1392-AC/181-53, dated 22-10-1954 (File No. LNI.8-7/54-55).

3.14. The procedure to be followed by the Treasury Officers and Sub-treasury Officers in making payment of the principal of securities notified for discharge has been laid down in Chapter VIII of the Government securities Manual (Fourth Edition, 1966).

3.15. After payment, the discharged securities are listed by the Treasury Officer in a separate schedule showing full particulars of each security, loanwise. The amounts of premium, if any, or the interest paid at the time of discharge are shown in the schedule of interest payments. The discharged securities are forwarded with the bi-monthly lists of payments to the Accountant General or whom the treasury accounts are submitted.

3.16. On receipt of the bi-monthly lists of payments the Accountant General's office will verify that all the discharged securities shown as paid have been received. If any are wanting the Accountant General should immediately communicate with the Treasury Officer and obtain the missing security and also settle any other discrepancy that may be noticed. The Accountant General's Office will then examine the discharged securities in accordance with the rules in force and adjust the debits under the remittance head Sec. "U.Remittances-I.Remittances within India—Account between Civil and Civil-Exchange Account—Account between Central Revenues and particular State—III—Items adjustable by C.R.". A statement showing the amounts of Securities of the various loans discharged during each month should be sent to this office in the form mentioned in para 3.30 below. The discharged securities should be forwarded to the Public Debt Office within the jurisdiction of which the Treasury is situated, a separate covering list being prepared in Form SY 124 for each separate loan. Securities discharged at Treasuries and Sub-treasuries are cancelled by the respective Public Debt Offices on receipt of these securities from the Accounts Officers concerned and the loan balance reduced from the books of the Public Debt Offices.

3.17. The securities tendered for payment of the principal amount due thereon at a Public Debt Office are passed for payment by that office if the securities are borne in its books. If the securities are of foreign domicile (i.e. borne in the books of another P.D.O.), they are sent to the Public Debt Office concerned for payment.

3.18. Before the securities are passed for payment by the Public Debt Office, they are cancelled in its books and the loan balance is reduced. Payment is effected in the usual way at the Public Accounts Department of the R.B.I. or if the party so desires, by means of a Government draft issued at par, on a Treasury or a branch of the agent Bank conducting Government business. After payment, the discharged securities are passed on to the Accountant General concerned through the Treasury Officer, in the same manner as explained in para 3.15. above. In the case of payments made at the Reserve Bank of India, New Delhi, the discharged securities are received in this office through the New Delhi Treasury Accounts and DC XI Section, after necessary audit check of the discharged securities, should adjust the debits under Sec. "O-Public Debt - etc." against each denomination of loan and forward the discharged securities with covering lists for each separate loan to Rupee Loan I Section within 3 days of the completion of a month's accounts, for onward transmission of the discharged securities to the Public Debt Offices concerned. The Rupee Loan I Section will transmit the discharged securities to the Public Debt Office concerned by the 28th of the 2nd following month to which the account relates.

NOTE.—The loans which are notified for discharge during the course of a financial year will continue to be exhibited under the minor head "Loans bearing interest" subordinate to "O-Public Debt etc." till the close of the account for that year and the debits on account of discharge of such loans arising during that year will also be adjusted in accounts accordingly. The net balances of the loans outstanding after the close of the accounts for the year will be transferred to the minor head "Loans not bearing interest" by proforma corrections and the debits arising during the subsequent years will be adjusted under this minor head.

(C.A.G.'s letter No. 120-AC/194-69, dated 5-2-70).

3.19. Cancellation of securities passed for payment by a Public Debt Office and those discharged at Treasuries/Sub-treasuries is reported to the A.G.C.R. by the Public Debt Office concerned under advice to the Central Debt Section of the Central Office of the Reserve Bank of India in forms 1 and 2 respectively (Appendix 2). On receipt of this intimation, the details are noted in the Loan Registers Vol. I and Vol. II respectively. The consolidated figures reported in form 3 (Appendix 2) are verified with those reported in forms 1 and 2.

NOTE.—Upto 31-12-1971, the P.D.Os. used to cancel the securities discharged at the treasuries only after all the objections noticed therein were settled. With effect from 1-1-1972, however, it was decided that all securities would first be cancelled from the books of the P.D.O. and objections, if any, should be got settled from the Treasury Officer concerned subsequently.

3.20. To cater to the needs of the depositors in the Postal Savings Bank Account, the Postal Department purchase a large amount of Government securities which are held in the name of the Accountant General, Posts & Telegraphs. In the case of these holdings, securities when discharged are paid by the Postal Department and debits thereof passed on to this office by the Director of Audit and Accounts, Posts and Telegraphs, Calcutta with a detailed statement showing the different categories of loans discharged. The discharged securities are passed on by him to the Public Debt Office, Calcutta for cancellation. The fact of cancellation of these securities is reported to this office by the Public Debt Office, Calcutta quoting the No. and date of the letter from the Director of Audit and Accounts, Posts and Telegraphs, Calcutta with which the discharged securities were received by that office.

Reconciliation of balances of Loans under discharge

3.21. In the case of Loans under discharge, differences are bound to occur between the balances of these loans as maintained by the Reserve Bank of India and those in the books of this office. This is mainly due to the following reasons:—

- (1) For the securities discharged at treasuries, the debits in the accounts appear in most cases in the month in which the securities are paid, whereas the cancellation and consequent reduction in balances in the Public Debt Offices in respect of those securities will be made 3 to 4 months after i.e., after the discharged securities have been received by the Public Debt Offices from the concerned Accounts Officers.
- (2) For the securities tendered for discharge at the Public Debt Offices, securities are first cancelled and loan balances reduced before Pay Order is issued, whereas the debits appear in accounts only when actual payment has been made.

3.22. In the first case, therefore, the differences will be due to debits appearing in the accounts before cancellation and in the second case cancellation being made by the P.D.O. before the debits appear in the accounts. The reconciliation of the two sets of figures really amounts to watching cancellation against debit in the case of payments in Treasuries and Sub-treasuries and of debits against cancellation in the case of payments by the Public Debt Offices. This reconciliation is done through Loan Broadsheets the procedure for the compilation of which is detailed below.

3.23. The receipt of the securities discharged at treasuries from the accounts officers and their cancellation is intimated by each P.D.O. to this office in Form 1 (Appendix 2). These details are recorded in a register (called Loan Register Vol. I) in Form A (Annexure) for each loan separately month-wise. The amount of debits against the discharges as accounted for are also noted in Col. 4 of this Register. The entries in the Register are, as soon as the postings are completed (generally towards the end of the 3rd succeeding month), totalled in respect of each month. These totals are then carried over to another register in Form B (Annexure) called Loan Register Vol. II to be kept in two parts to record (i) the debits against discharge and (ii) cancellation against discharge.

3.24. In respect of the securities paid at the Public Debt Offices (which are cancelled before actual payment) a monthly statement in Form 2 (Appendix 2) is sent by the Public Debt Offices. These are also noted in the Register in Form B (Annexure) and the entries are totalled up. Separate pages are kept for compilation of figures of each Public Debt Office and the totals for all Public Debt Offices are consolidated on a separate page.

3.25. Broadsheets in Form C (Annexure) are maintained for reconciliation of the two sets of figures for each month and for each loan. The balance in the Broadsheets (Col. 4 & 7) are verified with figures in the Loan statement rendered to C.S. Section monthly by Rupee Loan Section (vide para 3.33) and in the statement of outstanding loans received from the Reserve Bank of India monthly. Columns 3 and 6 of the Register are verified with the

consolidated abstract and the statement of outstanding loans received from the Central Office of the Reserve Bank of India. Figures in columns 8 to 14 which are in explanation of the difference between Columns 4 & 7 are derived from the loan registers (Vol. I & II).

3.26. The differences between the Reserve Bank of India figures and those booked by this office which arise due to the reasons explained in para 3.21 (1) are exhibited in Columns 8 & 9 of the Broadsheets. In order to watch the expeditious settlement of the discrepancies and to secure agreement between the Reserve Bank of India figures and those booked in this office a "Reconciliation Register" in form D (Annexure) is maintained. Separate pages are kept for each loan and all items which remain outstanding for more than 3 months at the time of closing the Broadsheet are entered in this Register. The Register is submitted to the Branch Officer along with the Broadsheet.

3.27. The difference in regard to the securities discharged at the Public Debt Offices, the debits for which appear in accounts only when actual payment has been made are exhibited in Columns 10 to 12 of the Broadsheet. These differences, which will continue till payments are made to the parties concerned, are verified from the monthly and annual statements of outstandings furnished by all the Public Debt Offices.

3.28. The Broadsheets should be submitted to the Branch Officer on the last working day of the 3rd month following that to which the transactions relate.

3.29. After the accounts of a year are closed, the difference between the Ledger Balance and the Reserve Bank of India Balance should be explained for inclusion in the Review of the Balances for that year submitted to the Comptroller and Auditor General of India. For this purpose Book Section will furnish the statement of the ledger balances in respect of each loan. Rupee Loan I Section will put in the balances as per Reserve Bank of India and explain the difference between the two sets of figures in the 'Remarks' column.

3.30. As it is desirable that the debits on account of the discharge of Government securities should be adjusted in the books of this office in the account of the month in which the discharge is effected, the Accounts Officers of the States are required to send monthly a statement of loan discharges (referred to in para 3.16 ante) in advance of their Exchange Accounts to this office, specifically marked for Rupee Loan I Section. The Statement (which is called "Loan I Schedule") should be in the following form:—

*"Statement of the securities of the Government of India discharged at Treasuries in
(Name of the State) during the month of"*

NAME OF LOAN	Amount of discharge	Remarks
1.	Rs.	
2.	Rs.	
3.	Rs.	
Total Rs.		

CERTIFIED THAT a debit of Rs. has been included in the Exchange Account for the month of and that the discharged securities have been sent to the Public Debt Office,

Forwarded to the Accountant General, Central Revenues, New Delhi.

COPY FORWARDED to the Manager, Reserve Bank of India, Public Debt Office, The discharged securities are enclosed/ have been sent under this office letter/memo No. dated A reference of the loan schedule should be made against the debit item in the Exchange Account. This debit should be a single item representing the total amount of the loan schedule. If there are no transactions relating to repayment of loans in any month the fact should be intimated to this office (Rupee Loan I Section) through a 'nil' statement. The monthly Loan Schedules should reach this office by the end of the month in which the accounts are compiled i.e., the Loan Schedule for the month of April should reach this office by the 31st May.

3.31. The statements of discharged loans (Loan Schedules) are, as stated above, received monthly from the State Accounts Offices in advance of and in support of the lump debit relating to discharge of loans passed on to this office for final adjustment through Exchange Account. On receipt of these statements (Loan Schedules), the total amount in respect of each loan is adjusted by means of a transfer entry under the respective minor head under "O-Public Debt, A-Debt raised in India, Permanent Debt," by responding credit to the Exchange Account with the State Accountant General concerned. Such Transfer Entries will be consolidated along with other Transfer Entries for the month in combined transfer ledger and Abstract for incorporation in the consolidated abstract of Rupee Loan I Section. The Consolidated Rupee loan I abstract after incorporating all the adjustments carried out by the Section during the month in the specific column and striking the progressive totals is submitted to the Branch Officer on the 3rd of the 2nd month following that to which the accounts relate and made over to Book Section on the same date.

NOTE (1).—Unlike in other Sections, all Transfer Entries prepared in Rupee Loan I Section, irrespective of the amount involved, are required to be approved by the Branch Officer before they are incorporated in the accounts.

NOTE (2).—All Transfer Entries prepared in Rupee Loan Sections including those relating to Loans and Advances by Central Government are incorporated in the Consolidated Abstract, mentioned above.

NOTE (3).—The Loan schedules in respect of the discharges through the Postal Department are forwarded to this office by the Director of Audit & Accounts, Posts and Telegraphs, Calcutta by the end of the Second month following that to which the accounts relate.

3.32. The items relating to the Loan transactions, appearing in the Exchange accounts, should be omitted from adjustment by the Account Current Sections. A statement of all these items shall then be sent by the Account Current Sections to Rupee Loan I Section for necessary action monthly, within 15 days after the receipt of the Exchange Account or 25th of the second succeeding months whichever is earlier. In case the account is received very late and the statement cannot, on that account, be sent on the due date, an intimation should be sent to Rupee Loan I Section on the due date indicating when the statement will be sent. On receipt of the statement from the Account Current Sections, Rupee Loan I Section shall see

that all the adjustments are duly made and intimation thereof sent to Account Current Sections. A register will be maintained in Rupee Loan I Section to watch the receipt of the statements from Account Current Sections and submitted to the Gazetted Officer-in-charge on the 5th of every month.

NOTE.—No credit can be adjusted against a Loan which has been discharged. Write back if any of "Debit adjustment" should be carried out only by a "Minus Debit". Such cases generally occur in case of amounts pertaining to lost notes when credited to Government Account on re-admission of the last note.

Statement of Loan Balances

3.33. A statement showing the balances of all rupee loans as on the last day of each month is prepared every month in Form SY/CR 68 (Form E of Annexure) and forwarded to the C.S. Section of this office on the 27th of the second month following that to which the transactions pertain. The Opening balance of this statement should be copied from the closing balance as shown in the statement of the previous month and receipts and disbursements from the consolidated Abstract of Book Section for the month of account. The closing balances of the loans bearing interest as shown in this statement should also be verified with those of the statement of loan balances received from the Central Debt Section of the Reserve Bank of India every month. The statement of loan balances received from the Central Debt Section of R.B.I. will show the opening balance of each loan as in the books of the R.B.I. on the 1st of the month, receipts (which represent issue of script) and disbursements (which represent cancellations) during the month and the closing balance as on the last day of the month. Where there is a large difference between the balance of a particular loan, as shown in the statement prepared by the Section and that shown in the loan balance statement of the Reserve Bank of India due to non-adjustment of the transactions connected with the issue of a new loan or conversion of securities of an old loan into a new loan, a remark to the effect that the balance as per Reserve Bank of India may be adopted should be given against the loan.

NOTE.—The certificates to the following effect should also be recorded on the monthly statements of loan balances forwarded to C.S. Section:—

- (1) Certified that the balances of the Loans bearing interest have been verified with those of the Reserve Bank of India statement.
- (2) Certified that no new Loan has been floated during the month/the following new loans have been floated during the month:—
 - 1.
 - 2.
- (3) Certified that the closing balance of each Loan has been agreed with the Ledger figures in the Broad sheets maintained in Rupee Loan I Section.
- (4) Certified that the following Loans/none of the Loan bearing interest have/has been discharged during the month:—
 - 1.
 - 2.

FORM 'A'

(See para 3.23 of the Manual)

per cent Loan.....for the month of.....

[illegible]

(Name of the Loan)

[illegible]

FORM 'C'
(See para 3.25 of the Manual)

	I edger Balance			R.B.I. Balance			Explanations for difference between cols. 4 & 7						
	Opening Balance	D-b't	Closing Balance	Opening Balance	Cancel-lation	Closing Balance	Dis-charged but not debited	Dis-charged but not cancelled	Cancelled but not debited			Pakis-tan	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Notes discharged at Treasuries & Post Offices.													
2. Notes certified for discharge by the P.D.O.													
3. Payment orders issued by the P.D.Os. for lost Notes.													
4. London payments.													
5. Pakistan payments.													
6. Conversion.													
TOTAL:—													

FORM 'D'

(See note below paragraph 3.25 of the Manual)

Serial Number	Month of Discharge	Name of the State	Amount of securities discharged at Treasuries, but the cancellation/debit in respect of which has not been intimated/received	Nature of Discrepancy	Action taken	Remarks
1	2	3	4	5	6	7

FORM 'E'

(See para 3.33 of the Manual)

Statement showing the balances of the Central Government Rupee Loans for the month of 19

Serial No.	Description of the loan	Opening Balance on 1st.	Receipt during the month	Total	Disbursements during the month	Closing Balance on the last day of the month	Remarks
1	2	3	4	5	6	7	8

NOTE.—When the balance under a loan at the close of the month differs from that shown in the R.B.I.'s statement of balances for the same month, the difference should be explained and remarks to the effect that "R.B.I. Balance may be adopted" given against the loan if the difference is due to non-adjustment of the transactions connected with the issue of new loan for want of final statistics from the R.B.I.

CHAPTER 4

SPECIAL TYPES OF LOANS.

4.1. The procedure explained in Chapter 3 of this Manual relates to the issue, discharge and accounting of the regular rupee loans issued by the Government of India. Besides these loans, certain special types of loans are also issued by the Government occasionally. The existing loans which fall in this category are—

- (a) 15 Year Annuity Certificates.
- (b) Interest Free Prize Bonds.
- (c) Compensation Bonds issued in connection with the nationalisation of Banks.
- (d) Treasury Savings Deposit Certificates and Defence Deposit Certificates.
- (e) Compulsory Deposits.
- (f) Annuity Deposit Certificates.
- (g) Fixed Deposits.
- (h) National Saving Certificates (Bank Series).
- (i) Deposit of surplus funds of U.S. Government Counterpart funds and Rural Electrification Corporation.

While the transactions relating to 15 Year Annuity Certificates, Prize Bonds and Compensation Bonds issued in connection with the nationalisation of Banks are brought to account under the head "O-Public Debt-A. Debt raised in India-Permanent Debt", the transactions connected with the other loans mentioned above are accounted for under "S. Unfunded Debt". The salient features of all these loans and the procedure followed for the issue, discharge and accounting, in each case, are explained below:

15 Year Annuity Certificates

4.2. Two series of these Certificates were issued. The Ist series was issued with effect from 1st July, 1954 and remained open till 30th December 1957. The IInd series was issued with effect from 2nd January, 1958 and remained open for subscription till 31-8-1971. These certificates secure to the holders a monthly payment for 15 years of a specified sum as under:—

Amount of monthly Instalment	Issue price of the Certificate	
	Ist Series	IInd Series
	Rs.	Rs.
10	—	1,330
25	3,500	3,325
50	7,000	6,650
100	14,000	13,300
200	28,000	26,000

The maximum amount that might be invested by an individual in the 1st series was Rs. 28,000 and in the IIInd series Rs. 26,600 and the corresponding figures for an individual jointly with another were Rs. 56,000 and Rs. 53,200 respectively. The normal procedure for the accounting of the transactions connected with the regular rupee loans as explained in Chapter 3 is applicable in this case also, subject to the changes indicated below:—

4.3. The credits on account of subscription to these Certificates are received in this office as in the case of subscription received in respect of other regular rupee loans through the account of the Central Accounts Section of the R.B.I., Nagpur or the Exchange Account of the State Accountant General concerned and are brought to account monthly, after verifying the figures with those shown in the detailed statements received from the Public Debt Offices under the minor head "15 Year Annuity Certificates-I series" or "15 Year Annuity Certificates-II series" as the case may be, subordinate to "O-Public Debt-A-Debt raised in India-Permanent Debt".

4.4. The monthly payment of the annuities comprises of both repayments of capital and interest. The interest element in the amount, is, however, not separated till the close of the year. As such the entire amount of payment is adjusted under the detailed head "Monthly instalments" subordinate to Section "O-Public Debt etc.-15 Year Annuity Certificates" in the books of this office. As in the case of discharged securities, the debits appearing in the treasury accounts are passed on straightway by the respective Accountants General to this office for final adjustment exactly in the way in which debits for discharge of other loans are passed on. The paid vouchers are passed on to the Public Debt Office concerned. For payments made at the R.B.I., New Delhi, the D.C. section concerned of this office is to adjust the debits in the accounts under the loan head concerned and after usual audit check of the vouchers, pass them on to Rupee Loan I Section for onward transmission to the Public Debt Office concerned in the same way as other discharged securities. The discharged vouchers should be sent to the Public Debt Office, New Delhi.

NOTE.—The Comptroller and Auditor General of India has decided that the usual audit checks exercised in respect of the discharged securities should be applied to these vouchers and no special audit procedure is necessary.

4.5. *Adjustment on account of interest.*—The amounts of monthly annuities are comprised of repayment of capital and interest at the rate of 3.5 per cent per annum in the case of 1st series and at the rate of 4.25 per cent per annum in the case of IIInd series. It would, therefore, be necessary to write back the interest portion of the annuities paid, from "O-Public Debt" to Revenue under the head "16-Interest on Debt and other Obligations". Meticulous calculations from month to month for each individual annuity would, however, be difficult and involve great labour and the following arrangements which would give fairly accurate results may be adopted:—

(i) The subscriptions received and the payments of annuities made during a month will be treated to have all been received or paid on 1st of the month irrespective of the actual date of the transaction.

(ii) The interest rate will be taken as $3\frac{1}{2}\%$ per annum for the 1st series and $4\frac{1}{4}\%$ per annum for the IIInd series, as stated in the notifications.

(iii) Interest will be calculated (rounded to the nearest rupee) on the balance under capital at the end of the previous month for the purpose of allocating the annuities paid during the subsequent months between principal and interest.

(iv) The opening balance of receipts for that month will then be reduced by the element of principal repaid as worked out above and added to the receipts during that month for calculating the interest portion of the annuities paid in the following month.

(v) The total of interest thus calculated monthly for the whole year should be adjusted by minus debit to "O-Public Debt" and debit to the head "16-Interest on Debt etc.-A-Interest on ordinary debt-(i) Rupee debt-Interest on permanent loans-Interest on 15-Year Annuity Certificates 1st series or IIInd series", before the accounts of that year are closed.

A few sample entries have been given below on assumed figures to show the method of calculation to be followed.

(vi) Any residual balance left under "O-Public Debt" if and when the scheme is wound up, will be cleared to revenue either as a payment or receipt as the case may be.

Method of Computation

Assumed receipts
and payments.

First month Rs. 3.5 crores
Second month Rs. 2.8 crores
Third month Rs. 1.4 crores

Annuity—Rs. 2.5 lakhs
Annuity—Rs. 2.0 lakhs
Annuity—Rs. 1.0 lakhs

Repayments will be:—

First month . . . Nil
Second month . . . Rs. 2.5 lakhs
Third month . . . Rs. 4.5 lakhs
Fourth month . . . Rs. 5.5 lakhs

Rs. 3,50,00,000 \times 7

Interest for 1st month

2,400

= Rs. 1,02,083 . . . (A)

Element of principal in

1st repayment of Rs. 2.5 lakhs = Rs. 2,50,000 — 1,02,083 = Rs. 1,47,917 . . . (B)

Interest bearing balance for 2nd month = Rs. 3,50,00,000 — 1,47,917 + 2,80,00,000
= Rs. 6,28,52,083 . . . (C)

Interest for the 2nd month as on (C) = Rs. 6,28,52,083 \times 7

2,400
= Rs. 1,83,319 . . . (D)

Element of principal on 2nd repayment
of Rs. 4.5 lakhs

= Rs. 4,50,000 — 1,83,319
= Rs. 2,66,681 . . . (E)

Interest bearing balance for 3rd month = (3) + (5) + 1.4 crores

= Rs. 6,28,52,083 — 2,66,681 + 1,40,00,000
= Rs. 7,65,85,402 . . . (F)

Interest for 3rd month i.e. on (F) @ 3½%
for 1 month

= Rs. 7,65,85,402 \times 7

2,400

= Rs. 2,23,374

Element principal on the 3rd repayment = Rs. 5,50,000 — 2,23,374

= Rs. 3,26,626

(G)

and so on.

(H)

Total interest paid (A) + (D) + (G) and so on.

4.6. After the close of March Final Accounts, necessary calculation of the interest is made and interest computation statement forwarded to the Reserve Bank of India, Central Office, Bombay for check in August each year. After the Reserve Bank has checked and confirmed the correctness of the calculations, the necessary account adjustment is put through as indicated in sub-para (v) of para 4.5 above.

4.7. The holder of an Annuity Certificate is allowed to obtain the commutation value of the certificate in a lump sum at any time after the expiry of one year from the date of the purchase. However, only Public Debt Offices of the Reserve Bank of India are authorised to pay the commutation value. The Public Debt Offices will send to this office a monthly statement showing the details of Annuity Certificates of either series discharged for payment of commutation value during the month. The statement will show, in addition to other particulars, the amount of principal outstanding on the date of payment of the commutation value of each certificate also. For the purpose of the annual calculation of the interest element of the Annuities, the amount of the principal outstanding in respect of the annuity certificate whose commutation value has been paid during a particular month should be deducted from the interest bearing balance of Annuity Certificates for the succeeding month. A register should be maintained to work out the outstanding principal amount of Annuity Certificates which have been refunded before maturity during each month, on the basis of the monthly statements received from Public Debt Offices.

To facilitate reconciliation of the figures, the debits on account of premature refund of Annuity Certificates are adjusted under a separate detailed head "Premature Refund" under minor head "15-Year Annuity Certificates-I Series/II series".

The adjustment of debits on account of payment of commutation value of the Certificates is carried out as under:—

- | | |
|--|--|
| 1. Principal outstanding in respect of the Annuity Certificates prematurely refunded. | O. Public Debt etc. 15-Year Annuity Certificates—Premature Refund (Debit). |
| 2. Difference between the Principal outstanding and commutation value of the Certificates. | 16-Interest on Debt and other Obligations-Interest on Debt-Interest on 15 Year Annuity Certificates (-) Debit. |

The adjustment of the debits appearing in the New Delhi Treasury accounts will be made by the D.C. Section concerned on the basis of the information available in the payment Orders received from the Treasury Officer, New Delhi in support of the debits. The debits appearing in the State circles of account will be shown by the Accountant General distinctly in the Loan Schedules under 15-Year Annuity Certificates, against "Premature encashment of 15-Year Annuity Certificates I Series/II series". Each payment will be shown separately and the date of Pay Order will invariably be shown in the schedule. On receipt of the Loan schedule, the adjustment will be made under the heads mentioned above, after verifying the figures from the statement received from the P.D.O. concerned.

Interest Free Prize Bonds

4.8. Prize Bonds do not bear interest, but the holders of these bonds are eligible for participation for prizes in various draws held from time to time, till the bonds are matured for repayment. In some cases, however, the Prize Bonds are repayable with a premium at the prescribed rates. These bonds are generally issued in the denominations of Rs. 5/- and Rs. 100/- and are repayable five years after the date of sale. Hitherto four series of Prize Bonds (indicated below) were issued:—

- (i) Five Year Interest Free Prize Bonds, 1949.
- (ii) Five Year Interest Free Prize Bonds, 1965.
- (iii) Premium Prize Bonds, 1963.
- (iv) Premium Prize Bonds, 1964.

4.9. Five Year Interest Free Prize Bonds, 1949 have since been repaid and the outstanding balance remaining unclaimed is due for write off to revenue. The dates of sale and discharge of the other two series of Prize Bonds are as indicated below:—

	Date of commencement of sale.	Date upto which sale continued.	Date of commencement of discharge
(i) Five Year Interest Free Prize Bonds, 1965.	1-4-1960	30-6-1962	1-4-1965
(ii) Premium Prize Bonds, 1963.	1-1-1963	31-12-1963	1-1-1968
(iii) Premium Prize Bonds, 1964.	1-1-1964	31-12-1964	1-1-1969

In the case of Premium Prize Bonds, 1963 and 1964, the Bonds are repayable along with a premium at the rate of Rs. 10/- for every Rs. 100/-.

4.10. Government of India with the concurrence of the Comptroller and Auditor General of India had decided that the accounting of Five Year Interest Free Prize Bonds, 1965 and both the series of Premium Prize Bonds, 1963 and 1964 would be decentralised. Each Civil Accountants General would be responsible for the adjustment of the transactions connected with the sale and repayment of these bonds as also the payment of premium in respect of Premium Prize Bonds arising in his account circle in the Central Section of his books. The payment of prize money in all cases was arranged by the R.B.I. Bombay and accounted for in the books of the Accountant General Maharashtra. The transactions connected with these Prize Bonds are accounted for under the heads of accounts mentioned below:—

- | | |
|---|--|
| <ol style="list-style-type: none"> (i) Credits on account of sale proceeds of and debits on account of repayment of (a) Five Year Interest Free Prize Bonds 1965. (b) Premium Prize Bonds 1963. (c) Premium Prize Bonds 1964. | <p>Sec. O.Public Debt-A.Debt raised in India-Permanent Debt-Interest Free Loans-5 Year Interest Free Prize Bonds 1965.</p> <p>Sec. O.Public Debt etc.-Loans bearing interest-Premium Prize Bonds 1963.</p> <p>Sec. O.Public Debt etc.-Loans bearing interest Premium Prize Bonds 1964.</p> |
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| (ii) Debits on account of payment of Prize money. | 16. Interest on Debt and other Obligations-Interest on Public Debt and Other Obligations-Interest on Ordinary Debt-Debt raised in India-Prizes on Five Year Interest Free Prize Bonds, 1965/Prizes on Premium Prize Bonds, 1963/Prizes on Premium Prize Bonds, 1964. |
| (iii) Payment of premium on Premium Prize Bonds. | 16. Interest on Debt and other Obligations etc. Premium on Prize Bonds, 1963/Premium on Prize Bonds 1964. |
| (iv) Discount on outright purchases of the bonds by the Scheduled Banks etc., and charges payable to the R.B.I. towards commission etc. (Debit). | 16. Interest on Debt, and Other Obligations etc.-Other items-Miscellaneous. |

The transactions in respect of these bonds taking place through the Indian Posts and Telegraphs Department would be accounted for finally in the books of the A.G., P.&T.

4.11. The discharged prize bonds, after usual audit, should be forwarded by the Accounts Officer concerned, to the Reserve Bank of India, Central Office, Bombay or such other branch of the R.B.I. as may be entrusted with the work of stocking the discharged bonds. According to the existing instructions, the discharged prize bonds received in this office from the treasuries are to be collected by the Rupee Loan I Section from the D.C. Sections concerned and forwarded to the Currency Officer, Reserve Bank of India, New Delhi in batches.

4.12. To enable this office to prepare the monthly returns of Central Government's Public Debt, every State Accountant General (including A.G., P.&T.), in whose books the sale proceeds of the Bonds or repayments thereof are adjusted is required to furnish to this office every month a statement showing the total value of each series of Prize Bonds accounted for in his books during and upto the end of the month. This statement is received in the C.S. Section of this office.

Compensation Bonds issued in connection with the nationalisation of Banks

4.13. Under Section 6 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the compensation due in connection with the nationalisation of the fourteen private banks is payable, according to the option of the parties concerned, either in cash or in securities of the Government of India or partly in both. The payment of compensation is arranged by the Reserve Bank of India, Bombay on the basis of sanctions issued by the Ministry of Finance, Department of Banking, New Delhi. Necessary adjustment in this connection is carried out by D.A. VIII Section of this office, in respect of payment made in cash on receipt of the corresponding

debit through R.B.I. Account, and in respect of payments made in the form of Government Securities on receipt of advices from the R.B.I., Bombay regarding issue of the securities. The payment of compensation in the form of securities is made against either of the two loans noted below, which were raised for the specific purpose:—

- (i) $4\frac{1}{2}\%$ Bonds (Acquisition and Transfer)
Compensation Bonds, 1979.
- ✓(ii) $5\frac{1}{2}\%$ Bonds (Acquisition and Transfer)
Compensation Bonds, 1999.

4.14. The adjustment in respect of the payment of compensation made in the form of Government securities is made by D.A. VIII Section by debit to "96.Capital Outlay on Industrial and Economic Development-Compensation paid under Section 6 of the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970" by *contra credit* to "O.Public Debt-A. Debt raised in India-Permanent Debt-Loans bearing interest-(name of the loan concerned mentioned above)". After carrying out the adjustment, D.A. VIII Section makes over to Rupee Loan I Section, a slip for the amount credited to "O.Public Debt etc." along with full details. The Rupee Loan I Section should verify the figures adjusted under each loan with the corresponding figures shown in the monthly loan balance statement received from the Central Debt Section of the Reserve Bank of India and also maintain a broadsheet for each loan till the issue of securities thereunder is finally closed.

4.15. The procedure to be followed for the audit and accounting of the half-yearly payments of interest on the above loans and the repayment of principal when the loans mature for discharge, is the same as in the case of other regular rupee loans, explained in Chapter III of the Manual.

Savings Deposit Certificates

4.16. Three series of the Deposit Certificates of the denominations given below have so far been issued by the Government of India:—

Denomination	Date of commencement of issue	Date of closing the issue
(i) $3\frac{1}{2}\%$ Ten Year Treasury Savings Deposit Certificates	1-2-1951	31-5-1957
(ii) 4% Ten Year Treasury Savings Deposit Certificates	1-6-1957	9-11-1962
(iii) $4\frac{1}{2}\%$ Ten Year Defence Deposit Certificates	10-11-1962	14-3-1970

These certificates were issued in the same manner as the securities of other regular rupee loans, but they have certain special features, which are mentioned below:—

(a) Unlike other Government of India loans, the transactions of these loans are adjusted under "S.Unfunded Debt", the major head being "10 Year Treasury Savings Deposit Certificates" or "10 Year Defence Deposit Certificates" as the case may be.

(b) Interest is payable yearly and not half yearly as in the case of other loans. Interest at the prescribed rates will continue to accrue on the deposits even after the date of maturity for a maximum period of five years in case the deposit is not claimed on maturity.

(c) The deposits are repayable at par on the expiry of 10 calendar years from the date of deposit; but at the option of the depositors, the deposits may be refunded at any time after the expiry of one year, after adjustment of discounts at the prescribed rates.

(d) The accounting of the transactions connected with these loans is partially decentralised. Under this scheme each Accounts Officer will be responsible for the adjustment of the transactions connected with the loans arising in his account circle, in the Central Section of his books. While the subscriptions received at the branches of the Reserve Bank of India, State Bank of India and their subsidiaries would be consolidated by the Central Accounts Section of the R.B.I., Nagpur and brought to account in the books of this office, those received at the non-banking treasuries would be accounted for in the books of the respective Accountants General. The debits on account of premature refund of the deposits as well as repayment of the deposits after maturity would be brought to account in the books of the respective Accountants General.

4.17. The detailed procedure for the accounting and reconciliation of the transactions connected with these Certificates is given in Annexure to this Chapter.

Compulsory Deposit Scheme, 1963

4.18. The Government of India introduced a Compulsory Deposit Scheme (i) for Income Tax Payers and (ii) non-Income Tax Payers in receipt of annual salary of Rs. 1,500 or above with effect from 30-5-1963. The deposits under the Scheme were to be made at any Head Post Office, Departmental sub-post office, any branch of the Reserve Bank of India, the State Bank of India or its subsidiary banks or at certain selected scheduled banks. The deposits made at the branches of Reserve Bank as well as branches of State Bank conducting Government business, were credited to Government account through the respective Treasury accounts. The deposits made at the branches of State Bank not conducting Government business, were credited to Government on a weekly basis through the nearby branch conducting Government business. The deposits received at the branches of the Scheduled Banks were remitted to the nearby branch of the Reserve Bank of India or the State Bank of India, conducting Government Treasury business, for credit to Government Account. The transactions were to be included in the Government Accounts only in lump, details of which would not be furnished to the Accountants General.

4.19. The deposits made under both the Income Tax Payers' Scheme and Employees Scheme (non-income-tax payers) were repayable with simple interest at 4% after the expiry of five years from the end of the year in which the deposit was made. However, the Compulsory Deposit (Employees) Scheme was discontinued with effect from 23-9-1963 and the deposits already

made were allowed to be refunded forthwith. The other Scheme (Income Tax Payers' Scheme) was also discontinued with effect from 30-6-1964, but the deposits were to be refunded after five years, in the normal course.

4.20. The credits on account of deposits under the above Scheme as well as debits for the repayment of the same are adjustable under the minor heads "Income tax Payers" and "Employees other than those liable for income tax", as the case may be, subordinate to the major head "Compulsory Deposits" in Section "S.Unfunded Debt", in the Central Section of the accounts of the respective Accountants General. The debits on account of interest on these deposits are adjustable under "16-Interest on Debt and other Obligations-Interest on Unfunded Debt-Interest on deposits under Compulsory Deposit Scheme". The transactions connected with these deposits passing through Post Offices are finally brought to account in the books of the A.G., P. & T.

4.21. The Sections receiving the accounts from the Treasuries under the jurisdiction of this office are required to ensure that separate credit and debit Schedules are received by them for (i) Income Tax Payers and (ii) Employees other than those liable for Income Tax. After the monthly accounts are closed the D.C. Sections concerned would make over the relevant credit and debit slips to Rupee Loan II Section, who will maintain a Broadsheet in respect of the Compulsory Deposit Scheme. The broadsheet will be closed and submitted to the Branch Officer on the 20th of each month.

4.22. Audit Procedure.—The audit work will be done mainly by the Outside Audit Department, but in Central Audit, it is to be seen that the total amounts of the refunds made do not exceed the total balances in the accounts. As difficulties arise in exercising this check in cases where the deposits stand accounted for in one circle of account and the refunds are made in a different circle consequent on the transfer of the officials to the new circle, an overall check will be exercised by the C.S. Section of this office centrally to ensure that the total refunds do not exceed the total deposits, both in respect of Compulsory Deposits (Employees) Scheme and the Compulsory Deposit (Income Tax Payers) Scheme. Detailed instructions regarding the audit to be conducted centrally and locally in respect of the transactions connected with the above Scheme are contained in the C.A.G's Secret letters No. 2825-Admn.I/143-63-III, dated 22-11-1963, No. 1836-TAI/143-63/IV, dated 6-7-1964 and No. 1065-TAI/143-63-Pt. III, dated 14-4-1965.

Annuity Deposit Certificates

4.23. The Government of India introduced the "Ten Year Annuity Deposit Scheme" with effect from 1-10-1964. The special features of this scheme are as under:—

- (i) The Annuity Deposit Certificate issued against the deposits received would be in the denominations of Rs. 10, Rs. 100 and Rs. 1,000.
- (ii) The certificates will secure to the holders a yearly payment of principal and interest at the rate of 4.25% (or at the rate to be notified by the Government each year).

- (iii) The deposits will be repaid in 10 annual equalled instalments, the first annual payment commencing after the expiry of one year from the date of making the deposit.
- (iv) The treasuries and sub-treasuries are not authorised to receive the deposit under the scheme. Credits/Debits on account of receipt/payment at the branches of the Reserve Bank of India and the State Bank of India and its subsidiary Banks conducting Government Treasury work will be passed through the Treasury Accounts, as in the case of other receipts/payments on Government Account. Branches of the State Bank of India and its subsidiary Banks not conducting Government Treasury work will transfer the amounts received by them to other branches conducting Government Treasury work (or to offices of the Reserve Bank of India) for credit to Government account.

4.24. The accounting of the transactions connected with the Annuity Deposits is decentralised i.e. transactions arising in the various circles of account are finally accounted for in the Central Section of the books of the respective Accountants General. The credits on account of Deposits received are adjustable under the Major Head "Income Tax Annuity Deposits" in Section "S-Unfunded Debt".

The debits in respect of annuity paid which comprise of repayment of capital and interest at the rate of 4.25 per cent (or at the rate notified by the Government) will in the first instance be adjusted to the Major Head "Income Tax Annuity Deposits" in Section "S-Unfunded Debt" but the interest portion of the Annuities paid will be transferred to Revenue annually under the minor head "Interest on Income Tax Annuity Deposits" subordinate to the sub-major head "2-Interest on Unfunded Debt" under the Major head "16-Interest on Debt and other Obligations" by minus debit under "Income Tax Annuity Deposits". For the purpose of allocating the annuities paid between the capital and interest, the amount of interest will be calculated on the balance under the capital at the end of the previous year taking the rate of interest at 4.25% per annum (or at the rate notified by the Government for the particular year, if it happens to be different from 4.25%). While the debits on account of annuities are adjusted in the books of the respective Accountants General, the adjustment for the transfer of interest to "16-Interest etc." is carried out by the A.G.C.R. For this purpose, the balance under "Income Tax Annuity Deposits" at the end of the previous year is worked out on the basis of figures shown by the various Accounts Officers in the Statements of Central Transactions (received in Finance Compilation Section) and the balance as per the books of this office. The adjustment should be carried out in March (supply) Account under intimation to the Ministry of Finance.

NOTE (1).—The vouchers (i.e., paid annuity warrants) received from the Treasury Officers should be sent by the Accountant General after audit to the Public Debt Offices concerned. The paid voucher received from the New Delhi and Delhi Treasuries will be passed on by the D.C. Section concerned to Rupee Loan II Section, after usual audit for onward transmission to the P.D.O., New Delhi.

NOTE (2).—Penalties, if any, recovered in respect of the Annuity Deposits Scheme will be credited to the Minor Head "Miscellaneous" under the Major Head "IV-Taxes on Income other than Corporation Tax".

4.25. Refund of Deposits.—The annuity deposits made by persons who are not liable to make such deposits shall be refunded after the Income Tax Officer concerned issues an authorisation refunding the amount. Such authorisation should show full particulars of the deposit. On receipt of the authorisation and the Annuity Certificates (if issued), refund shall be made by the deposit office at which the amount was received. Before refunding the amount, the deposit office/Public Debt Office should ensure that the amount was credited to Government Account/transferred to another office for credit to Government Account.

4.26. Reconciliation.—Each Accountant General will be responsible for the reconciliation of figures relating to annuity deposits appearing in his circle of accounts. The Public Debt Offices will furnish a statement showing the details of the amounts received in each State under their jurisdiction to the Accountant General of that State. To facilitate the reconciliation of the figures of this statement with the credits received through the Treasury Accounts, the Treasury Officers will furnish alongwith the Treasury Accounts, a treasury schedule of credits, branch-wise and date-wise, in support of credits on account of Annuity Deposits appearing in the Treasury accounts to their respective Accountants General.

Public Debt Offices will also send to the Accountant General concerned, a statement showing the details of refund of Annuity Deposits made by persons not liable to make the Annuity Deposits. The statement will be sent every month and if no refund has been made during a month, a 'nil' statement will be sent. The reconciliation of the figures in respect of such refunds should be conducted, with the help of the above statement. The reconciliation of debits on account of regular annuity payments under the annuity deposit scheme should be carried out with reference to treasury schedules and the refund vouchers.

FIXED DEPOSITS

4.27. The Government of India introduced a scheme of Government Fixed Deposits in the State Bank of India and its subsidiary banks with effect from the 1st May, 1968. Under this scheme, offices of the State Bank of India and its subsidiary banks will accept fixed deposits on behalf of the Government of India, in the denomination of Rs. 50 or multiples thereof. For every deposit of Rs. 50, a sum of Rs. 62.50 will be repaid after 5 years from the date of deposit.

4.28. The credits/debits in respect of fixed deposits received/paid by the Branches of the State Bank of India and its subsidiaries conducting Government Treasury business will be passed every day to the Central Government through the bank's scrolls rendered to the treasuries. In respect of transactions at branches of the State Bank of India and its subsidiaries not conducting Government treasury business, these transactions will be passed on daily to the nearest branch of the same bank conducting Government treasury business for credit to Government account. The credits are adjustable under the minor head 'Banks' subordinate to the major head "Fixed Deposits" in Section "S-Unfunded Debt" in the books of the respective Accountants General. In the case of debits, the portion representing repayment of the deposit will be adjusted under the minor head mentioned

above and the interest portion of the payment under the minor head 'Interest on Fixed Deposits in Banks' subordinate to the major head '16-Interest on Debt or other Obligations-A-Interest on Public Debt and Other Obligations -2-Interest on Unfunded Debt'. The transactions appearing in the Delhi and New Delhi Treasury accounts will be adjusted by the D.C. Section concerned who will pass on the vouchers and Treasury scrolls, after usual audit checks, to Rupee Loan II Section, along with the credit/debit slips, to enable the latter to maintain the necessary broadsheet.

4.29. In order to effect reconciliation between the amounts booked as receipts/repayments under the scheme by each Accountant General and those accounted for in the branches of the Banks, all branches conducting Government business will have to furnish to the Accountant General concerned monthly a statement showing the daily totals of the receipts and payments (including those occurring in other branches of the bank not conducting Government business but passed on for credit/debit to Government account through it). Rupee Loan II Section should maintain a separate register to reconcile the figures under the scheme, with reference to the above-mentioned statements, the receipt of which should be watched through the Sectional Calendar of Returns.

The State Bank of India will also have to keep the requisite records connected with these transactions separately and make them available for audit, as and when required. The Comptroller and Auditor General has decided that the transactions (both receipts and refunds) relating to the Fixed Deposit Scheme in the offices of the State Bank of India or its subsidiary banks whether conducting Government business or not, shall be audited locally biennially by the Accountant General concerned.

National Savings Certificates (Bank Series)

4.30. The Government of India issued four series of National Savings Certificates, mentioned below, with effect from the date indicated against each:—

Denomination of the Certificates	Date from which issued
(i) National Savings Certificates (I Issue), Bank Series	1-3-1966
(ii) 7—Year National Savings Certificates (II Issue) Bank Series	16-3-1970
(iii) 7—Year National Savings Certificates (III Issue) Bank Series	16-3-1970
(iv) 7—Year National Savings Certificates (IV Issue) Bank Series	16-3-1970

While the sale of the National Savings Certificates (I Issue) was closed on 14-3-1970, the other three issues of the Certificates still continue to be on sale. The Certificates were sold in the denominations of Rs. 10, Rs. 100 and Rs. 1,000 in respect of the I Issue. The denominations of the Certificates sold under the II Issue are Rs. 10, Rs. 100, Rs. 1,000 and Rs. 5,000 and under the III and IV Issues, they are Rs. 100, Rs. 1,000 and Rs. 5,000. While the Certificates under the I Issue are repayable after 10 years along with simple interest at the rate of 8% per annum, those under the II Issue are

repayable after 7 Years with simple interest at 5-6/7% per annum. Thus a certificate of Rs. 100 will fetch Rs. 180 under the I Issue and Rs. 141 under the II Issue, on maturity. However, the Certificates of the I Issue may be encashed under certain circumstances, at any time after the expiry of two years from the date of sale and those of the II Issue after the expiry of one year from the date of sale, at correspondingly reduced surrender values. Interest is payable annually on the Certificates under the III and IV Issues at 5% and 7½% per annum respectively. In these cases also the Certificates may be encashed after the expiry of one year from the date of sale, after adjustment of discount at the prescribed rates.

4.31. The Certificates under all the four issues mentioned above are sold and encashed exclusively by the branches of the State Bank of India and its subsidiary banks. Interest payments on the Certificates under the III and IV Issues are also made by the said banks. The receipts and payments on this account are passed on to Government account through the branches of the State Bank or subsidiary banks conducting Government Treasury business. However, the transactions arising in the offices of the State Bank of India or subsidiary banks (not conducting Government Treasury business) situated at places where the Reserve Bank's Public Accounts Departments are functioning, should be passed on to the respective branch of the R.B.I., for credit or debit to Government account. The credits and debits appearing in the books of the various circles of account will be adjusted in the books of the respective Accountants General in the manner stated below:—

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|---|--|
| (i) Subscriptions to the Certificates and repayment of the principal. | S.Unfunded Debt-Saving Certificates-Bank Series-National Savings Certificates (First, Second, Third or Fourth Series). |
| (ii) Interest portion of the payment on encashment of the Certificates under I Issue. | 16.Interest on Debt and Other Obligations-A.Interest on Public Debt and Other Obligations-Interest on Unfunded Debt-Savings Deposits-Bonus on National Savings Certificates (First Issue) Bank Series. |
| (iii) Interest portion of the payment on encashment of Certificates under II Issue. | 16.Interest on Debt and Other Obligations etc.-Savings Deposits-Interest on 7-Year National Savings Certificates (II Issue) Bank Series. |
| (iv) Annual interest paid on Certificates under III and IV Issues. | -do- -do- -do-
Interest on 7 Year National Savings Certificates (III Issue) Bank Series.

or
Interest on 7 year National Savings Certificates (IV Issue) Bank Series. |
| (v) Discount on premature encashment of Certificates under III and IV Issues. | XVI-Interest-C-Other interest Receipts-Discount on Savings Certificates. |

4.32. A bonus fund is established to provide for the accruing liability in respect of the bonus on the National Savings Certificates (I Issue) Bank Series by an annual provision in the Budget. At the end of each year, the unutilised balance of provisions under the head "16. Interest etc." mentioned against S.No. (ii) in para 4.31 above is transferred to the minor head "National Savings Certificates (First Issue) Bonus Fund" under the major head "Saving Certificates—Bank Series Bonus Fund" in Sec. "T. Deposits and Advances—Part II—Deposits not bearing interest—B. Reserve Funds". The adjustment for this transfer is carried out by the A.G.C.R. (Appropriation Audit Section) after ascertaining the total amount debited to "16—Interest etc." during the year from the monthly extracts of transactions relating to interest payments booked in the accounts of the various Accountants General received in this office (including the figures booked in this office). When the total amount debited under "16. Interest etc." happens to be in excess of the provision made during the year, the excess debit will similarly be transferred to the Bonus Fund. Any balance remaining outstanding under the Bonus Fund after all the Certificates have been repaid will be written off to revenue with the approval of the Ministry of Finance. The Broadsheet of the Bonus Fund will be maintained by the Rupee Loan II Section in the usual manner.

4.33. The transactions relating to the above-mentioned Certificates appearing in the Delhi and New Delhi Treasury accounts will be brought to account by the concerned D.C. Sections of this office under the heads of account mentioned in para 4.31 above, slips for which, along with the schedules and vouchers, will be passed on by the D.C. Section concerned to Rupee Loan II Section. Rupee Loan II Section will be responsible to audit the vouchers in the usual manner and maintain a broadsheet in respect of each issue of the Certificates.

Investment of surplus funds of U.S. Government and Rural Electrification Corporation.

4.34. The rupee amounts accumulated with the Government of U.S.A. out of the sale proceeds of PL 480 commodities and repayment of loans (including interest) by the Government of India are invested by that Government with the Reserve Bank of India, New Delhi in special securities. The amounts so invested are repayable on demand and interest at $1\frac{1}{2}\%$ per annum is payable thereon half yearly. Similarly, the surplus funds of the Rural Electrification Corporation (R.E.C.) are also invested with the Reserve Bank of India, New Delhi in special Securities. In this case also, the amounts are repayable on demand, but the rate of interest is 4% per annum. In both the cases, whenever an amount is deposited with or repaid by the Reserve Bank of India, an intimation to that effect is sent to this office by the Bank.

4.35. The transactions connected with the above-mentioned investments will appear in the New Delhi Treasury account and will be accounted for in the books of this office by D.C. XI Section under the heads of account indicated below:—

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|--|---|
| (i) Deposits or repayments of U.S. Government counterpart funds. | S. Unfunded Debt—Special Loans—Investment of deposits of U.S. Government counterpart funds. |
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|--|--|------|------|------|
| (ii) Deposits or repayment of surplus funds of R.E.C. | -do- | -do- | -do- | -do- |
| | Special Securities issued to the Rural Electrification Corporation. | | | |
| (iii) Interest payment on U.S. Government counterpart funds. | 16. Interest on Debt and Other Obligations—A. Interest on Public Debt and Other Obligations 2 Interest on Unfunded Debt—Interest on investment of deposits of U.S. Government counterpart funds. | | | |
| (iv) Interest payment on investment of surplus funds by R.E.C. | -do- | -do- | -do- | -do- |
| | Interest on Special Securities issued to the Rural Electrification Corporation. | | | |

After adjustment, the D.C. XI Section will make over the credit and debit slips along with the schedules and vouchers to Rupee Loan II Section, who will reconcile the amounts adjusted, with the intimations received from the Reserve Bank of India from time to time and maintain a broadsheet for each minor head. The amounts of credits and debits adjusted during the month and the balance outstanding at the end of the month, in both the cases, should be intimated to the Ministry of Finance, Department of Economic Affairs, New Delhi, after the close of the accounts for each month.

ANNEXURE

PROCEDURE TO BE FOLLOWED FOR ACCOUNTING AND RECONCILIATION OF THE TRANSACTIONS CONNECTED WITH 3½% AND 4% TEN YEAR TREASURY SAVINGS DEPOSIT CERTIFICATES AND 4½% TEN YEAR DEFENCE DEPOSIT CERTIFICATES.

1. The Government of India have, with the concurrence of the Comptroller and Auditor General of India decided that:—

- (i) The transactions connected with the above loans are to be accounted for finally under Sec. S. Unfunded Debt.
- (ii) The accounting of these transactions is to be partially decentralised.
- (iii) Necessary reconciliation of the booked figures with those of the Reserve Bank of India will be done by each accounts officer.
- (iv) The Accountant General, Central Revenues, will remain responsible for the annual verification of the figures relating to all circles of accounts.

2. The following procedure may be followed by all the Accounts Officers in dealing with the transactions of the above loans:—

Accounting.—The adjustment of the transactions connected with the loans is to be carried out as indicated below:—

- (i) The receipt and payment of the deposits should be adjusted under the minor head corresponding to the denomination of the respective loan subordinate to the major head "Ten Year Treasury Savings Deposit Certificates" or "Ten Year Defence Deposit Certificates" as the case may be in sec. "S. Unfunded Debt".
- (ii) Interest paid on the deposits should be adjusted under the minor head "Interest on Ten-Year Treasury Savings Deposits" or "Interest on Ten-Year Defence Deposit Certificates", as the case may be, under "2—Interest of Unfunded Debt" subordinated to the major head "16—Interest on Debt and other obligations" in the books of the respective Accountants General.
- (iii) When a deposit is prematurely withdrawn, the face value should be debited to the major head at (i) above and the amount of discount, which represents the part return of interest already drawn, should be adjusted in reduction of the expenditure on payment of interest.

The Credits for subscription received in the several branches of the State Bank of India^a (covering banking treasuries) and the Reserve Bank of India will be centralised in the Central Accounts Section of the Reserve Bank of India and passed on to the A.G.C.R. (Rupee Loan II Section) who will adjust them finally in his books under the head "S. Unfunded Debt etc.". The Credits received through the Non-Banking treasuries appearing in the books of Accountants General will be finally adjusted by them in their books under the same head.

The deposits will be repaid at par on the expiry of ten calendar years from the date of deposit. At the option of the depositors, the deposits may, however, be refunded, at any time after the expiry of one year, after adjustment of discounts at the rates set out below:—

No. of completed years after the date of deposit when the deposit is refunded	Rate of discount for every Rs. 50	
	4% 10 Yr. T.S.D.Cs.	4½% 10 Year D.D.Cs.
1	Rs. 2-00	Rs. 2.25
2	Rs. 2-25	Rs. 2.50
3	Rs. 3-00	Rs. 3.25
4	Rs. 3-00	Rs. 3.25
5	Rs. 3.12½	Rs. 2.75
6	Rs. 3-00	Rs. 2-25
7	Rs. 2.62½	Rs. 2.00
8	Rs. 2-00	Rs. 1.50
9	Rs. 1.12½	Rs. 0.75

The debits on account of premature refund of deposits will be adjusted by the respective Accountants General in the manner explained in sub-para (iii) above. The debits representing repayment of the deposits after maturity will also be adjusted by the respective Accountants General finally under the minor head concerned subordinate to the major head mentioned in sub-para (i) above and the discharged certificates will be forwarded to the P.D.O. concerned after audit in the same manner as discharged securities of other regular rupee loans. The debits appearing in the treasury accounts rendered to this office will be brought to account by the D.C. Section concerned, as indicated above and the pay orders and discharged certificates after audit, will be forwarded to Rupee Loan II Section for onward transmission to the P.D.O. concerned.

NOTE.—Refunds are also sometimes made when the application for the loan is not accepted by the Reserve Bank of India. In such cases the refunds are to be adjusted as 'minus credit' to Sec. "S" etc. to which the subscription was originally credited.

Reconciliation (Credits)

3. *Reconciliation of amounts adjusted in accounts with those reported by the Reserve Bank of India.*—The credits adjusted are required to be reconciled with those reported by the Reserve Bank of India. For this purpose, the P. D. O. concerned will be furnishing each Accountant General with a quarterly statement of subscriptions received in the non-banking treasuries within the jurisdiction of each Accounts Officer who will verify these credits from the accounts and intimate to the Reserve Bank of India his acceptance. The statement for the credits on account of subscription received in the several offices of the Reserve Bank and the State Bank of India (covering all Banking Treasuries) will be furnished by the R.B.I., Central Office, Bombay to the A.G.C.R. who will be responsible for their verification and adjustment. A quarterly consolidated statement of credits (Statewise) for all India will also be furnished to the Accountant General, Central Revenues by the R.B.I., Central Office.

A.G.C.R. is responsible for an annual verification of the all-India figures. Each Accountant General will furnish to the A. G. C. R., an annual statement of all credits adjusted in his books in respect of each loan with a certificate that the credits so adjusted have been reconciled with those reported by the Reserve Bank of India. The statement should also show the position of the issue of scrip against the total subscriptions received.

4. *Reconciliation with the Reserve Bank of India about the issue of scrips by the R. B. I. against subscription.*—Each Accountant General will have to obtain a certificate from the P. D. O. concerned that scrips have been issued against all subscriptions accounted for in his books. This certificate will have to be sent to the A. G. C. R. along with the Annual statement referred to above. As the issue of scrip usually takes sometime, a register may be opened to record the total receipts and to watch the issue of scrip thereagainst. The form of the register may be as under:—

Total receipts during Jan. to March reported by the P. D. O.	MONTH OF ADJUSTMENT	MONTH OF ISSUE OF SCRIP
	Jan. Feb. March & so on.	Jan. Feb. March & so on.

Each P.D.O. will intimate to the Accounts Officer concerned the amount of scrip issued during the month against the subscriptions received during the quarter as reported in the quarterly statement referred to in para 3 above.

Reconciliation (Debits)

5. The procedure obtaining in the Public Debt Officers for payment of these certificates, is that, simultaneously with the issue of the pay order, the security is cancelled the Reserve Bank's books and the loan balance reduced. As the cancellation thus precedes actual payment, the reconciliation will consist mainly of watching the debits against cancellation. The respective P.D.Os. will furnish monthly to Accountants General concerned.

- (i) A statement showing details of monthly payments and outstandings in respect of T. S. D. Certificates and Defence Deposit Certificates tendered for repayment after maturity as also for refund before maturity at the Public Debt Office (specimen form A); and
- (ii) A statement showing details of payments made by the P.D.O. during the month on account of payment orders issued in respect of each loan (specimen form B).

To watch the debits against cancellation, the Accountants General concerned will maintain a register in the Annexed form C. On the other hand, in respect of repayment of deposits made at treasuries (including premature refunds), the adjustment of debits precedes cancellation. In this case cancellation is to be watched against debits, on the basis of monthly statements received from the Public Debt Office concerned.

The pay orders relating to premature refunds, after audit should be sent to the P.D.O. concerned for final record. The main point to be seen in audit is that the amount of the discount that is deductible from the nominal value of the Certificates as laid down in para 2 above, has been correctly recovered. As pay orders do not show the date of the issue of the Certificates this may be verified from form A referred to above. The discharged Certificates, paid after maturity, should be audited in the same manner as the discharged securities of other regular loans.

6. After the close of the March final accounts a statement showing the total debits including premature refunds adjusted (month by month) in their books in respect of each loan should be sent to the A. G. C. R. by the respective Accounts Officer. The statement should also indicate the month in which the Certificates relating to the debits adjusted in each month were cancelled by the Public Debt Office. State Accountant General should also send to A.G.C.R. a monthly statement in respect of the discharged loans in the form 'D' showing the debits adjusted during the month and the balance outstanding in their books at the close of the month. The annual statements may be sent by the 10th of July each year while the monthly statements may be sent so as to reach the A. G. C. R. by the 10th of the second month following the month to which the statement relates.

FORM 'A'

Statement showing details of monthly payments and outstandings in respect of... per cent Ten Year Treasury Savings Deposit Certificates Defence Deposit Certificates tendered for refund in cash before maturity at the Public Debt Office..... during the month of.

Nominal value of the Certificates certified for payment	Date of credit of the amount to Government Account	Rate of Discount	Amount of discount	Net amount payable	Particulars of the payment orders issued during the month			Nominal value of the Certificates paid	Actual date of encashment	OUTSTANDINGS		Remarks
					Date	No.	Amount			Nominal Value	Amount payable	
1	2	3	4	5	6	7	8	9	10	11	12	13

NO.

Date

Forwarded to

FORM 'B'

Statement showing details of payments made by the P.D.O. during the month of
 on account of payment orders issued in respect of per cent Ten Year Treasury Savings Deposit Certificates/
 Defence Deposits Certificates.

Nominal value of the Certificates paid during the month of _____.	Out of Payment Orders issued during						and so on
	April		May		June		
	Payment	Balance outstan- ding	Payment	Balance outstan- ding	Payment	Balance outstan- ding	
1	2	3	4	5	6	7	8

No.

Dated

Forwarded

FORM 'C'

Month of Cancellation	Amount of notes certified for discharge	Months of Debits in the Books of						& so on
		April		May		June		
		Debit	Balance	Debit	Balance	Debit	Balance	
Previous Year								
April								
May								
June								
July								
August								
Sep.								
Oct.								
Nov.								
Dec.								
Jan.								
Feb.								
March								
Total								

FORM 'D'

Monthly statement showing the balance of $3\frac{1}{2}\%$ T.S.D.Cs 4% T.S.D.C/ $4\frac{1}{4}\%$ D.D.C. outstanding in the books of the Accountant General,.....
at the Close of the Accounts for the month.....

Opening Balance (Credit Plus) (Debit Minus)	Debits adjusted in the accounts for the month of	Closing Balance	No. and date of the letter with which the discharged certificates/payments orders in respect of the debits men- tioned in column 2 were sent to the Public Debt Office concerned.
1	2	3	4

CHAPTER 5

MISCELLANEOUS ITEMS OF WORK

Adjustment of the commuted value of interest on Amanati Stock Certificates.

5.1. The late King of Oudh had deposited a sum of Rs. 30,00,000 with the Government of India, the interest on which is payable as pension to the heirs of certain members of his family and the dependants. The amount remained invested in 3% Conversion Loan, 1946, in the form of Amanati Stock Certificates, partly at the Public Debt Office, Calcutta and partly at the Public Debt Office, New Delhi. The amount held at the Public Debt Office, New Delhi was subsequently transferred to Public Debt Office, Kanpur on its formation. Interest on these Certificates is payable monthly to the persons concerned through the Wasika Officer, Lucknow and the Collector, 24-Parganas, Calcutta.

5.2. When the amount of pension receivable by an individual pensioner is found to be too low for his maintenance (Rs. 5 or less per mensem) it is commuted and the amount of Loan is reduced according to the following formula and the commutation value paid to the pensioner when sanctioned by the Government.

- (a) Commuted value:—Amount of monthly interest $\times 12 \times 20$ to represent 20 years purchase value.
- (b) Amount of Loan to be reduced:—Amount of annual interest multiplied by 100 and divided by the rate of interest (at present 3%).

5.3. The Accountants General, Uttar Pradesh and West Bengal authorise the Treasury Officer concerned to make the payment informing simultaneously (1) The Manager, Reserve Bank of India, Public Debt Office, New Delhi (now Kanpur) and Calcutta of the reduction of the stock to be effected and (2) the Accountant General, Central Revenues, New Delhi for the adjustment of the connected transactions.

5.4. Method of Adjustment.—On receipt of information from the Accountant General, Uttar Pradesh and West Bengal, of the commutation, the details of the transactions are noted in a register in the form which is reproduced below:—

Commuted value of Interest on Amanati Stock Certificate.

Authority	Amount of monthly interest commuted	Amount of Commuted value of Interest	Amount of the Loan reduced	Difference between amount paid and amount of loan reduced (4-3)	Letter calling for debit from A.G., U.P/A.G., West Bengal	
1	2	3	4	5	6	
Letter intimating debit by A.G., U.P/A.G., West Bengal.	Month of Adjust-ment.	Sec. 'O' Public Debt 3% Con- version Loan, 1946 (Debited)	Sec. 'T' Misc. Govt. Account (Credited)	Sec. 'U' Remittances etc. (Respo- nding credit)	Progre- ssive Total	Remarks
7	8	9	10	11	12	13

The letter from the A.G., U.P./West Bengal should be kept pending till the receipt of the debit through Exchange Account, when the following adjustment is made by transfer entry (the account current section concerned omitting the item).

5.5. The amount of the loan reduced (vide column 4) is debited to Sec. 'O' Public Debt-3% Conversion Loan, 1946, the amount of the difference between the amount paid and the amount of loan reduced is credited to Section 'T' Deposits and Advances-Part V-Miscellaneous-Miscellaneous-Government Account (vide Col. 5) and the actual amount paid on account of the commuted value (vide Col. 3) is credited as a responding item to A.G., U.P./A.G., West Bengal to clear the debit raised against this office through Exchange account. The balance of Amanati Certificates outstanding on 31-3-1972, after reduction of the principal on account of commutations made from time to time was Rs. 1,20,721-90 at the Public Debt Office, Calcutta and Rs. 26,20,203-99 at the Public Debt Office, Kanpur.

Nationalisation of the Reserve Bank of India

5.6. Under the Reserve Bank (Transfer to Public Ownership) Act, 1948, the share capital of the Reserve Bank of India was brought into public ownership with effect from 1-1-1949. All shares in the capital of the Reserve Bank of India were by virtue of this Act, transferred to the Central Government with effect from that date.

5.7. Para 3 of the Act of 1948 provided that on the appointed day (i.e. 1-1-1949)—

- (a) all shares in the Capital of the Bank shall be deemed to be transferred free of all trusts, liabilities and encumbrances to the Central Government and
- (b) as full compensation therefore, the Central Government shall issue to every person who, immediately before 1-1-1949, is registered as the holder of any such shares, an amount calculated at the rate of one hundred and eighteen rupees and ten annas per share (of Rs. 100) in promissory notes of the Central Government bearing interests at the rate of three per cent per annum repayable at par on such date as may be specified in this behalf by the Central Government, provided that where the amount so calculated is not an exact multiple of one hundred rupees the amount in excess of the nearest lower multiple of one hundred rupees shall be paid by cheque drawn on the Bank; provided further that in respect of any share obtained at par from the Central Government by any Director of the Bank in pursuance of sub-section (8) of Section 4 of the Reserve Bank of India Act, 1934 (under which the Reserve Bank of India was constituted) as in force immediately before (1-1-1949) the said amount shall be calculated at the rate of one hundred rupees per share.

5.8. The Reserve Bank of India had a share capital of Rs. 5 crores divided into 5 lakhs share of Rs. 100 each. On the 31st December, 1948, i.e. the

date preceding the date of transfer, the disposition of the share capital was as follows:—

1,275 shares held in the cash balance investment account of the Central Government	Rs. 1,27,500
925 Shares obtained by the Directors and Local Board Members in terms of sub-section (8) of Section 4 of the Reserve Bank of India, Act 1934	Rs. 92,500
4,97,800 Ordinary shares held by the General Public	Rs. 4,97,80,000
<hr/> 5,00,000	<hr/> 5,00,00,000

The total compensation payable to the above was calculated at:—

Rs. 1,27,500 for shares held in the Cash Balance Investment Account (at par).
Rs. 92,500 for shares held by the Directors etc. (at par).
Rs. 5,90,51,525 for shares held by the General Public at Rs. 118-10-0 per share.

Total Rs. 5,92,71,525

5.9. It was decided by the Government of India to pay the portion of the compensation payable in G.P. notes, in securities of the 3% First Development Loan, 1970-75. It was calculated that the actual requirement of the securities will be for Rs. 5,54,22,100 and the cash payment required will be for Rs. 38,49,425. Accordingly, securities for the above amount were purchased by the Government from the Reserve Bank's holdings at par and these securities together with the cash above were made over to the Reserve Bank of India on 1-1-1949 as the Bank was made responsible for making the payments. The total debit for Rs. 5,92,71,525 was adjusted under "77-Currency Capital Account Outside the Revenue Account (now 117-Capital Outlay on Currency and Coinage)-Purchase of Reserve Bank Shares."

5.10. Though the bulk of the payments were effected by the Reserve Bank of India to the share-holders during 1949 itself, some amounts remained unpaid, and the Reserve Bank of India continued to make the payment as and when the share-holders preferred their claims, till 31st May, 1971. The Government securities and cash remained unclaimed with the R.B.I. on 31-12-1970 amounting to Rs. 10,99,965-32 was credited to Government as decided by the Ministry of Finance, (Department of Economic Affairs) and was adjusted under the Minor Head "Deduct-Receipt and Recoveries on Capital Account" under "117-Capital Outlay on currency and Coinage". According to the decision of the C.A.G., the progressive Capital expenditure/Capital receipts under the Minor Heads "Purchase of Reserve Bank Shares" and "Deduct-Receipts and Recoveries on Capital Account" should be reduced

by Rs. 10,99,965-32 by *proforma* corrections as at the close of the accounts for 1971-72. Future claims for the undisbursed compensation if and when arise will be made by the Reserve Bank of India, in consultation with the Ministry of Finance (Department of Economic Affairs) and will be adjusted by debit to the Minor head "Purchase of R.B. Shares" under "117-Capital Outlay etc." For this purpose, necessary Funds will have to be provided by the Government.

NOTE.—The local audit of the transactions connected with the payment of compensation to the Reserve Bank's share-holders by the R.B.I., Bombay, Calcutta, New Delhi and Madras, used to be conducted by the A.G. concerned annually, has been discontinued with effect from 1972 in view of the crediting of the balance with the respective Branches of the R.B.I. to the Government account.

WRITE OFF OF UNCLAIMED LOANS TO REVENUE AND THEIR SUBSEQUENT PAYMENT IF CLAIMED.

5.11. A loan notified for discharge ceases to bear interest from the date of discharge. The amounts unclaimed are usually retained in the accounts of Government as debt for 20 years from the date of discharge. After this period the unclaimed balances are written-off the debt account by credit to Revenue as per foot-note 357 of the List of Major and Minor heads of account, payments of amounts subsequently claimed being also debited to Revenue along with any interest, if due.

The write off of the unclaimed balances has to be effected after the balances as per this office books have been agreed with those of the Reserve Bank of India. Usually some time before the due date of write off, the Reserve Bank of India communicates the amount of outstanding balance of the loan in their books to this office for verification. If this amount agrees with the balance in the books of this office necessary adjustment of the amount is put through as under:—

Dr.—Sec. O Public Debt-A.Debt raised in India—

Permanent Debt—

Loan concerned.

Cr.—L II-Miscellaneous—Miscellaneous—

Unclaimed Loans written off to Revenue.

The fact of the adjustment is intimated to:

- (1) The Government of India, Ministry of Finance (Department of Economic Affairs); and
- (2) The Manager, Reserve Bank of India, Central Office, Central Debt Section, Bombay who is to take necessary steps for the cancellation of the securities from the books of the respective Public Debt Offices.

No prior approval of the Government of India is necessary for the adjustment if the balances as in this office books agree with those of the Reserve

Bank of India. Should, however, there be any difference, approval of the Government of India will have to be obtained before making any adjustment.

NOTE.—The amount representing payment of securities made in Pakistan will continue to remain outstanding under the loan head, in the books of this office, even after the unclaimed balance is written off to revenue, till the monetary settlement between the two countries is effected.

5.12. Securities of both discharged and current loans remaining unclaimed with the Reserve Bank of India for over 20 years may also be written off and credited to Revenue under special orders of the Government of India. Necessary action to obtain the orders of the Government of India in this case is taken by the Central Office of the Reserve Bank of India, Bombay who communicates the decision of the Government of India to this office for necessary action. On receipt of these orders, account adjustment is made in the same way as in the case of write off of the unclaimed balances of discharged loans.

5.13. The write off to revenue of the value of securities as detailed above does not absolve the Government of their liability to repay the amount of any security so written off if and when a claim therefor can be established by any holder. All claims for the readmission of securities already written off and credited to Revenue are scrutinised by the Central Debt Section of the Central Office of the Reserve Bank of India who issues necessary orders to the Public Debt Office concerned for the readmission of the security and its repayment if the security pertains to a loan already notified for discharge, simultaneously furnishing a copy of the order to this office. The Public Debt Office concerned will accordingly take necessary steps for its readmission and repayment, intimating the fact to this office. If, however, the security is one of a current loan, the Public Debt Office concerned on readmission of the claim will issue a fresh scrip by increasing the loan balance, necessary intimation being sent to this office as well to enable this office to account for the increase in the loan account (Credit to Section "O"-Loan concerned by debit to "L II-Misc.-Deduct Refunds"). Necessary orders of the Comptroller and Auditor General should be taken if and when a concrete case of this nature comes up for consideration.

5.14. On receipt of the R.B.I. Central Office orders directing the Public Debt Office concerned to readmit a security and arrange for payment or for issue of new scrip according as the reclaimed security pertains to a discharged or current loan, the details are noted in a register (Form given Annexure I). When intimation is received from the P.D.O. regarding the action taken by it the details are again noted in the same register and if payment has been authorised (which is generally done through Bank drafts) a watch for the debit is kept. If, however, a new scrip is issued necessary action to bring the amount of the scrip issued to loan account should be taken. On the debit being traced in accounts the paid vouchers should be audited and a note of audit kept in the Register and the audited voucher transmitted to the Public Debt Office concerned.

NOTE.—The sanctions for the readmission of securities issued by the Central Office of the Reserve Bank of India are required to be made over to the Public Debt Office Audit Party when called for vide note to para 2 of Chapter 10 in the Manual of Instructions for the Inspection of Public Debt Offices.

5.15. Repayment of loan credited to revenue and payment of interest due thereon are adjustable under "71-Miscellaneous-Miscellaneous and unforeseen charges-Repayment of Loans credited to Revenue and of interest thereon" vide foot-note 326 of the list of Major and Minor heads of Account. In respect of payment of interest and principal of loans which had matured prior to partition and the balance in respect of which had been written off the Public Debt Account before the 15th August, 1947 by credit to Revenue should be debited to the head "78-Prepartition Payments-Miscellaneous".

Cash Balance Investment Account

5.16. Temporary investment of the Cash Balances of the Government becomes, in certain circumstances, necessary. These investments are ordinarily made in short term loans or other securities of the Government of India. Investments are also made, if need be, in securities of the State Governments or Shares of Commercial concerns etc.

5.17. The Reserve Bank of India has been made responsible for handling these transactions which consist of purchases and subsequent sales of securities etc., in the open market. As and when any transactions are effected, the Reserve Bank of India furnishes details of the transactions both to the Government of India and to this Office. These details are recorded separately in the purchase and the sale registers and adjustments made with reference to those details. The debits (on account of purchases) and credits (on account of sales) are received through the Accountant General, Central, Bombay.

5.18. Procedure of Adjustment.—The main principle on which the procedure of adjustment, as in Foot Note 440 of the List of Major and Minor Heads of Account, has been based is the necessity for finding out whether or not a particular deal has been profitable or has resulted in a loss. The purchase price of a security is, therefore, debited to the head "Cash Balance Investment Account" and when the sale is effected the sale price to the extent of the purchase price is credited to the head "Cash Balance Investment Account" and the difference is adjusted by addition to (if profit) or deduction (if loss) from the amount of interest derived from such investments, which is adjusted under 16-Interest etc. Interest on Ordinary Debt-Rupee Debt-Deduct-Interest realised on investment of cash balances, if the investment made was in securities of the Government of India and under "XVI-Interest-C-Other Interest receipts-Interest realised on investments of Cash balances" if the investment made was in State Government Securities or shares of Commercial concerns etc. This is illustrated as under:—

A security of the face value of Rs. 100/- is purchased at Rs. 99. The amount of Rs. 99/- is debited to the head "Cash Balance Investment Account". The security, however, is sold at Rs. 98/- resulting in a loss of Re. 1/-. The head "Cash Balance Investment Account" will be credited with Rs. 99/- (the cost price and the difference (loss) Re. 1/- adjusted as deduction from the amount of interest realised. (16-Interest etc.-Deduct-Interest realised on investment of cash balances as plus). A security of the face value of

Rs. 100/- is purchased at Rs. 101/- and sold at Rs. 102/- resulting in a profit of Re. 1/-. The adjustment would be:—

(i) *Purchase—*

T. Deposits & Advances-Part IV Suspense-Suspense Accounts—

Dr. Cash Balance Investment Account-Rs. 101/- (Purchase price).

Cr. Section U-Remittances-Remittances within India-Account between Central Revenues and A.G. Central, Bombay. Head III Items-adjustable by Central Revenues Rs. 101/-.

Sale—

Dr. Section U-Remittances-Remittances within India Account between Civil and Civil-Exchange account between Central Revenues and A.G. Central, Bombay. Head III-Items adjustable by Central Revenues Rs. 102/-.

Cr. Cash Balance Investment Account Rs. 101/-
(Out of sale price to the extent of purchase price).

16 Interest etc.-Deduct-Interest realised on investment of cash balances
Re. 1/- as minus debit (Profit).

NOTE.—Losses, if any, arising from the encashment of the securities, except Central Loans, held in the Cash Balance Investment Account are to be adjusted as a minus credit under the head “XVI-Interest-C-Other Interest receipts-Interest realised on Investment of Cash Balances” and profit as plus credit under the same head.

5.19. When securities are sold from out of securities purchased at different dates and at different prices, the adjustment is made on the basis of “first-in-first out”. This is illustrated as under:—

Securities of Rs. 500/- purchased @ Rs. 99/- per 100 - Rs.	495/- on 1-4-1956
Securities of Rs. 500/- purchased @ Rs. 98/- per 100 - Rs.	490/- on 1-5-1956
Total	Rs. 1,000/-
	Rs. 985/-

Out of the above, securities for Rs. 400/- are sold at Rs. 97/-. For the purpose of adjustment, these securities should be treated as pertaining to the 1st group of securities purchased at Rs. 99/- p.c. and adjustment carried out on the basis of that price. In the sale of the balance of Rs. 600/- the first Rs. 100/- should be treated as pertaining to the first group while the balance of Rs. 500/- treated as pertaining to the 2nd group of Rs. 500/- purchased at Rs. 98/- p.c.

5.20. The Reserve Bank of India, Securities Department, Bombay intimates details of all purchases as and when made, and also sends a sale statement showing details of the sales in a month along with a statement showing:—

- (1) Opening balances of several classes of securities.
- (2) Creation or purchases during the month.

- (3) Sales during the month.
- (4) Closing balance as at the end of the month.

The following registers are maintained in the Section:—

- (1) Purchase Register . . . to record in detail purchases made.
- (2) Sale Register. . . . to record in detail the sales effected.
- (3) Proforma account.

5.21. As the purchase price is debited to the Cash Balance Investment, the debit in account does not tally with the nominal value of the securities held in the Cash Balance Investment Account. The proforma account is maintained to watch the actual nominal value of the securities held. A Broadsheet is also maintained to watch correct adjustment of the amounts under Cash Balance Investment Account.

5.22. At the close of a year's account, the balance under the head Cash Balance Investment Account is communicated to the Government of India, Ministry of Finance for their acceptance. The balance as accepted by the Government of India is intimated to the Book Section for inclusion in the Review of Balances.

5.23. Local Audit.—The Audit of transactions connected with the purchase and sale of securities held in the Central and State Cash Balance Investment Account as also the transactions connected with the purchase and sale of Investments in long term deposits which take place in the branches of the Reserve Bank of India at Bombay, Calcutta, New Delhi, Madras and Bangalore is to be conducted by the Accountants General concerned, from the accounts for 1958-59.

As soon as the audit is completed, the results of audit relating to Central transactions will be communicated by the Inspecting Accountants General to this office and those relating to State transactions will be communicated by him to the Accountants General of the State concerned. In case of Central transactions, this office will be responsible for the Co-ordination of the Inspection reports and the Accountant General who conducts the audit will be responsible for the settlement of the objections raised in his audit report. This office will, however, on receipt of the copy of the report, take up important points of general interest if any with the Competent authority.

The co-ordination of the reports in respect of the State transactions will rest with the local Accountants General. The detailed instructions according to which the audit of these transactions is to be conducted by the Accountants General concerned are given in a note received with C.A.G's letter No. 311-Admn-III/269/Admn I/58, dated 18-12-1959, which is reproduced in Annexure II to this Chapter.

5.24. The audit of transactions taking place at the Reserve Bank of India, New Delhi, which deals with the loans of the State Governments of U.P., Punjab, Rajasthan, Haryana and Himachal Pradesh in addition to

Central Government loans will be conducted by the Outside Audit Department (Civil) of this office and report sent to Rupee Loan I Section. The results of audit in respect of the loans of the States of U.P., Punjab, Rajasthan, Haryana and Himachal Pradesh in so far as the State transactions are concerned will be communicated to the Accountants General concerned by O.A.D. (Civil).

5.25. The receipt of the reports from the Accountants General concerned and their proper disposal should be watched through a register maintained for the purpose. The Co-ordination of the reports will also be done in the same manner as mentioned in para 5.31 of this Chapter.

Inspection of the Public Debt Offices of the Reserve Bank of India by the Audit Department.

5.26. As already stated, the work in connection with Public Debt (Rupee Loans including payment of interest) of the Government of India and the State Governments is managed by the Reserve Bank of India through its Public Debt Offices at Calcutta, Bombay, Madras, New Delhi, Bangalore, Hyderabad, Patna, Jaipur, Nagpur, Kanpur and Ahmedabad and the Central Debt Section of the Central Office of the Bank at Bombay.

5.27. It was decided by the Comptroller and Auditor General of India with the concurrence of the Government of India and the Governor of the Reserve Bank of India that a combined audit and administrative inspection of the Public Debt Offices should be carried out by the Audit Department (a) on behalf of the Comptroller and Auditor General of India so as to enable him to satisfy himself generally of the correctness of all receipts due to and payments due from the Governments in India in connection with their loan transactions and also of the correctness of the outstanding liabilities of the Governments in regard to their loans, and (b) on behalf of the Governments so as to enable them to see generally that the detailed procedure adopted by the Public Debt Offices in handling their loan transactions is adequate from an administrative point of view, as well as from the point of view of public convenience. Detailed instructions on the line on which the inspection will be carried out and the procedure for the disposal of the Inspection Reports has been embodied in the "Manual of Instructions for the Inspection of Public Debt Offices".

5.28. The inspection of the several Public Debt Offices is conducted annually by the Outside Audit Department of the Accountant General as indicated below:—

<i>Public Debt Office</i>	<i>Accountant General</i>
New Delhi	Central Revenues.
Calcutta	Central, Calcutta.
Bombay (including the Central Debt Section of the R.B.I. at Bombay)	Central, Bombay.

Madras	Tamil Nadu.
Bangalore	Mysore.
Kanpur	Uttar Pradesh.
Hyderabad	Andhra Pradesh.
Patna	Bihar.
Jaipur	Rajasthan.
Nagpur	Central, Bombay.
Ahmedabad	Gujarat.

5.29. The Accountants General are to treat these inspections as conducted on their behalf in so far as they affect the Appropriation Accounts and the Finance Accounts of the Central and State Governments or portions thereof, prepared by them in respect of Public Debt transactions including payment of interest and repayment of lapsed loans charged to revenue. The audit certificates which the Accountants General are required to furnish on the Appropriation Accounts, and those which the Comptroller and Auditor General is required to furnish on the Finance Accounts, should in so far as Public debt transactions are concerned, therefore, be given on the basis of these inspections as well as on the basis of the results of Central audit exercised on these transactions.

5.30. This office is responsible for the inspection of the Public Debt Office at New Delhi and also for the Co-ordination of the reports received from the Inspecting Accountants General. The actual inspection of the Public Debt Office, New Delhi, is conducted by the Outside Audit Department of this office while the Co-ordination of the several reports (including the report from the O.A.D. of this office) is done in Rupee Loan I Section.

5.31. A register is maintained in Rupee Loan I Section to watch the receipt and disposal of these reports. The Co-ordination work is taken up when all the reports have been received and a report on the results of this co-ordination is submitted to (1) The Central Office of the Reserve Bank of India, Bombay, (2) The Government of India, Ministry of Finance, and (3) The Comptroller and Auditor General of India. Until the report has been issued, the register mentioned above is to be submitted to the Branch Officer weekly on Monday and monthly to the Group Officer (on the last working day).

Reimbursement to the Pakistan Govt. of the Value of Discharged Government of India Securities paid in Pakistan and Vice Versa

5.32. Under the Indian Independence (Rights and Liabilities) Order 1947 all liabilities in respect of loans, guarantees, and other financial obligations of the Governor General in Council outstanding immediately before the date of partition have been placed on India, subject to the recovery of an appropriate contribution from Pakistan. The initial liability for the outstanding debt of the undivided Government of India has thus been assumed

by India with the result that India remains responsible for the payment of both principal and interest on Government of India securities held by Pakistan nationals. Similarly, in respect of the loans of the former Governments of the Punjab, Sind and N.W.F.P. the Government of West Pakistan remains responsible for the payment of both principal and interest on the securities of those Governments held by Indian nationals.

5.33. When a security of the Government of India matures for payment, repayment is as usual made by the treasuries or the Public Debt Offices in Pakistan and reimbursement, therefor, claimed from the Government of India. Similarly, for the Pakistan provincial loans paid in India reimbursement is claimed from the Government of Pakistan and cash reimbursement is made by both Governments. In the case of payment of interest the claim is settled through accounts. The procedure for the reimbursements is as under:—

(i) *Government of India securities discharged in Pakistan:—*

The paying accounts officers in Pakistan send the discharged securities or payment orders along with schedules direct to the Public Debt Office concerned in India, a copy of the schedule being sent to the A.G.C.R. The Public Debt Office examines the vouchers and on being satisfied as to the correctness of the payments, debits the accounts of the Government of India with the amount of the accepted debits and transfers the amount to the credit of the Pakistan Government through the State Bank of Pakistan. The Public Debt Office sends an advice of the payment through the Reserve Bank of India, Bombay to the Accounts Offices in Pakistan. The Central Office of the Reserve Bank of India furnished to this office a detailed statement of monthly payments and cancellations.

(ii) *Pakistan State Government securities paid in India.*

Securities discharged at the Public Debt Office, New Delhi are received in DC XI Section through the New Delhi Treasury Accounts. The debits are adjusted by DC XI Section under the suspense head "Payment of Pakistan securities in India". Debits for securities discharged at the Public Debt Office, Calcutta are received in the Account Current Section through the Exchange account, of the Accountant General, Central, Calcutta along with the discharged securities and are adjusted under the suspense head mentioned above.

Payments made by the other Public Debt Offices are dealt with by the Accountants General concerned.

The discharged securities are passed on to Rupee Loan I Section with a schedule in quadruplicate in the form below for onward transmission to the State Bank of Pakistan, Lahore.

List of per cent Bonds
discharged at Delhi/Calcutta during the month of

Sl. No.	No. of the Securities	Amount	Date of discharge	Remarks
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A statement of securities paid by the Public Debt Offices, New Delhi and Calcutta is sent to this office by the respective Public Debt Offices. The

intimations are noted in a register and debits watched through it. A consolidated statement of the monthly payment by the Public Debt Offices is also received from the Central Office of the Reserve Bank of India, Bombay. On receipt of the schedule and the discharged securities from the DC XI and Account Current Sections, the debits are noted in the register against the intimation from the Public Debt Offices already noted in the register. The discharged securities are then forwarded to the Manager, State Bank of Pakistan, Public Debt Office, Lahore.

5.34. Since October, 1949, all payments on both sides have been held up as a result of the exchange dispute. In consequence, these reimbursements are not being made by either of the Governments. The discharged Indian securities are being received from Pakistan and discharged Pakistan securities sent to the State Bank of Pakistan as usual. The Reserve Bank of India, is, however, cancelling the securities and reducing the loan balances from their books. In the absence of any debit, corresponding reduction of loan balances in the books of this office is not being made. The Comptroller and Auditor General of India has decided that the resultant discrepancy between the Reserve Bank of India books and this office books in respect of loans may be allowed to continue till payments are made.

NOTE.—Debits in respect of payments made in India on account of interest on Pakistan Provincial Government Loans (both discharged and not yet discharged) should be passed on through "Indo-Pakistan Settlement Account" to the Accountant General concerned in Pakistan alongwith the vouchers in support thereof.

Audit and Accounting of the Interest Payment Vouchers received from the A.G.P.R.

5.35. In the case of interest on Government of India securities paid in Pakistan, settlement is effected through accounts. The Accountant General Pakistan Revenues collects all interest vouchers paid in Pakistan and then passes them on to this office with duplicate schedule in support of the debits in his monthly accounts. The vouchers are received in FCA Section which is responsible for the settlement of accounts with the Accountant General, Pakistan Revenues. On receipt of these vouchers, they are sent to Rupee Loan I Section for audit.

5.36. The vouchers are audited in Rupee Loan I Section with reference to Para 512 of the C.A.G's Manual of Standing Orders (Technical). After audit, the vouchers are sorted out and sent to the respective Public Debt Offices for final audit with a detailed statement showing the amount of each voucher in Indian and Pakistan currency, a copy thereof being furnished to FCA Section for necessary adjustment in accounts. The details are also noted in the register. The Public Debt Office concerned after necessary audit furnishes an audit certificate to this office.

NOTE (1)—The amount of income tax deducted from the interest vouchers is retained by the Accountant General, Pakistan, so that the debit passed on to this office is for the gross amount of the voucher.

NOTE (2).—Since October 1949, no adjustment and consequent settlement of the account is being made as a result of the exchange dispute.

Demonetisation of the Hyderabad Currency and taking over of the Assets and Liabilities in Respect of Hyderabad Paper Currency.

5.37. A total amount of Rs. 8,96,07,177-15 was debited to the Capital head "77 (now 117)-Capital Outlay on currency and coinage" in connection with the taking over of the assets and liabilities in respect of Hyderabad Paper Currency Reserve by the Government of India. As per decision conveyed in the Ministry of Finance (Department of Economic Affairs) letter No. F.9(2)BI/58, dated 19-12-1958 (copy reproduced in Annexure III to this Chapter), the entire debit is to be written back to revenue over a period of 15 years beginning from the financial year 1959-60. A sum of Rs. 60 lakhs should be written back annually during the first fourteen years commencing from 1959-60, the balance outstanding being adjusted in the fifteenth year. The amount of annual instalment of write back to revenue should be debited under the minor head "Repayment of capital expenditure on payment to the Reserve Bank against Hyderabad Currency Note liability taken over by the Bank" under the major head "62-Currency and Coinage" by per contra credit to the minor head "Deduct-Amount financed from Revenue" under the major head "117-Capital Outlay on Currency and Coinage". The last adjustment in this regard shall be carried out in the account for March, 1974.

ADJUSTMENT ON ACCOUNT OF DISCOUNT SINKING FUND.

5.38. When a rupee loan is issued at a discount, the difference between the full nominal value of the loan and the total issue price is credited to the Head "O-Public Debt" by debit to "T-Deposits & Advances-Part IV Suspense-Suspense Accounts-Discount Sinking Funds". The total amount of discount so debited to the suspense head is written back to Revenue by annual instalments during the period of the currency of the loan. The amount to be written back to Revenue in the first year as well as during each subsequent year is communicated by the Ministry of Finance whenever a Discount Sinking Fund is credited. On receipt of this information, the yearly instalments should be noted in a register maintained in the section for this purpose in which separate pages should be allotted for each loan.

5.39. The total amount of discount to be written back to Revenue in the particular year should be worked out from the register referred to above and a transfer entry should be prepared by Rupee Loan I Section by the end of March each year, debiting the head "16-Interest on Debt and other Obligations-Interest on ordinary Debt-Rupee Debt-Discount on loans" (amount on account of each loan being given separately) with the sum so worked out, by credit to the head "T-Deposits and Advances-Part IV-Suspense-Suspense Account-Discount Sinking-Fund" (amount on account of each loan being stated separately). The transfer entry should be incorporated in the Abstract of Rupee Loan I Section in the accounts for March Preliminary.

CALCULATION OF AVERAGE RATES OF INTEREST CHARGEABLE ON THE CAPITAL OUTLAY OF THE CENTRAL GOVERNMENT.

5.40. The work regarding calculation of average rate of interest chargeable on the capital outlay of the Central Government (vide Rule 293 of the G.F.R) was entrusted to this office by the Comptroller and Auditor General of India from the year 1962-63 vide his letter No. 865-Comp./62-Comp.1/62, dated 29-12-1962.

5.41. The average rate is worked out with reference to the balances of loans raised in the open market by the Government of India in England and in India, remaining outstanding at the commencement and the close of the year for which calculation is made. The rate is ascertained on the interest due on the mean value of those loans, and other expenditure incurred on the management of debt, etc., during the year. The rate is calculated to two places of decimals.

NOTE.—Foreign Loans are excluded from the purview of these calculations.

5.42. For the calculation of the rate, information is collected from the following sources:—

Brief Particulars	Name of the offices from whom due	The due date by which it should be received in Rupee Loan I Section
(i) Statement showing the calculation of the interest etc., worked out by the Chief Accounting Officer, High Commission of India, in U.K., Accounts Department, London.	C.A.O., H.C.I., London	5th May.
(ii) Statement of Public Debt under the Sec. 'O' Public Debt—Debt raised in India" upto March Accounts, showing Loans bearing interest. (The Opening balances, receipts and disbursements during the year in this statement are further got verified from Book Section).	Rupee Loan I Section	15th May.
(iii) Statement showing securities held in Cash Balance Investment Account as on 1st April and 31st March of the year of calculation.	Rupee Loan I Section	15th May.
(iv) Statement showing the Balance as on 31st March of the financial year under the suspense head Discount Sinking Fund.	Book Section	15th May.
(v) Statement of expenditure brought to account under "16-Interest on Debt and other Obligations" on account of Advertisement, Commission, Brokerage etc. and other incidental charges connected with the "Management of Debt" and "Discount on Loans" etc. upto March (Preliminary) together with probable adjustments in the accounts for March Final.	Book Section	15th May.
(vi) Statements showing (i) Advertisement, Commission, Brokerage etc. and other incidental charges connected with the management of Debt and (ii) the discount or premium on Loans brought to Account during the financial year.	All Civil Accountants General	5th May.

NOTE (1).—The opening balance in the Statement of Public Debt undergoes a change on account of adjustments in the previous year's Accounts in closing Batch etc.

NOTE (2).—The Treasury Bills and discount thereon, and the discount on sale of interest free Prize Bonds are not taken into account in calculating the average rate of interest.

5.43. Method of Calculation.—Simultaneously, the file of the Government of India, Ministry of Finance, Department of Economic Affairs containing details of the calculation of the rate of interest adopted by the

Government of India in the Revised Estimates for the current Financial year and the Budget Estimates for the next financial year is also called for. Suitable help regarding exclusion of specific Loans is taken from this file and a note explaining variations between the figures in the Ministry's File and the figures of this office is prepared to help reconciliation. The nomenclature of Terminable Loans is posted in Column No. 2 of the statement 'A' at Annexure IV from the Statement of Public Debt. The figures of securities held in the Cash Balance Investment Account as at the beginning of the year and at the close of the year are deducted respectively from the opening balance of the Loans as on 1st April and from the closing balance of the Loans as on 31st March of the year under calculation. The net figures are then posted in Cols. 3 and 4 of the statement 'A' and their mean value is calculated separately and posted in Column No. 5. The interest payable on each Loan for the year on the mean value at the rate as available from the nomenclature of the Loan is then worked out and posted in Column No. 6 of the statement 'A' against each Loan.

The figures of discount charged to revenue in respect of each Loan i.e., credit given to Discount Sinking Fund etc., during the year, furnished in Book Section's statement are posted in column 11 of the statement 'A'. The downward totals of columns 3, 4, 5, 9 and 11 are then struck, against the heading "Total Loans Outstanding in India" shown in Column 2 of the statement 'A'.

The figures of expenditure under "16-Interest etc." received from the State Accountants General and from Book Section are posted in the statement 'B' in Annexure V and totals are struck under various columns. The consolidated figures in the statement 'B' are then posted in Columns 12, 13 and 14 of Statement 'A' against "Total Loans Outstanding in India".

The total un-redeemed Discount on the Loans outstanding under the head "Discount Sinking Fund" are given in the Book Section's statement, at the beginning of the year and at the close of the year and its mean value are respectively posted in Column 3, 4 and 5 against "DEDUCT UNREDEEMED DISCOUNT OUTSTANDING UNDER THE HEAD DISCOUNT SINKING FUND" shown in column 2 of Statement 'A'. These are subtracted from the total nominal values in columns 3, 4 and 5 as at the beginning of the year, at the close of the year and then Mean Nominal value respectively and the net result thereof is posted in columns 6, 7 and 8 of the statement 'A' under headings "Book value of the Loans", at the beginning of the year, at the close of the year, and their Mean Book value, against "Book value of Loans raised in India" noted in column 2 of Statement 'A'.

The figures of Loans raised in England, viz., their opening Balance, closing Balance and the mean value received from C.A.O., H.C.I., London are also respectively posted in columns 3, 4 and 5 of the statement 'A' against "Loans raised in England" shown in column 2 of the statement. Their Book value at the commencement of the year, close of the year, Mean value, the interest on mean value, and the management charges as intimated by C.A.O., H.C.I., are posted under columns 6, 7, 8, 9 and 12.

The above figures of Debt and interest charges in England given by the C.A.O., H.C.I. are converted into rupees at the rate £1=Rs. 18 and posted beneath therein.

The downward totals of all the columns from column 6 onwards are now struck. The figures of columns 9 to 15 i.e. interest payable, Discount and expenditure, etc., are consolidated and taken to column 16. The average rate of interest is then worked out as under:—

100 × Total charges in column 16 of Statement 'A'.

Total Mean Book Value in column 8 of Statement 'A'.

5.44. The details of calculation by this office is thereafter sent to the Government of India, Ministry of Finance (Department of Economic Affairs) along with the Ministry's file. This is required to be sent by 30th June every year. On receipt of Ministry's concurrence, the average rate is communicated to various authorities and Accountants General etc., and copies of the letters are endorsed to the Controller General of Defence Accounts, Comptroller and Auditor General of India and the Ministry of Finance within the month of July.

ANNEXURE I

(See Paragraph 5.14)

Authority of Re-admission.				Details of payments and Re-admission.						
Dy. No.	From whom received	Number & date of letter	Name of Loan and number of the security	Amount	Dy. No.	Number & date of letter	From whom received	When paid	When audited	Remarks
1	2	3	4	5	6	7	8	9	10	11

ANNEXURE II

(See Para 5.23)

Copy of letter No. 311-Admn. III/269-Admn. 1/58, dated 18-12-1959 from the Comptroller and Auditor General of India, to Accountant General, Madras, West Bengal, Mysore and Central Revenues, copy to All Accountants General etc., etc.

SUBJECT:—*Audit of transactions connected with the purchase and sale of securities held in the Central State Governments Cash Balance Investment Account.*

I am directed to invite a reference to this office circular letter No. 3363-Admn. I/269-58, dated 6-1-1959, on the subject indicated above and to state as follows:—

2. The transactions connected with the purchase and sale of securities held in the Central/State Government Cash Balance Investment Account, take place in the branches of the Reserve Bank of India at Bombay, Calcutta, Delhi, Madras and Bangalore only. As such the local audit of such transactions will have to be conducted by the Accountants General of these places in respect of the transactions pertaining to the State Government and other State Governments. The results of audit will be communicated by the Inspecting Accountant General to the Accountant General, Central Revenues in regard to Centre and to other State Accountants General in regard to States under which they are concerned for pursuing them with the respective Governments.

3. The Reserve Bank of India have been consulted for taking up this audit. The Government of India, Ministry of Finance have also given their concurrence for the conduct of the Audit of such transactions of the Central Government. In regard to the transactions of the State Governments, the State Accountants General will have to obtain general authority from the respective State Governments for the conduct of Audit by these five Accountants General and communicate it to them. Similar action will also have to be taken by each of the Inspecting Accountants General also in respect of the transactions of the State Governments with which they are directly concerned.

4. (i) A note prepared by the Accountant General, Bombay stating the procedure followed by the Reserve Bank of India in respect of the transactions connected with the purchase and sale of securities held by the Bank on behalf of the Central/State Governments and laying down the audit checks to be applied locally is enclosed.

(ii) As regards the quantum of audit, it has been decided that 10% of the transactions should be selected for audit scrutiny for the present. Any suggestions for a variation of this percentage will be considered in the light of actual expenditure.

(iii) The Accountant General, Bombay has suggested that local audit of the transactions pertaining to the purchase and sale of investments in long term deposits by the Central and State Governments, *viz.*, investments of Sinking Funds, Depreciation Fund etc., is also necessary in view of responsibility devolving on us under Article 100 of the Audit Code. The Ministry of Finance have, however, observed that Central Government do not at present make any separate investment of their Discount Sinking Fund or Depreciation Reserve Fund and auditing of connected transactions would not, therefore, arise so far as the Central Government is concerned. So far as State Governments are concerned, similar action as in the case of transactions connected with the securities in the Cash Balance Investment Account, may be taken by Accountants General.

(iv) It has been observed by the Reserve Bank of India that the transactions in respect of Cash Balance Investment Account being of large number are not always put through by purchase or sale in the market. In view of this, and in order to suit the local requirements, the procedure followed in some of the offices may vary to some extent from that prescribed in the relevant paras of the Banking Department Manual referred to in the note referred to in sub-para (i) above. The instructions contained in that Manual have, therefore, to be treated as illustrative and not exhaustive.

5. I am to request that your comments on the audit procedure as detailed above may please be intimated to this office early so that the same can be finalized at an early date. The

concurrence of the State Governments when obtained for the conduct of the Audit of the State transactions may also be reported to this office for information.

Audit of transactions connected with the purchase and sale of securities held by the Reserve Bank of India on behalf of the Central/State Governments—A note regarding the procedure followed and the audit checks to be exercised locally.

1. *Introductory.*—Under Sections 17(8) and 17(11)(b) of the Reserve Bank of India Act, 1934, the Reserve Bank of India acts as an agent for the Central and State Governments in conducting all work in connection with the purchase and sale of securities, debentures etc., their safe custody on behalf of Government and local bodies under which sales and purchases thereof are undertaken are embodied in Chapter IX of the Government Securities Manual.

The Cash Balance Investment Account of the Central Government is maintained in the Bombay Office of the Bank and all purchases and sales of securities, shares, debentures etc., on that account are made at the Offices of the Bank at Bombay, Calcutta, Madras, Delhi and Bangalore under instructions from the Secretary, Central Office from time to time. The cost of securities etc., purchased and the proceeds of those sold at offices other than at Bombay are debited and credited respectively to the Bombay Office of the Reserve Bank of India General Account of the Branch concerned on the same day on which the transactions take place. The Bombay Office books its own transactions as also those advised to it by other offices in the Central Government Account under the appropriate head under advice to the Ministry of Finance and the Secretary, Central Office. The purchase or sale of securities held under the State Government's Cash balance investment account and those received as long term deposits on account of investments of Sinking Fund, Depreciation Fund etc., which are termed as Administrators' Deposits from other Government Departments is effected at the Branch Offices of the Bank at Bombay, Madras, Calcutta, New Delhi and Bangalore.

2. *Procedure followed by the Bank.*—The work relating to the custody of securities etc., their purchase or sales, drawal and remittance of interest thereon etc., is carried out in the Securities Department of the Bank in accordance with the procedure outlined in Chapter IV of the Banking Department Manual of the Reserve Bank of India. Extracts of paras 721, 738, 740, 744 and 745 thereof detailing the actual procedure followed in respect of any purchase or sale are appended as an enclosure to this note.

3. *Records maintained.*—The following important registers and records are maintained by the Bank (Securities Department):—

- (i) Register of valuables (RB 113) for recording inward letters accompanied by valuables such as cheques, drafts securities etc.
- (ii) Hand Balance Book (RB 114) for recording valuables received and disposed of during the day.
- (iii) Receipt Register of Short Term and Long Term Deposits (RB 115 and 116).
- (iv) Balance of Securities Register (RB 117).

- (v) Memoranda of Receipt (RB 243/246) issued in token of having lodged the securities in safe custody or in S.G.L. of the Public Debt Office.
- (vi) Purchase Order Register (RB 123) for recording the account and description of the securities which are required to be purchased.
- (vii) Sale Order Register (RB 125) for recording the account and particulars of the securities which are required to be sold.
- (viii) Contract notes and contract book.
- (ix) Memoranda of cost (SD 101/103).
- (x) Securities Vault Register (RB 121).
- (xi) Securities Disposal Register (RB 122).
- (xii) Register of Securities sold on behalf of Central Government.

4. *Local Audit.*—The local audit of the transactions connected with the purchase and sale of securities by the Reserve Bank of India will consist mainly in seeing that the prices paid or realised are in accordance with the contract notes and are not in excess (in the case of purchase) or less (in the case of sale) than the market values of the day and that interest is not allowed incorrectly to the advantage of the broker. (The provisions of Article 100 of the Audit Code also be seen for information and guidance.) A detailed list of checks to be applied during the course of local audit is given below:—

- I. See that (a) the purchases or sales are authorised by the respective Government,
- (b) the contract notes signed by the contractor are attested by the Manager, and
- (c) the rate or rates in the contract notes are not more than those mentioned in the day's market quotation (in respect of purchases) and are not less than the market rates (in respect of sales).
- II. See that the memoranda of cost are correctly prepared and that interest accrued on the securities and recoverable from the brokers is worked out upto the date of collection of sale proceeds in respect of sales. Similarly, the amount of interest payable to brokers on securities purchased is worked out upto the date of delivery of the scrips (where deliveries of scrips are made after the agreed period, the interest is to be allowed only upto the last date of delivery as mentioned in the contract note). Where investments are sold ex-dividend/interest, it should be seen that the dividend/interest is subsequently received and credited and similarly when the purchase is made cum-dividend/interest.
- III. Verify from the records available with the Bank (viz. relevant credits in the Public Accounts Department or in the case of sales in other States with reference to the duplicate copies of chalans or relevant intimations from the branches of the Bank) that the sale proceeds have been credited to the respective Government Account

on the due dates and on the dates upto which interest has been paid to the brokers. Similarly, in respect of purchase, verify that the requisite certificates were actually received and brought to account in the Register of Receipts (Form No. RB. 115 to 116), the Balance Account of Securities (Form RB 117) and the contract book, on the dates on which the prices thereof were paid to the broker. (Where scrips are delivered piecemeal, the date on which the delivery of entire scrip was made is the date of delivery for the purchase of payment.)

- IV. Verify the date of delivery of scrips in respect of sales and purchases from the Register of valuables or Bank Receipts Register.
- V. Check the payments of commission to brokers with reference to the terms of the contract note. In case the purchase or sale is effected on behalf of administrators, check also the commission charged by the Bank with reference to the rates prescribed in the Government Securities Department Manual.

EXTRACTS FROM THE BANKING DEPARTMENT MANUAL, (RESERVE BANK OF INDIA)

721. Orders for the purchase and sale of securities, if any, will be directly attended to by the Manager to whom all such requisitions will be put up by the official-in-charge of the Securities Department. Purchases and sales will be arranged through approved brokers, the contracts being made with them either for ready delivery or for delivery within a stipulated time. Contracts for bulk amounts, say, for Rs. 25 lakhs and over, may be entered into direct with Scheduled Banks subject to such instructions as are issued by Central Office from time to time. In the case of ready contracts, the sellers will have to deliver the scrip on or before the third working day after the date of the contract and in case of other contracts, within the stipulated time. The terms of the contract will be confirmed by the brokers, on the same day on which the contract is made by means of contract notes which, when received will be scrutinised to see that they are correct and are stamped in accordance with the provisions of the Stamp Act. Renewal/Consolidation/Sub-division fees will be claimed/allowed in accordance with the local usage or rules and regulations of the Stock Exchange at respective Centres by mutual arrangement with brokers.

A list of approved brokers will be maintained in each office after it has been duly approved by Central Office, any additions to and deletions from the list also being made with their approval. Offices will obtain daily market quotations from a leading broker at their respective centre and record them in a Market Quotations Register. The register will be put up to the Manager daily for perusal and initialled by him.

739. Applications for purchase of securities should be accompanied by cheques or drafts favouring the Bank and will be entered on receipt in the Register of Valuables. The proceeds of the cheque etc., will be held in Sundry Deposits Account under the sub-head Securities Department pending

investment. Where the Administrator maintains an account with the Bank his authorisation to debit his account may be acted upon after due verification of his signature. In such cases, the debits will be raised at the time of taking payments to brokers/banks for securities purchases. The amount available for investment will be arrived at after allowing for the amount of commission payable to the Bank. Offices will maintain a Purchase Order Register in form No. RBR 123 in which the amount and description of the securities which are required to be purchased will be entered under the initials of the Accountant/Sub-Accountant-in-charge and the applications, together with the register, put up thereafter to the Manager for placing the order with the brokers. After the order has been placed, the name of the broker with whom the contract has been made and the terms of the contract will be entered against the relative items in the Purchase Order Register and initialled by the Manager. The Purchase Order number as recorded in the Purchase Order Register will be noted on the contract note under the initials of the incharge of the Department. When the securities covered by the contract are received, the date of receipt will be posted in the register under the initials of the Accountant/Sub-Accountant-in-charge.

740. Bank Receipts will not be accepted in settlement of contracts except in special cases where so agreed to at the time of making the contract. If the selling bank maintains a subsidiary General Ledger Account with the Public Debt Office, a debit note on that account may be accepted. On receipt of the securities along with the memorandum of cost on the due date, they will be entered in the Register of Valuables and scrutinised to see that they are endorsed in favour of the Bank. The securities will thereafter be sent to the Public Debt Officer for examination and the memorandum of cost checked by a Superintendent in the meantime, with reference to the contract note in regard to cost, interest claimed etc. Where deliveries are made in accordance with the terms of the contract, accrued interest will be allowed upto the date previous to the date on which actual delivery takes place. In case the delivery is made after the stipulated period, interest will be allowed as if the delivery was made on the last due date for settlement of the contract. On receipt back of the securities from the Public Debt Office certified as in order, they will be taken into safe custody after making entries in the relative register, as in the case of direct receipt of securities under advice to the Administrator in form No. RB 246. Where securities are purchased by offices on behalf of Insurance Companies for being held under the Insurance Act, their cost price will be taken as market value. In the case of part deliveries, entries will be made in the Registers when the final delivery is made. In cases where the securities are required to be delivered to the Administrators, they will be entered in the Register of Securities purchased and returned which will be maintained in Form No. RBR 124 and sent to the Administrator duly endorsed in his favour by the Accountant or where the department is in charge of a Sub-Accountant, by the Accountant, Deposit Account Department. The securities will be forwarded to the Administrator with a forwarding memorandum in Form No. RB 247 under the signature of the Accountant/Sub-Accountant-in-charge together with a statement of account in Form No. RB 248. An acknowledgement form will also be enclosed for the Administrator to complete and return. The disposal of the securities will be recorded against the original entry in the Register of Valuables, Contract notes will be cancelled under the

initials of the Accountant/Sub/Accountant-in-charge and filed.

744. Sale of securities on behalf of Administrators will be undertaken on a written requisition to that effect. The requisition will be scrutinised by the in-charge of the department to see that it purports to have been signed by the Administrator or his duly authorised agent. Securities received direct for sale will be entered in the Register of Valuables under the initials of the Superintendent. If the securities to be sold are held in deposit, they will be withdrawn from the vault if held in physical form or received from the Public Debt Office if held in Subsidiary General Ledger Account, the same procedure as laid down in paragraphs 733 and 734 in connection with the return of securities being followed. Offices will maintain a Sale Order Register in form No. RBR 125 in which the amount and description of securities which are required to be sold will be entered under the initials of the Accountant/Sub-Accountant-in-charge and the application, together with the register put up thereafter to the Manager for placing the order with the brokers. After the order has been placed, the name of the broker with whom the contract has been made and the terms of the contract will be entered against the relative items in the Sale Order Register and initialled by the Manager. The contract not confirming the terms of the contract received from the broker will be scrutinised with reference to the Sale Order Register and initialled by the Manager. The sale order number, as recorded in the Sale Order Register will be noted on the contract note under the initials of the in-charge of the department. When the securities covered by the contract are delivered, the date of delivery will be posted in the register under the initials of Accountant/Sub-Accountant-in-charge.

745. The Securities will be delivered to the purchaser on the due date in terms of the contract along with a Memorandum of cost in form No. RB 249 showing the cost of securities and the amount of interest accrued thereon upto the date of delivery. The printed numbers on G.P. Notes delivered will be noted on the relative contract note under the initials of the in-charge of the department. Where it is not possible to deliver the securities on due date, a Bank Receipt in form No. RB 210 will be delivered for which the broker's agreement will be obtained at the time of contract. The issue of Bank Receipt will be recorded in a Bank Receipts Register in form No. RBR 126 under the initials of the in-charge of the Department. On the due dates, the securities duly endorsed in favour of the purchaser/Bank Receipt together with the memorandum of cost will be handed over to the Treasurer through a transit book against the latter's initials. The Treasurer will arrange for their delivery to the purchaser through an employee of the Cash Department against payment by cheques drawn on the Reserve Bank. In cases where the cheques are drawn on other banks scrip/bank Receipt will be delivered only after the proceeds have been realised. On realisation of the cheque, the proceeds less commission due to the Bank will be remitted with a forwarding letter in form No. RB 251 and a statement of account in Form No. RB 252. The acknowledgement, when received, will be noted in the Remarks Column of the Register of Valuables under the initials of a Supervising Official.

ANNEXURE III

(See para 5.37)

(Copy of the Government of India, Ministry of Finance (Department of Economic Affairs), New Delhi letter No. F.9(2)-BI/58, dated the 19th December, 1958, addressed to the A.G.C.R., New Delhi and copy to the Comptroller and Auditor General of India, New Delhi etc.)

SUBJECT:—*Taking over of the assets and liabilities in respect of Hyderabad paper currency reserve.*

I am directed to invite a reference to paragraph 3 and 5 of this Ministry's letter No. 9 (2)BI/55, dated 27th July, 1955, conveying the decision of the Government of India that the debit for following items should be adjusted under the capital head "77-Capital Outlay on Currency and Coinage" under a new minor head "Payment to Reserve Bank against Hyderabad Currency Note liability taken over by the Bank":—

- (i) ad hoc of OS Rs. 9 crores (equivalent to I.G. Rs. 7.71 crores approximately) forming part of the assets of the Hyderabad paper currency reserve and for which ad hoc the Central Government took over liability and
- (ii) Reimbursement to the Reserve Bank of the loss on account of valuation of securities forming part of the Hyderabad paper currency at market price.

2. The question whether the loss to the Government of India on this account should be written back to revenue over a series of years has been under consideration for some time.

It has now been decided in consultation with the Comptroller & Auditor General that the debit balance under the capital head should be written back to revenue over a period of 15 years with effect from the financial year 1959-60. As the facilities for conversion of O.S. Currency still continue to be provided on a limited scale, it is not possible to estimate exactly the total loss to be incurred by the Government on this account. The exact amount of loss shall be known only after the facilities have been finally withdrawn. The amount of debit so far adjusted under the capital head on account of the items, referred to in para 1 above, is Rs. 8,94,96,447-13, consisting of Rs. 7, 71,42,857-14 in respect of cancellation of *ad hoc* O.S. securities of Rs. 9 crores and Rs. 1,23,53,589-99 in respect of loss on valuation of securities etc. It has, accordingly, been decided that a sum of Rs. 60 lakhs may be written back annually during the first fourteen years commencing from 1959-60, the balance outstanding being adjusted in the fifteenth year. It is requested that necessary action to carry out annual adjustment in respect of the write off may kindly be taken. The amount of annual instalment of write back to revenue should be debited under a new minor head of the nomenclature 'Repayment of capital expenditure on payment to the Reserve Bank against Hyderabad Currency Note liability taken over by the Bank', below the major head '48-Currency' by per contra credit to a new minor head 'Deduct-Amount Financed from Revenue' under the major head "77-Capital Outlay on currency and coinage".

(See para 5.43)

Statement 'A' showing the calculation of average rate of interest for the year _____ (figures rounded to thousands)

Sl. No.	Ter- mi- nal Loan	Nominal value of Loans. Amt. on 1-4, (less securities held in Cash Ba- lance In- vestment Account)	Amount on 31.3. (Less se- curities held in Cash Ba- lance In- vestment Account)	Mean Nomi- nal value	Book Value of Loan		Mean Book Val- ue	Inter- est due on Mean No- mi- nal Value	Amt. of Loan to Govt. Reven- ue thr- ough the al- lotment of tax free conces- sion	Dis- count char- ged to Reven- ue dur- ing	Man- age- ment of Debt	Expen- diture in con- nection with the issue of new Loan	Expen- diture in con- nection with Broker- age Com- mission etc. in- cluding misc. expen- diture	Premi- um on Sterling Repa- trian- Loan charged to Re- venue	Total of Col- umn No. 9 and 15	Remar- ks, if any	
					Amount on 1-4.	Amount on 31.3.											
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	

ANNEXURE V

(See Para 5.43)

Statement 'B' showing Advertisement, Commission, Brokerage etc. and other incidental charges connected with management of
 Central Loans during the year

Name of the Accountant General	Management	Expenditure in connection with the issue of new loans and sale of securities held in Cash Balance Investment Account	Miscellaneous	Brokerage and Commission	Total

CHAPTER 6

LOANS AND ADVANCES TO LOCAL FUNDS, PRIVATE PARTIES, ETC.

6.1. The audit and accounting of the loans and advances sanctioned by the Union Territory of Delhi and the Ministries of the Central Government under the audit jurisdiction of this office, to Local Funds, Private Parties etc., are the responsibility of this office. In the case of loans to institutions and organisations, etc., detailed accounts of the loans shall be maintained by this office. This office should also watch the recovery of these loans and see that the terms and conditions attached to each loan are fulfilled. In the case of loans to private individuals, like Advances to cultivators, loans to displaced persons, advances to Goldsmiths, loans to students studying abroad, loans to small co-operative societies and opium advances, however, the detailed accounts are maintained by the departmental authorities concerned, who also watch their repayment. In these cases, this office has only to maintain a broadsheet in respect of each category of loans and get the balance under each category of loans reconciled from the departmental authorities from time to time. While the work relating to the former is dealt with in the Rupee Loan II Section, that relating to the latter is undertaken by the Departmental Compilation Section concerned of this office. The procedure detailed in this chapter relates to loans for which detailed accounts are maintained by this office.

6.2. Prior to 1-7-1970, the loans sanctioned by the Central Government to Local Funds, private bodies, etc., used to be drawn from the treasuries on the basis of specific authorities issued by the Accountant General concerned. The procedure of drawal of loans has undergone a change with effect from 1-7-1970. According to the revised procedure, the amounts of loans are paid to the borrowers direct by the sanctioning Ministries by means of cheques or Demand Drafts drawn from the local treasury. This had the effect of centralising in this office, the accounting of all loans sanctioned by the Ministries of the Central Government, which are under the audit jurisdiction of this office, as the amounts of all such loans are drawn from New Delhi Treasury and debits therefor appear in the books of this office. The accounts of the loans sanctioned prior to 1-7-1970, however, continue to be maintained by the respective Accountants General.

6.3. On receipt of a sanction for the payment of a loan, it should be scrutinised to see that the sanction is in order. The following points should be seen *inter-alia* while scrutinising these sanctions in audit:—

- (a) that the sanction is issued in the form prescribed by the Ministry of Finance, Department of Economic Affairs in their letter No. F.6(4)-PD/71, dated 1-6-1971 (reproduced as Annexure I to this Chapter).
- (b) that the sanction specifies the terms and conditions relating to the loans including the terms and conditions of their repayment and payment of interest;
- (c) that a clause has been inserted in each sanction or agreement relating to the loan enabling Government at any time to call for the accounts of the borrower relating to any accounting year with power to depute

an officer specially authorised for this purpose to inspect the borrower's books, if necessary;

- (d) that the rate of interest chargeable on the loan as mentioned in the sanction is in conformity with the rates prescribed for the various types of loans, from time to time, by the Ministry of Finance, Department of Economic Affairs, and that no concession has been allowed by the Government. If the Government desires to give any concession in interest, that should be done in the form of a subsidy debitable to the grants of the sanctioning authority;
- (e) that the sanction contains a clause providing for the recovery of interest at the penal rate upon all over-due instalments of interest or principal and interest, in the event of default in the payment of any instalment of principal and/or interest on the due date; and
- (f) that the sanction either specifies that it has been issued with the concurrence of the Ministry of Finance or contains a certificate to the effect that the sanction has been issued in accordance with the rules/principles laid down with the previous consent of the Ministry of Finance and that the rate of interest on the loan and the period of repayment thereof have been fixed in accordance with the existing instructions issued by the Ministry of Finance.

After the sanction has been scrutinised and accepted in audit, the particulars of the loan viz., the no. and date of the letter sanctioning the loan, the amount of the loan, the authority sanctioning it, the party to whom and the purpose for which the loan has been sanctioned and the terms and conditions of repayment of the loan including rate of interest, should be noted in the Loan Register (Annexure II) on a separate page for each loan. The entries so made in the Loan Register should be got attested by the Branch Officer.

NOTE (1).—In dealing with these loans the orders contained in Chapter II of the General Financial Rules (Revised & Enlarged), 1963 and the instructions contained in paragraphs 435 and 436 of the C.A.G's Manual of Standing Orders (Technical) Vol. I should be kept in view.

NOTE (2).—All sanctions for loans, not presenting any unusual features, upto the limit of Rs. 5 lakhs may be accepted in audit under the orders of the Branch Officer. All sanctions presenting any peculiar or novel features or involving question of propriety and all sanctions for loans exceeding Rs. 5 lakhs will have to be submitted to the Group Officer and his orders obtained before they are admitted in audit. The sanctions are referred to H.A.D. for further scrutiny only when the Group Officer so desires.

NOTE (3).—The Departmental/Co-operative Canteens and Tiffin Rooms functioning in the Central Government offices may be given interest-free loans upto Rs. 5,000/ towards initial working capital, purchase and maintenance of equipment and its replacement. These loans are repayable in monthly instalments. In case of default in the repayment of these loans, no penal interest is charged but the defaulted instalments are recovered by the Ministry or Department concerned by deduction from the subsidy payable to the Canteen.

NOTE (4).—Non-Government Engineering and Technological Institutions may be given interest free loans for the construction of Student's hostels. These loans are repayable in 25 yearly instalments. In case of default in the repayment of these loans interest at the penal rate prescribed in the sanction will be chargeable on the over-due instalments.

6.4. On the appearance of the debit on account of payment of the loan in the Treasury account, it will be the duty of the Departmental Compilation Section concerned (DC XI or DC XII) to have the voucher audited and

**6.4-6.5] LOANS AND ADVANCES TO LOCAL FUNDS, PRIVATE [CHAP. 6
PARTIES, ETC.**

classified by the Assistant concerned of Rupee Loan II Section, before adjusting the debit under "P.Loans and Advances by the Central Government etc." through the Abstract of the respective sections. When the payment voucher is received in the Rupee Loan II Section for audit and classification, the Assistant concerned will note the voucher number, the actual date of payment and the amount paid in the Loan Register after verifying that the amount paid represents the amount actually sanctioned for payment. He will then classify the voucher and place the Loan Register with the voucher, duly audited, before the Superintendent for review and attestation of the classification made in the voucher. The transactions connected with these loans are adjustable under any one of the five Minor heads noted below under the Major head "Loans to Local Funds, Private Parties, etc." in Section "P.Loans and Advances by the Central Government" and are accounted for under a separate detailed head opened for each party under the respective minor heads.

1. Loans to Municipalities;
2. Loans to District and other Local Fund Committees;
3. Loans to Government Companies, Corporations, etc.
4. Advances under Special Laws.
5. Miscellaneous Loans and Advances.

The D.C. Section concerned, after carrying out the necessary adjustment, will forward the debit vouchers along with the debit slips to Rupee Loan II Section who will note the month of adjustment in the relevant columns of the Loan Register.

NOTE (1).—All payment vouchers received in Rupee Loan II Section for classification should be returned to D.C. XI or D.C. XII as the case may be, duly classified, within three days of their receipt in the Section.

NOTE (2).—When the payment of a loan is made by the sanctioning authority by means of a cheque or Demand Draft, the date on which the cheque or Demand Draft is handed over to the borrower or the date of its posting to the borrower is treated as the date of payment of the loan.

6.5. In accordance with the Government of India decision No. 3(3) (vi) below Rule 155 of the General Financial Rules, 1963, the sanctioning authorities, before considering loan applications from parties other than State Governments and local Administrations of Union Territories, should ascertain the purposes for which the loan is proposed to be utilised and the economics of the scheme. In cases where the loans are paid for specific purposes, it is necessary that the sanctioning authorities watch the utilisation of these loans for the purposes for which they were granted. To ensure this, the sanctioning authorities should furnish a certificate of utilisation in respect of each loan to the Audit/Accounts Office in form A given in annexure III to this Chapter.

The utilisation certificates should be furnished within a reasonable time which should be fixed by the Departments in consultation with the Ministry of Finance but not later than 18 months from the date of sanction of loan. The dates for submission of utilisation certificates should be specified in the letter of sanction for loan and extension in these dates should be allowed in

very exceptional circumstances in consultation with the Ministry of Finance and under intimation to the Audit/Accounts Office.

6.6. It is the responsibility of this office to see that the instalments of principal and/or interest in respect of these loans are paid by the borrowers on the due dates. The borrowers should, therefore, be informed of the amount of instalment due and the date on which it is payable, in respect of each loan. The instalment of principal and the amount of interest due in respect of each loan should be worked out by the Assistant with reference to the terms and conditions of repayment and rate of interest applicable to the loan, as recorded in the Loan Register and got checked by the Superintendent, before a demand for the payment of the amount by the due date is sent to the borrower. This demand should be sent one clear month before the month in which the payment falls due i.e., intimation regarding the instalments due in March should be sent by the 31st January. A Register showing the demands issued in respect of instalments of principal and/or interest due during each month is maintained by the Rupee Loan II Section, to watch the timely issue of the demands. This register should be submitted to the Branch Officer after the issue of the demands for each month.

NOTE (1).—Interest for broken periods should be calculated as provided in Rule 156(2) of the G.F.R., 1963.

NOTE (2).—In the case of loans repayable in equated instalments of principal and interest, the amount of instalments is generally fixed by the Government of India. If, however, on any occasion this office is required to calculate the amount of equated instalment, the calculation should be made with the help of "Archer's Tables".

NOTE (3).—When the instalment of principal and/or interest falls due for payment on a Sunday or a Bank holiday, the payment may be made on the next working day following the holiday(s) and no interest need be charged for the day or days by which the recovery of the instalment is thus postponed. In order, however, that this does not result in transfer of the transactions from one financial year to another, the instalment payable on the 31st March of a year, if that happens to be a holiday, should be paid on the immediately preceding working day.

NOTE (4).—The borrower have the option to repay the loan or any part thereof in advance of the due date of payment. All cases of early repayments of loans should be reported to the Government of India, Ministry of Finance, Department of Economic Affairs when the amounts involved are appreciable.

6.7. The amounts of instalments are deposited by the borrowers into Government account at the Delhi or New Delhi Treasury. The principal portion of the instalment is deposited under the detailed head concerned under the major and minor heads mentioned in para 6.4 above, and interest portion under the detailed head applicable to the respective class of loans subordinate to "XVI-Interest-Other Interest Receipts-Interest on Loans and Advances by the Central Government". The borrowers outside the Union Territory of Delhi may either arrange to deposit the amounts at Delhi or New Delhi Treasury as indicated above or remit the amount to this office by means of Demand Draft drawn on a Delhi Branch of a scheduled Bank, in favour of this office. The Demand Drafts will be received by D.C. XV Section of this office and their proceeds credited to Government account through New Delhi Treasury under "P.Loans and Advances by the Central Government etc." or "XVI-Interest, etc." as the case may be, in the usual manner. The credits for the amounts deposited by the borrowers or remitted to this office

by means of Demand Drafts will appear in the accounts of the Treasury concerned and will be adjusted by the respective D.C. Sections under "P. Loans and Advances" or "XVI-Interest" after obtaining classification from the Rupee Loan II Section. On receipt of the Schedules of receipts from the D.C. Section concerned, for classification, the Assistant of Rupee Loan II Section will verify that the amount deposited agrees with the amount of instalment demanded from the borrower and note the amount (principal and interest separately) together with its actual date of payment in the respective columns of the Loan Register. Before the schedules are returned to the D.C. Section concerned duly classified, he will get the entries in the Register as well as the classification recorded in the schedules attested by the Superintendent. When the receipts schedules are received back in the Rupee Loan II Section after adjustment from the D.C. Section concerned along with the credit slip, the month of adjustment will be noted against the amounts in the relevant column on the respective pages of the Loan Register.

6.8. When the instalment of principal and/or interest in respect of a loan is not paid by the borrower by the due date, the default should be reported to the sanctioning Ministry. The position of defaults should be reviewed after the close of the broadsheet of 'Loans and Advances by the Central Government' for each month, and cases where the credits for the instalments have not been adjusted and where no intimation regarding the payment of the instalments has been received from the borrowers, should be brought to the specific notice of the sanctioning authority. In addition, a quarterly statement showing the defaults committed by the borrowers in the repayment of principal and or payment of interest in respect of loans advanced to them by the Government of India (including the Union Territory of Delhi) should be prepared in the form given in Annexure IV to this Chapter, and sent to the Ministry of Finance, Department of Economic Affairs (W&M Branch). This statement should reach the Ministry by the 15th of the second month following the quarter to which it relates.

A detailed statement of loans by the Central Government, the terms and conditions in respect of which have not been fulfilled, showing the overdue instalments of principal and interest as at the end of the financial year is required to be prepared annually in respect of loans sanctioned by each Ministry or Department in the form G.F.R. 20 as provided in Rule 164 of G.F.R. (R.&E), 1963 and sent to the sanctioning authorities concerned by the 30th September each year. A copy each of this statement should also be sent to the Finance Accounts Section and Book Section of this office for inclusion in Chapter I of the Report of the C.A.G. of India for Central Government (Civil).

In the case of defaults in the repayment of principal and or payment of interest in respect of loans and advances by the Central Government, it shall be the duty of this office to see that interest is recovered from the defaulting borrowers at the penal rate prescribed in the sanction for the period of delay, unless the recovery of the same is waived by the sanctioning Ministry by a formal sanction. The procedure for the calculation of penal interest has been explained in the Ministry of Finance, Department of Economic Affairs letter No. F. 7(3)W&M/65, dated 7th August, 1965 (reproduced as Annexure V to this Chapter). The penal interest recovered from the borrowers is

adjusted in the accounts in the same manner as the regular interest is adjusted (vide para 7 above).

6.9. Besides the Loan Registers mentioned above, a Broadsheet (SY Form 114) is also maintained for each category of Loans for the purpose of verification of the adjustments. The broadsheet is kept in two parts (Part I for recording amounts advanced and Part II for amounts repaid including interest). After making necessary entries, the broadsheet is sent to the Book Section for verification of the ledger figures on the 25th of each month. On return, the discrepancies, if any, with figures of Book Section are to be explained in Form M.S.O.(T)-129 attached to the broadsheets. The Broadsheets together with the Loan Register are submitted by the 26th of each month to the Branch Officer for review. The Broadsheet for a particular month will be due for submission to the Branch Officer on the 26th of the second following month. In the broadsheets, the balance at the beginning of each year should be noted over the initials of the Superintendent.

6.10. After the close of the March (Final) accounts, the outstanding principal of each loan should be verified with the ledger balance and an annual account of each loan, prepared in the prescribed form (Annexure VI to this Chapter) sent on or before the 5th July, to the loanee concerned for signature of the certificate appended to the form in token of acceptance of the balance shown as outstanding on the 31st March. The return of the certificate within a reasonable time of the despatch of the account should be watched and the receipt of the account, duly accepted, noted in the remarks column of the Loan Register under the initials of the Superintendent.

6.11. A Certificate to the effect that the balance of each loan at the end of the year, has been accepted by the debtor concerned as correct and that the conditions of repayment of the loans have been fulfilled should be prepared and furnished to the Book Department on the dates fixed by it from year to year. Subsequent development, if any, should be communicated to the Book Department on the dates mentioned in paragraphs 84 and 89 of the Manual of that Department.

6.12. A list of sanctions for loans together with the terms and conditions, received during each quarter ending June, September, December, and March should be prepared, Ministry or Department-wise, and sent to O.A.D.(Civil) on the 15th of the month following the particular quarter, to enable the O.A.D. to examine locally the records of the Ministry or Department leading to the issue of the sanctions. The submission of these lists should be watched through the calendar of returns.

ANNEXURE I

IMMEDIATE.

(See Para 6.3(a))

No.F.6(4)-PD/71,
GOVERNMENT OF INDIA

MINISTRY OF FINANCE/VITTA MANTRALAYA
(Deptt. of Economic Affairs/Arthik Karya Vibhag)

New Delhi, 1st June, 1970

OFFICE MEMORANDUM

SUBJECT:—*Loans and advances by the Central Government—interest rates and terms and conditions of—*

Reference this Ministry's Office Memorandum No. F.6(6)-PD/70, dated the 13th July, 1970 on the above subject.

2. The interest rates and other terms and conditions of loans to be sanctioned by the Central Government indicated in the above referred instructions are valid up to 31st May, 1971. These instructions have since been reviewed for being applied from 1st June, 1971.

I. INTEREST RATES

3. *Loans to States*—Subject to exceptions indicated in paragraph 4 below, all loans to States will continue to carry interest at 5% (five per cent) per annum with a rebate of $\frac{1}{2}$ % for prompt repayments and/or interest payments.

4. The exceptions are (i) loans which are repayable within a period not exceeding four years; and (ii) loans provided to States for relending to their enterprises etc. The interest rates in these two cases will be:—

- (a) Advances for the purchase of fertilizers, seeds and pesticides 5% p.a.
- (b) Other loans and advances:
 - (1) for periods *not* exceeding one year $4\frac{1}{2}$ % p.a.
 - (2) for periods exceeding one year but not exceeding 4 years 5% p.a.

A rebate of $\frac{1}{2}$ % will continue to be admissible towards prompt repayment of principal and/or payment of interest.

Loans to States for relending to their enterprises etc.

The interest rate applicable to these loans will be the same as prescribed for Central Government's Industrial and commercial undertakings indicated in paragraph 6 below.

5. *Loans to other parties*—The other borrowers have been classified in the following four categories for application of interest rate on loans advanced to them:—

Category (I): Union Territory Governments (having separate legislature), financial institutions in the public sector e.g., Industrial Development Bank, Industrial Finance Corporation, Shipping Development Fund Committee, National Co-operative Development Corporation, National Industrial Development Corporation, Khadi and Village Industries Commission, State Co-operative Banks in Union Territories, Delhi Municipal Corporation (excluding DTU & DESU).

Category (II): Port Trusts, DESU, Coal Board, Tea Board, Coffee Board, Dock Labour Boards etc., Co-operative Societies, educational and other institutions and societies for non-commercial purposes and individuals, like cultivators displaced persons goldsmiths and repatriates from Burma/Ceylon for rehabilitation and others for non-commercial purposes.

CHAP. 6] LOANS AND ADVANCES TO LOCAL FUNDS, PRIVATE [Annex. I PARTIES, ETC.

Category (III): Industrial and Commercial Undertakings in the Public Sector, State Government for relending to their Industrial and Commercial Undertakings and Delhi Transport Undertaking.

Category (IV): Private Sector concerns etc., not included in category (II).

6. The interest rates, applicable from 1st June, 1971 in the above cases will be as under:—

Period of the loan	Interest rate per cent per annum for borrowers in			
	Category (I)	Category (II)	Category (III)	Category (IV)
Upto 1 year.	4½	5	6½	The interest rates should <i>not</i> be less than those applicable for borrowers in category (III) Where justified, a higher rate of interest may be fixed.
Exceeding 1 year, but not exceeding 4 years.	5	5½	6½	
Exceeding 4 years, but not exceeding 9 years.	5½	6	7	
Exceeding 9 years, but not exceeding 15 years.	6	6½	7½	
Exceeding 15 years, but not exceeding 30 years.	6½	6¾	*	

*Period of loans is restricted to 15 years.

7. The above rates will remain in force upto 31st May, 1972, unless revised earlier.

8. A rebate of ¼% in interest rate will be admissible for timely repayment of principal and interest. In cases where the prescribed terms and conditions of loans provide for their repayment after a period of moratorium, the rebate of ¼% may also be allowed, during the period of moratorium, in the event of timely payment of interest on the loans.

9. The rate of interest on loans to foreign Governments will continue to be prescribed *ad hoc* as heretofore. Likewise interest rates on loans and advances to Government Servants for house building, purchase of conveyances etc., will continue to be governed by separate order applicable to them.

II. OTHER TERMS AND CONDITIONS

A. General

10. (i) The period for the repayment of loans should be fixed with due regard to the purpose for which they are advanced and it should be restricted to the minimum possible.

(ii) Normally, no loans should be granted for a period exceeding 15 years.

Where a longer period for repayment is sought, *prior* concurrence of this Department will be necessary for fixing the period. In no case, however, the period of the loan should exceed 30 years.

(iii) Subject to (iv) below, the repayment of a loan should normally commence from the first anniversary date of its drawal and not in lump on the expiry of the period of the loan. The recovery should ordinarily be effected in annual *equal* instalments of principal from time to time.

(iv) A suitable period of moratorium towards repayment might be agreed to in individual cases having regard to the projects for which the loans are to be utilised. No moratorium should, however, be allowed in respect of interest payable on loans.

(v) In terms of Rules 161(2) of General Financial Rules, 1963, the sanctioning authority may, in so far as the law allows, enforce a penal rate of compound interest upon all overdue instalments of interest or principal and interest. The purpose of allowing rebate of ¼% in interest rate for prompt repayment/payment of interest is to instil a measure of discipline in the observance of terms and conditions of loans. The disallowance of rebate in the event of delay in payments would not, therefore, be a sufficient penalty for the defaults; and accordingly, penalty clause should invariably be inserted in all loans sanctions/agreements.

CHAP. 6] LOANS AND ADVANCES TO LOCAL FUNDS, PRIVATE [Annex. I
PARTIES, ETC.

(vi) The terms and conditions of loans, once prescribed, should not be modified in favour of borrowers except for very special reasons as prescribed in Rule 155 of the General Financial Rules. The instructions contained in this Department Office Memorandum No. F.7(7)-W&M/68, dated the 10th September, 1968 (copy enclosed—Appendix I) may be kept in view in dealing with such cases.

B. Loans to State Governments

11. (i) Block loans for State Plan Schemes and other Plan loans (including loans for Centrally Sponsored Schemes) but excluding loans for relending to industrial and commercial undertakings and individuals. These loans will be consolidated and deemed to have been drawn as on 1st October in each year. The period of these loans will continue to be 15 years, repayments being made in 15 annual equal instalments together with interest on the outstanding balance commencing from the following year. The amounts annually payable (by way of principal and interest) would be recovered in four equal instalments on 1st July, October, January and March each year.

(ii) *Small Savings Loans.*—The loans advanced during the year will be consolidated as on 1st October each year. The period of the loans will be 25 years including an initial moratorium of five years towards repayment of principal during which interest will be recovered in four equal instalments on the 1st July, October, January and March each year. On expiry of the period of moratorium, the loans will be recovered in 20 annual equal instalments, the amount annually payable (by way of principal and interest) being recovered in four equal instalments on the 1st July, October, January and March each year.

(iii) *Loans for Natural Calamities.*—These loans will be for a period of 10 years and recovered in 10 annual equal instalments along with interest commencing from the 1st anniversary of their drawal.

(iv) *Other loans.*—The terms of repayment of these loans will be laid down from time to time.

C. Loans to Union Territory Governments having separate Legislature.

12. In conformity with the instructions issued by the Ministry of Home Affairs/Grih Mantralaya in their letter No. F. 38/70/63-AGII dated 16th December, 1963, the terms of repayment will be:—

(i) *Loans for Plan Schemes.*—These loans will be for a period of 15 years including an initial moratorium of 5 years towards repayment of principal. During the period of moratorium, interest on loans will be recovered annually. Thereafter the loans will be recovered in 10 annual equal instalments together with interest on the outstanding balance from time to time.

(ii) *Loans for non-plan schemes.*—These loans will be for a period of 10 years inclusive of an initial moratorium of three years towards repayment of principal. During the period of moratorium, interest alone will be recovered annually. Thereafter, the loans will be recovered in 7 annual equal instalments together with interest on the outstanding balance from time to time.

D. Loans to Industrial and Commercial Undertakings.

13. (a) *For meeting capital requirements:*

(1) In the case of public sector projects, for new installations or expansion of existing installations:—

(i) The terms and conditions of loans should be fixed with reference to the financial picture presented in the approved project report. (once the pattern is settled, there should be no change except with the specific concurrence of this Department for reasons to be stated in writing).

(ii) The capital requirements of a project should include adequate provision for interest payment on borrowings during the period of construction (as specified in the Project Report). The interest on loans due during the period of construction will be allowed to be capitalised to the extent for the provision made for this purpose in the approved

CHAP. 6] LOANS AND ADVANCES TO LOCAL FUNDS, PRIVATE [Annex. I
PARTIES, ETC.

project report. In other words, while interest on loans advanced to an undertaking during the period of construction will be *notionally* recovered by allowing its capitalisation, the payment of interest should effectively commence after the construction period is over.

- (iii) The repayment of principal should ordinarily commence one year after the project commences production, the number of instalments being determined with reference to the financial projections and repaying capacity specified in the project report. Requests for further moratorium will be considered only in exceptional cases where the project report has specified any special circumstances that may necessitate a longer period of moratorium and has indicated clearly what staggering of repayment would be needed over the necessary break period. The period of loans sanctioned against capitalised interest should be shorter than that of loans advanced to the Undertakings for financing their capital requirements and should ordinarily be recovered in not more than 5 annual equal instalments after the expiry of the moratorium period.

(2) *In other cases :*

A suitable period of moratorium subject to a maximum of five years from the date of drawal of the loans may be allowed for the repayment of instalments of principal, having regard to the nature of the project, the stage of construction etc. The period of moratorium should not, however, extend in any case, beyond two years from the date of project going into production, or in the case of programmes of expansion, beyond two years from the date of expanded project coming into operation.

(b) *For meeting working capital requirements of Public Sector Undertakings :*

- (i) The undertakings are expected to obtain their cash credit requirements from the State Bank of India/Nationalised Banks by hypothecating their current assets (such as, stock of stores, raw materials, finished goods, work in progress, etc.) and where the entire working capital requirements cannot be raised in this manner by seeking guarantee from Government. Accordingly, requests from public sector undertakings for funds for meeting working capital requirements should be considered only to the extent the same cannot be had from the State Bank of India/Nationalised Banks.
- (ii) The period of repayment of working capital loans should preferably be restricted to two or three years. Where a longer period for repayment is required, the proposal should be referred to this Department through the Bureau of Public Enterprises. In no case, however, the period of these loans should exceed 5 years.
- (iii) The repayment of working capital loans should ordinarily commence from the first anniversary of the date of drawal of the loans. Where, however, some staggering of repayment is considered necessary, repayments may be allowed to be made in one lump at the end of the period of the loan.

III. FORM OF LOAN SANCTION

14. At present there is no standard form in which loan sanctions are issued by the Ministries/Departments with the result that sometimes the essential details like the purpose of the loans, Plan classification etc., are not given in full and this leads to avoidable references between the Accounts Offices and the Departmental authorities. There is also considerable difficulty in reconciliation of figures of expenditure as booked by Departmental authorities with those booked by Accounts Offices. The matter has been examined and it has been decided in consultation with the Comptroller and Auditor General of India that *as far as possible*, the attached standard form (Appendix II) for loan sanctions should be adopted with immediate effect. The Accounts Officers are also requested to use the form in Appendix III for sending advices regarding adjustment of loans.

15. In cases where consolidated sanctions are issued (as in the case of a number of State Governments these are usually addressed to the Senior D.A.G., Maharashtra), while the existing form of sanctions may continue, a statement showing State-wise the progressive amount of loans sanctioned during the financial year under the particular sub-head in the Loan Grant should invariably be appended to the sanction letters.

(Sd.)
Under Secretary to the Govt. of India.

**Annex. I] LOANS AND ADVANCES TO LOCAL FUNDS, PRIVATE
PARTIES, ETC.**

[CHAP. 6

To

All Ministries (Separately to each Department if more than one) of the Government of India.

Copy forwarded to:

- (1) Comptroller & Auditor General of India.
- (2) All Civil Accountants General.
- (3) Finance Secretaries of all State and Union Territories Governments.

Copy also forwarded to—

- (1) All Branches in the Department of Expenditure. It is requested that individual proposals for grant of loans need not be referred to the Department of Economic Affairs (Budget Division) in regard to their terms and conditions, unless it is proposed to deviate from those laid down in this Office Memorandum or unless there is no specific Budget provision.
- (2) All Branches in the Department of Economic Affairs.

(Sd.)

Under Secretary to the Govt. of India.

APPENDIX I TO ANNEXURE I

No. F.7(7)-W&M/68

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

New Delhi, the 10th September, 1968.

OFFICE MEMORANDUM

SUBJECT:—*Loans to State Governments and other parties—Budgetary procedure regarding subsidy in lieu of concessional rates of interest on—*

Reference this Ministry's Office Memoranda No. F 20(43)-B/57, dated May 31, 1957, even number dated May 13, 1958 and F.2(108)/B/58, dated November 3, 1958 on the above subject, the gist of which is incorporated in the General Financial Rules, 1963 as Government of India's decision No. (2) below Rule 156(2).

2. A question has been raised whether the above instructions are attracted in cases where the provision about interest rates incorporated in a loan sanction is subsequently modified. Under G.F.R. 155(2), borrowers are required to adhere strictly to the terms settled for the loans made to them and modifications of these terms in their favour can be made subsequently only for very special reasons. The various types of modifications in the terms of loans which usually come up for consideration and clarifications in regard thereto are tabulated below for the guidance of all Ministries/Departments.

Type of modification

Clarification

- (i) A loan sanctioning authority decides to waive recovery of interest either for a specified period or for the entire period of a loan which was originally sanctioned at the normal rate of interest.

The position is in no way different from cases wherein a concession in interest rate is considered necessary at the time of sanction of loan. Accordingly, the concession of waiver of interest should take the form of subsidy debitable to the grant of the sanctioning authority.

- (ii) A loan sanctioning authority decides to write off the amount of interest due on a loan which has become irrecoverable through the normal process of law.

Such cases are not attracted by the instructions referred to in paragraph 1 above. The interest dues may be written off by the competent authority like any other losses, in accordance with the instructions contained in Rule 31 and 31 of the G.F.Rs.

- (iii) A sanctioning authority decides to waive recovery of penal interest in the event of default in the repayment of loan and/or payment of interest thereon.

G.F.R.161(2) allows discretion to the sanctioning authority to enforce penal rate of interest in the event of a default. Where the sanctioning authority is satisfied, having regard to the circumstances of a case, that penal interest need not be recovered the waiver will not be tantamount to a concession attracting the instructions referred to in paragraph 1 above. However, where penal interest is waived the borrower should ordinarily be asked to pay interest at the normal rate prescribed in the loan sanction on the overdue amount (of principal and/or interest) from the due date of payment up to the date of settlement of the default. The recovery of additional interest should not be waived except in special circumstances or where the period of default is very short (e.g. a few days).

**App. I Annex. I] LOANS AND ADVANCES TO LOCAL FUNDS, PRIVATE [CHAP. 6
PARTIES, ETC.**

3. Besides the above cases, requests for modification of terms and conditions, if acceded to, sometimes indirectly affect the provisions in the loan sanction in regard to interest rates. This, for example, happens in a case where the borrower seeks extension in the period of the loan. Where such a request, after examining it in the light of the provisions of GFR 155(2), is acceded to, the interest clause in the loan sanction should be reviewed. The interest rate which would have been applicable to the loan, if it had been sanctioned for the extended period *ab initio*, should be prescribed as the revised rate of interest in such cases.

(Sd.)

Under Secretary.

All Ministries/Departments of the Government of India.

All Divisions in the Department of Expenditure.

All sections in the Department of Economic Affairs.

Copy forwarded for information to:—

1. The Comptroller and Auditor General of India, New Delhi with reference to his U.O. No. 2931-Tech. Admn.I/628-68, dated 31-8-1968.
2. All Civil Accountants General.

(Sd.)

Under Secretary.

APPENDIX II to ANNEXURE I

Standard Form for Loan Sanctions

To

The Accountant General

*(in the case of State Governments
and Union Territory Governments).*

OR

The Borrower (in other cases).

SUBJECT:—

Sir,

I am directed to convey the sanction of the President to the payment of loan of Rs. _____ (in figures) (Rupees _____ to _____).

2. The essential details are given in the annexure to this letter.

3. (Conditions on fulfilment of which loan is to be sanctioned e.g. those given in Government of India's decision (3) below G.F.R. 155 as also G.F.Rs. 157 and 158 to be inserted, if necessary).

4. This sanction issues with the concurrence of the Ministry of Finance vide their U.O

No. _____.

OR

This sanction has been accorded in accordance with the rules/principles laid down with the previous consent of the Ministry of Finance and that the rate of interest on the loan and period of repayment thereof have been fixed in accordance with the existing instructions issued by the Ministry of Finance.

Yours faithfully,

LOAN

ANNEXURE

LOANS AND ADVANCES BY CENTRAL GOVERNMENT

1. Sanctioning Authority Ministry/Department _____
2. Accounts Office in whose books loan is to be adjusted. _____
3. Sanction letter No. and date _____
4. To whom sanctioned _____
5. Amount sanctioned (in words & figures) Rs. _____ (in figures)
Rupees _____
6. Sanction valid upto _____
7. The purpose of loan _____
8. Payable in cash or by adjustment _____
9. Plan/Non-Plan (in the case of Plan, category of Plan). _____
10. Sub-head in Loan Grant to which amount sanctioned is debitible. _____
11. Progressive amount of loan sanctioned Rs. _____
to the borrower to date in the financial year. _____
12. Period of Loan _____
13. Moratorium towards repayment, if any _____
14. Date and year from which repayment to commence. _____
15. Mode of repayment _____
16. Interest :
 - (a) Normal Rate
 - (b) Rebate for prompt repayments/ interest payments

OR

 - (b) effective rate of interest for prompt repayments/interest payments (in the case of parties other than State Governments, Union Territory Governments and Public Sector Undertakings).
 - (c) Penal rate of interest (for State Governments, Union Territory Governments, Public Sector Undertakings).
- (d) Mode of recovery of interest.

Signature.

(Seal of the Sanctioning Authority)

APPENDIX III TO ANNEXURE I

No.

OFFICE OF THE ACCOUNTANT GENERAL

Dated the 19 .

Advice of Loans sanctioned by the Ministries/Departments of the Government of India.

Reference Ministry/Department

sanction letter No.

to

2. The sanction has been acted upon. The progressive figures of loan sanctioned to the party given in column 11 of the annexure tallies with our records.

ACCOUNTS OFFICER

To

The Ministry/Department.

[illegible]

(i)	प्रतिपत्ति का विवरण Details of payment
(ii)	प्रतिपत्ति की राशि Amount paid
(iii)	प्रतिपत्ति का तिथि Date of Payment
(iv)	प्रतिपत्ति का मास Month of adjustment
	प्रतिपत्ति का शाखा अधिकारी Branch Officer

3CR/N/D/72

के नाम पड़ी मूलधन की क्रिस्ते एवम् बकाया व्याज तथा उन्हें भुगतान गए ऋणों का सार
Abstract of loans paid to and instalments of principal and interest outstanding against

सं
Year.....19

वर्ष के मास Months of account	ग्रामपंचायत का विभाग Account of principal				ग्रामपंचायत की प्रगति के मास Account of instalments of principal				ग्रामपंचायत का मास Account of instalment interest				प्रारंभिक मास Initial of instalment
	आदि Opening balance	मास Debit	मास Credit	अंतिम Closing balance	मास में देय राशि Amount due during the month	प्रगति के मास Progressive amount due	ग्रामपंचायत की प्रगति Amount repaid	अंतिम बकाया अंतिम Balance still outstanding	पिछले मास की देय राशि Amount due including previous balance	ग्रामपंचायत की प्रगति Amount paid	अंतिम बकाया अंतिम Balance outstanding		
अप्रैल 197 April													
मई 197 May													
जून 197 June													
जुलाई 197 July													
अगस्त 197 August													
सितंबर 197 September													
अक्टूबर 197 October													
नवंबर 197 November													
दिसंबर 197 December													
जनवरी 197 January													
फरवरी 197 February													
मार्च 197 March													
मार्च (प्रारंभ) March (Initial)													
मार्च (अंतिम) March (Final)													
मार्च (प्रारंभ) March (Initial)													
मार्च (अंतिम) March (Final)													

ANNEXURE III

(See para 6.5)

FORM A

Form of Utilisation Certificate

(1) Certified that out of the loan of Rs. _____
sanctioned under _____
dated _____ in favour of _____
during the year _____ an amount of Rs. _____
has been utilised for the purpose for which it was sanctioned and that the balance of Rs. _____
_____ remaining unutilised at the end of the year _____
has been surrendered to Government/will be adjusted towards the loan payable during the
next financial year.

(2) Certified that I have satisfied myself that the conditions on which the loan was
sanctioned have been duly fulfilled/are being fulfilled and that I have exercised the following
checks to see that the money was actually spent for the purpose for which the loan was made:-

Kinds of checks exercised:

1. _____
2. _____
3. _____
4. _____

Signature _____

Designation _____

Date _____

ANNEXURE IV

PROFORMA

(See Para 6.8)

(To be despatched so as to reach the addressee by the 15th July/October/
January/April every year)

No.

Office of the Accountant General
Dated _____ 19__

Defaults in repayment of Central Loans and payment of interest thereon by parties other than State Governments.

Name of the borrower	Amount of default			
	During the quarter*		Progressive	
	Principal Rs.	Interest Rs.	Principal Rs.	Interest Rs.
1	2	3	4	5

*Details are given in the Annexure.

Signature

Designation

To

The Under Secretary,
Ministry of Finance,
Department of Economic Affairs,
(Ways and Means Section),
NEW DELHI.

ANNEXURE

Name of borrower	Name of the sanctioning Ministry	Loans to which the default pertains		Due date of payment
		No. & date of the loan sanctioned	Amount sanction- ed	
1	2	3	4	5

ANNEXURE V

(See Sub Para 3 of Para 6.8)

Copy of the Office Memorandum No. F.7(3)-W&M/65, dated 7th August, 1965 from the Government of India, Ministry of Finance (DFA) New Delhi to all expenditure Divisions in the Department of Expenditure.

SUBJECT:—*Loans and Advances by the Central Government—Scope of penalty clause in Loan Sanctions.*

References are frequently received about the precise scope of the penalty clause which is required to be included, as a rule in all loan sanctions or agreements. The position in this regard is clarified in the following paragraphs.

2. Rule 161(2) of the General Financial Rules, 1963 prescribed that in the event of default on the part of a borrower in the payment of interest or the repayment of principal of a loan, the sanctioning authority may, in so far as the law allows, enforce a penal rate of compound interest upon all overdue instalments of interest or principal and interest. The Rule also provides that the penal rate shall not except under special orders of Government be less than $2\frac{1}{2}\%$ per annum above the rate at which the loan has been sanctioned.

3. The Ministry of Law have observed that the Courts do not generally favour any stipulation regarding payment of interest on a loan at an enhanced rate in the event of a default but that there is, no objection to prescribing a higher rate of interest and the allowing a rebate for punctual and prompt payments. Consistent with this advice, the loan sanctions particularly in favour of third parties first stipulate a higher rate of interest and then provide for charging normal rate of interest for punctual payments. For example, a sanction for a 4 year loan to a third party includes the following stipulation about interest:—

The loan will carry interest at the rate of $7\frac{1}{2}\%$ per annum provided that if the instalments of principal and/or interest are paid punctually on the due dates, the rate shall, be reduced to 5% per annum.

4. In the case of sanctions in favour of State Governments and Union Territory Governments, with separate Legislature such phraseology has not been considered necessary and the terms provide normal rate of interest with a stipulation for levy of penal interest in the event of default as under:—

The loan will carry interest at $4\frac{1}{2}\%$ per annum. In the event of any default in the repayment of the loan and/or payment of interest thereon, interest at the penal rate of 7% per annum would be chargeable on all overdue instalments.

It has been decided that loan sanctions in favour of Industrial and Commercial Undertakings in the Public Sector should also carry the penalty clause in the same form as in the case of loan sanctions in favour of State and Union Territory Government.

5. The phraseology of the type mentioned in para 3 appears to have caused some confusion as to the exact manner of calculating from time to time, been asked are:—

- (i) Will any default imply levy of higher rate of interest on all instalments which would become due subsequently?
- (ii) Will the higher rate be charged for the period of postponement only, interest at normal rate being charged till the due date of payment of an instalment?

OR

Will the higher rate be charged from the due date of payment of a previous instalment till the dates of actual payment of the delayed subsequent instalment?

It is clarified that as regards (i) the higher rate is attracted only in the case of defaulted instalments. As regards (ii) it has been held with the concurrence of the Ministry of Law, that the higher rate will apply from the due date of payment of a previous instalment till the date of actual payment of the delayed instalment.

ANNEX. V]

Example.— A loan of Rs. 3 lakhs was drawn by a third party on 1st January, 1963 and was repayable in 3 annual equal instalments. The sanction letter stipulated that the loan would carry interest at 6½% per annum to be reduced to 4% for prompt payments. The first instalment of Rs. 1 lakh together with interest — 4% (i.e. 1,12,000 in all) was paid by the party on 1-1-1964. The second instalment due on 1-1-1965. The borrower will in such an event have to pay, besides the second instalment of principal (Rs. 1 lakh), interest @ 6½% per annum on the balance amount of the loan (Rs. 2 lakhs) from 1-1-1964 to 31-12-1964 and at 6½% from 1-1-1965 to 31-12-1965.

6. A difficulty arises where a loan is made repayable in annual equated instalments of principal and interest. In the case of loan to State Governments where repayment is envisaged in this manner, penal rate of interest is chargeable on the over-due amounts and the practice is to do so from the due date of payment of an instalment till the date of actual payment, in other words for the period of postponement only. But in the case of loans to others where the sanction letters are worded as in the illustration in para 3 above, it would be invidious to charge interest at penal rate for the period of postponement only in view of the answer to query in para 5(ii) above. In such cases, the Accounts Officer has to work out the equated instalments for every loan sanctioned both at the higher rate of interest as also at the lower rate. While the equated instalments at the lower rate of interest will be paid by the borrowers on the due dates, in the event of a default, they will pay the equated instalment worked out with the higher rate of interest together with interest thereon at the same (higher) rate from the due date of its payment till the date of actual payment.

(Sd.)

Copy of the letter No. F7(7)-W&M, dated 16th July, 1969 from the Government of India, Ministry of Finance, (DEA), New Delhi to the All State Accountants General & A.G.C.R., New Delhi.

SUBJECT:—Loans and Advances by the Central Government—Scope of penalty clause in loan sanctions.

I am directed to state that the scope of the penalty clause included in loan sanctions was clarified in this Ministry's Office Memorandum No. F.7(3)-W&M/65, dated the 7th August, 1965 copy of which is enclosed for your information. It will be observed that in the case of defaults in the repayment of loans sanctioned to parties other than those referred to in para 4 of the above O.M. which are recoverable in annual equated instalments of principal and interest, the equated instalments worked out at the higher (i.e. penal) rate of interest have to be recovered together with interest (at the higher rate) on the said instalment from the due dates of payment till the date of actual payment.

2. A point was raised as to how the principal and interest portions of the equated instalment should be determined in case of a payment calculated at the higher rate of interest. The matter has been considered in consultation with the Comptroller and Auditor General of India and it has been decided that the principal portion should, in such cases, for purposes of adjustment in accounts, be the amount as that calculated at the lower rate of interest and the residuary amount recovered may be adjusted wholly as interest receipts.

ANNEXURE VI

(See Para 6.10)

OFFICE OF THE ACCOUNTANT GENERAL, CENTRAL REVENUES, NEW DELHI

Account of Government loan of Rs. _____
to the _____ sanctioned by the Govt. of India,
Ministry of _____ Delhi Admn. (Department of _____
_____) in their letter No. _____ for the period from
1st April, 197 _____ to 31st March, 197 .

ACCOUNT OF PRINCIPAL OF LOAN					ACCOUNT OF INTEREST	
Date	Advance	Repayment	Balance	Date upto which demanded	Amount Due	Amount paid and credited to XVI Intt.

No. _____ Dated _____ 197 .

Forwarded to the _____
with the request that the certificate below may be signed and forwarded to this office, if the
balance is accepted as correct.

Accounts Officer

No. _____ Dated _____ 197 .

Certified that the balance of Rs. _____ on account of
Government Loan of Rs. _____ granted to _____
shown as outstanding on 31st March, 197 in letter No. _____
dated _____ is accepted as correct.

Signature

Designation

APPENDICES

APPENDIX 1

Statement of Central Government Loans (Rupee Loans)

I. CURRENT LOANS (INTEREST BEARING)

Name of the Loan	Date of issue	Date of Discharge
<i>Terminable Loans:—</i>		
4% Loan, 1972	5th August, 1957	1st August, 1972 (since discharged).
4% Loan, 1973	12th May, 1958	12th May, 1973.
15 Year Annuity Certificates (1st Series).	1st July, 1954	First monthly payment will commence after expiry of one calendar month from the date of payment of purchase price. Payment of the last instalment in.....19 .
15 Year Annuity Certificates (2nd Series).	2nd January, 1958	—do—
		Payment of the last instalment in.....19 .
4% Loan, 1973	1st July, 1958	12th May, 1973.
3% Loan, 1974	16th July, 1956	16th July, 1974.
3% Loan, 1976	16th September, 1946	16th September, 1976.
4% Loan, 1979	1st July, 1959	1st July, 1979.
4% Loan, 1980	18th July, 1960	18th July, 1980.
4½% National Defence Loan, 1972.	27th October, 1965	27th October, 1972.
National Defence Gold Bonds, 1980.	27th October, 1965	27th October, 1980.
4% Loan, 1981	24th July, 1961	24th July, 1981.
4½% Loan, 1985	12th July, 1962	12th July, 1985.
6½% Gold Bonds, 1977	12th November, 1962	12th November, 1977.
7% Gold Bonds, 1980	2nd March, 1965	2nd March, 1980.
4½% National Defence Bonds, 1972.	10th November, 1962	10th November, 1972.
4½% Loan, 1986	8th May, 1963	8th May, 1986.
4½% Loan, 1973	22nd July, 1963	22nd July, 1973.
4½% Loan, 1989	15th April, 1964	15th April, 1989.
5½% Loan, 1990	1st July, 1965	1st July, 1990.
5½% Loan, 1991	18th July, 1966	18th July, 1991.
4½% Loan, 1972	15th July, 1967	15th July, 1972 (since discharged).
5½% Loan, 1992	15th July, 1967	15th July, 1992.
5% Loan, 1982	15th July, 1967	15th July, 1982.
5½% Loan, 1995	11th May, 1968	11th May, 1995.
4½% Loan, 1975	26th July, 1968	27th July, 1975.
4½% Loan, 1976	1st July, 1969	1st July, 1976.
5½% Loan, 1999	30th April, 1969	30th April, 1999.
4½% Bonds (Acquisition of Transfer Bonds).	19th July, 1969	19th July, 1979.
5½% Loan, 2000	11th April, 1970	11th April, 2000.

APPENDICES

4½% Loan, 1978	1st July, 1971	1st July, 1978.
5½% Loan, 1986	1st July, 1971	1st July, 1986.
5½% Loan, 2001	1st July, 1971	1st July, 2001.
4½% Loan, 1977	15th October, 1970	15th October, 1977.
3% Loan, 1896-97	22nd July, 1896	At the option of the Government of India after three months notice.
3% Conversion Loan, 1946	16th September, 1946	At the option of the Government of India, with three months notice but not earlier than 16th September, 1986.
Hyderabad Loans-2½% Loan, 1974.	1st April, 1954	1st April, 1974.
2½% Loan, 1975	1st January, 1950	1st January, 1975.

II. DISCHARGED RUPEE LOANS

Public Debt not bearing Interest.

Name of the Loan		Date of Discharge
(i)	5% Loan, 1945-55	15th October, 1945.
(ii)	3% Defence Bonds, 1946	1st August, 1946.
(iii)	3½% Loan, 1842-43	16th September, 1946.
(iv)	3½% Loan, 1854-55	—do—
(v)	3½% Loan, 1865	—do—
(vi)	3½% Loan, 1879	—do—
(vii)	3½% Loan, 1900-01	15th November, 1947.
(viii)	3½% Loan, 1947-50	15th July, 1948.
(ix)	2½% Loan, 1948-52	1st August, 1949.
(x)	3% Loan, 1949-52	15th May, 1950.
(xi)	4½% Loan, 1950-55	16th July, 1950.
(xii)	2½% Bonds, 1950	15th September, 1951.
(xiii)	3% Loan, 1951-54	15th July, 1953.
(xiv)	3% Loan, 1953-55	15th November, 1954.
(xv)	2½% Loan, 1954	15th December, 1954.
(xvi)	3½% Loan, 1954-59	15th September, 1955.
(xvii)	4½% Loan, 1955-60	1st October, 1955.
(xviii)	2½% Loan, 1955	1st September, 1957.
(xix)	3% Victory Loan, 1957	1st September, 1957.
(xx)	2½% Bhopal Bonds, 1957	1st June, 1958.
(xxi)	4½% Loan, 1958-69	16th August, 1958.
(xxii)	3% Loan, 1958	15th August, 1959.
(xxiii)	3% Second Victory Loan, 1959-61	15th July, 1960.
(xxiv)	2½% Loan, 1960	15th September, 1960.
(xxv)	4% Loan, 1960-71	1st June, 1961.
(xxvi)	3½% National Plan Bonds (1st Series), 1961	1st August, 1961.
(xxvii)	2½% Loan, 1961	16th July, 1962.
(xxviii)	3½% Bonds, 1962	15th November, 1962.
(xxix)	2½% Loan, 1962	12th May, 1963.
(xxx)	3½% Bonds, 1963	

APPENDICES

(xxxi)	3% Loan, 1963-65	On or before 1st June, 1965 but not preceding 1st June, 1963 with 3 months previous notice.
(xxxii)	3½% National Plan Loan, 1964	19th April, 1964.
(xxxiii)	3% Loan, 1964	15th June, 1964.
(xxxiv)	3½% National Plan Bonds (2nd Series), 1965	1st July, 1965.
(xxxv)	5 Year Interest Free Defence Bonds, 1949	15th January, 1949.
(xxxvi)	3—Year Interest Free Defence Bonds	15th May, 1946.
(xxxvii)	3% Funding Loan, 1966-68	1st October, 1966.
(xxxviii)	5—Year Interest Free Prize Bonds, 1965	1st April, 1965.
(xxxix)	3½% Bonds, 1966(ins)	18th July, 1966.
(xxxx)	3% Bhopal Bonds, 1966-76	16th November, 1966.
(xli)	3½% NPB (3rd Series), 1967	16th July, 1967.
(xlii)	3¾% of NPB (4th Series), 1967	1st August, 1967.
(xliii)	3¾% of NPB (5th Series), 1968	12th May, 1968.
(xliv)	3½% Loan, 1968	1st July, 1968.
(xlv)	4¼% National Defence Loan, 1968	27th October, 1968.
(xlvi)	4% Loan, 1969	8th May, 1969.
(xlvii)	3½% Bonds, 1969	1st July, 1969.
(xlviii)	Premium Prize Bonds, 1963	1st January, 1963.
(xlix)	Premium Prize Bonds, 1964	1st January, 1964.
(L)	4% Loan, 1970	15th April, 1970.
(li)	3% First Dev. Loan, 1970-75	15th October, 1970.
(lii)	4½% Loan, 1971	1st July, 1971.

Hyderabad Loans:—

(i)	3% Hyderabad Loan, 1951-61	1st August, 1961.
(ii)	2½% Hyderabad Loan, 1954-59	16th October, 1959.
(iii)	2¼% Hyderabad Loan, 1955-60	1960-61.
(iv)	4% Hyderabad Development Loan, 1963	15th October, 1963.
(v)	2½% Hyderabad Loan, 1953-63	16th October, 1963.
(vi)	4% Hyderabad Development Loan, 1967	1st September, 1967.
(vii)	4% Hyderabad Development Loan, 1968	3rd September, 1968.

APPENDIX 2

Statements received from the Public Debt Offices and the Central Offices of the Reserve Bank of India

From the Public Debt Offices

1. Statement showing the total amount of securities discharged at Treasuries and passed for cancellation/held under objection by the Public Debt Office Monthly.
2. Statement showing details of monthly payments and outstandings in respect of securities pertaining to Decentralised/Non-decentralised loans certified for discharge in cash in the books of the Public Debt Office Monthly.

(The statement for Non-decentralised loans is received from the Public Debt Office, Calcutta only).

3. Statement showing the amount of discharged securities (Loan-wise) received from the Accounts Officers and cancelled in the Books of the Public Debt Office, during the month of Monthly.

From the Central Office of the Reserve Bank of India, Bombay.

4. Statement of securities of the Non-Decentralised loans cancelled during a month 15th of each Month.
5. Statement of the balances of Central Governments' Rupee-Loans On or about 23rd of each month.
6. Statement showing reduction in loan Balance held in the form of Amanati Stock Certificates 1st week of May (Annual).
7. Statement of securities un-claimed for 20 years—cancelled and written off —do—
8. Statement showing the details of Governments of India Securities discharged in Pakistan and cancelled from the Books of Public Debt Offices in India Monthly.

APPENDICES

FORM '1'

(See Item I of Appendix 2)

Statement showing the total amount of securities of the _____ per cent
Loan _____ discharged at the Treasuries in _____ during the
month of _____ 19 _____ and passed for cancellation/held under objection
by the Reserve Bank of India, Public Debt Office.

Month of dis- charge	Total amount of securities discharged during the month as intimated by the Accounts Officer	Total amount of securities so far recei- ved from the Accountant General concerned	Total amount of secu- rities passed for cancel- lation	Securities already passed for cancellation		Amount of securities held under objection	Remarks
				Amo- unt	Original reference Number		
1	2	3	4	5	6	7	8

No. PDO/RE/

Dated

Forwarded to:—

The Accountant General, Central Revenues, New Delhi.

The Secretary, Reserve Bank of India, Central Office, Central Debt Section, Post Box
No. 406, Bombay No. 1.

Reserve Bank of India,
Public Debt Office.

Manager.

FORM 2

(See Item 2 of Appendix 2)

Statement showing details of monthly payments and outstandings in respect of securities pertaining to Decentralised/Non-Decentralised Loans certified for discharge in cash in the Books of Public Debt Office at

(Month) 19 ..

Loan	Amount certified for discharge in cash during the month	Amount of Drafts/ payment orders issued by other offices during the month	Amount paid from outstanding balance (details in column 8)	Amount of securities under item (2) paid during the month	Total amount paid during the month	Office through which the debit has been passed	Details of payments from outstanding balances (as shown in column 4)		*Remarks
							Month (a)	Amount (b)	
1	2	3	4	5	6	7	8	9	

No. PDO/Acs.

Reserve Bank of India Public Debt Office.

Forwarded to:—

The Secretary, Reserve Bank of India, Central Debt Section, Bombay.

The Accountant General, Central Revenues, New Delhi.

Dated the 19 ..

Manager.

*The break up of the total amount certified for discharge outstanding at the end of March should be given month-wise in the Statement for March every year.

APPENDICES

FORM 3

(See item 3 of Appendix 2)

*Statement showing the amount of discharged securities of _____
received from the undermentioned offices and cancelled in the books of the Public Debt
Office _____ during the month of _____ 19 ____.*

Offices	Numbers & dates of forwarding letters of statements intimating cancellation	Month of disch- arge	Amount	Total	Remarks
1	2	3	4	5	6

Accountant General

Accountant General, Posts &
Telegraphs.

Certified for discharge in cash

Cancelled for reimbursement
to Pakistan.

Cancelled for conversion into

NO. PDO/ACS

1. Forwarded to the Secretary, Reserve Bank of India, Central Office, Central Debt Section, Bombay.
2. Forwarded to the Accountant General, Central Revenues, New Delhi.

Reserve Bank of India,

Public Debt Office.

Dated _____ 19 ____

Manager.

APPENDICES

FORM 4

(See item 4 of Appendix 2)

Statement showing the amount of discharged securities of _____
received from the undermentioned offices and cancelled in the books of the Public Debt
Office, Calcutta during the month of _____ 19 .

(Non-Decentralised Loans)

Offices	No. and dates of forwarding Letters	Month of discharge	Amount	Total	Remarks
1	2	3	4	5	6

NO. C.O. Dt.

Forwarded to the Accountant General, Central Revenues, New Delhi.

Reserve Bank of India, Central Office, Central Debt Section, Bombay.

Dated _____ 19 .

Manager.

(See Item 8 of Appendix 2)

Statement showing the details of Government of India Securities discharged in Pakistan and cancelled from the books of Public Debt Offices in India during the month of _____ 19__.

[illegible]

APPENDIX 3

Calendar showing returns etc., due from and to items of work requiring completion etc., in Rupee Loan Sections

S.No.	Name of Return	To whom due	When due	Authority
SECTION I—Returns due to outside authorities				
<i>(A)—Yearly</i>				
1.	Calculation of interest on 15 year Annuity Certificates.	R.B.I., Central Debt, Section, Bombay.	After the close of March Final Account.	Para 4.6 of the Manual.
2.	Annual adjustment of taking over assets and liabilities of paper currency reserve.	G.I., Min. of Finance, Deptt. of Economic Affairs.	30-4-1972.	Para 5.37
3.	Average rate of interest chargeable on the capital outlay of commercial deposits.	—do—	30th June.	Para 5.44
4.	Co-ordination of Inspection Reports of Public Debt Offices.	Central office of the R.B.I., Min. of Finance and C.A.G.	Within one month of the receipt of the last report.	Para 5.31
5.	Annual account of loans to local bodies, institutions etc.	Parties concerned	5th July.	Para 6.10
6.	Annual statements of loans, the terms and conditions of which have not been fulfilled in form GFR-20.	Respective Ministries or Departments.	30th September.	Para 6.3
7.	Calculation of interest on 10 Year Annuity Deposit Scheme.	G.I., Min. of Finance and R.B.I., C.O. Bombay.	Before the account of the year are closed.	Para 4.24
<i>(B) Half Yearly</i>				
—Nil—				
<i>(C) Quarterly</i>				
1.	Statement of default in repayment of loans and payment of interest in respect of loans to local bodies, private parties, etc.	Min. of Finance, Department of Economic Affairs.	15th May 15th August 15th November 15th February	Para 6.8
2.	Register of printing of correction slips.	G.I. Press through C.C.P & S., New Delhi.	10th April 10th July 10th October 10th January	Para 465 of the O.P.M.
<i>(D) Monthly</i>				
1.	*Statements of adjustments under 'S'-Unfunded Debt-Special Loans.	Min. of Finance, Deptt. of Economic Affairs.	25th of the 2nd following month to which the account pertains.	Para 4.35
2.	Warning Slips for the repayment of Loans and payment of interest.	Loanee concerned.	26th of the 2nd preceding month.	Para 6.6

APPENDICES

S.No.	Name of Return	To whom due	When due	Authority
SECTION II—Returns due for submission to the Gazetted Officers or other Sections of this office.				
<i>(A) Annual</i>				
1.	Case containing duties of assistants in the Section.	Group Officer.	15th April.	Para 8 of O.P.M.
2.	Transfer of subsidiary records to Old Record Room.	Old Record.	16-30 April.	Para 602 of O.P.M.
3.	Transfer of closed cases to old Record Room.	Old Record.	16-30 June.	Para 445 of O.P.M.
4.	Material for Audit Report—Chapter I.	Finance Account Section.	5th September.	Finance A/c No. FA/25-10/Part II/71-72/ dt. 28-8-71
5.	List of additional temporary staff likely to be required during the next financial year.	T.M. Admn. Section.	15th August.	Para 199 of O.P.M.
6.	Opening of the new register of cases.	Branch Officer.	1-15th April.	Para 447 of O.P.M.
7.	Review of Balances.	Book Section.	31st August.	Para 13.50 of TAD Manual.
8.	Supplementary report of the Review of Balances.	—do—	5th November.	Para 13.51 of TAD Manual
9.	Reports of Books and Manuals.	Library.	12th July.	Para 459 of O.P.M.
<i>(B) Half Yearly</i>				
1.	Report on the scheme of teaching Hindi to Central Govt. Servants.	T.M.	5th April 5th October.	O.O. No. Admn. 1-25, dt. 26-11-71.
2.	Printing jobs got executed through private presses.	Stationery branch through T.M.	5th April 5th October.	O.O. No. 15, dt. 5-10-70.
<i>(C) Quarterly</i>				
1.	Report on Books and Manuals.	Branch Officer.	7th April July October January.	Para 459 of O.P.M.
2.	List of sanctions together with important conditions issued during the year.	O.A.D.(C).	15th January April July October.	Para 6.12 of the Manual.
3.	Register of insufficient or otherwise irregular sanctions.	T.M.	9th February May August November.	Para 16.32 of T.A.D. Manual.

APPENDICES

S.No.	Name and Return	To whom due	When due	Authority
4.	Quarterly inspection of the section by the Branch Officer.	Group Officer.	30th June September December March.	O.O. No. 53 dt. 19-12-52.
5.	Register showing progressive total of mistakes committed by each auditor during the course of the year.	Group Officer.	30th May August November February.	Para 14.19 of T.A.D. Manual.
6.	Register of Amanati Stock Certificates.	Branch Officer.	31st May August November February.	Para 5.4 of the Manual.
7.	Quarterly submission of reconciliation register of 15 Year Annuity Certificates.	Branch Officer.	1st April July October January.	
8.	Statement of outstandings under Indo-Pak Settlement Account.	F.C.A. Section.	31st May August November February.	
9.	Quarterly progress report regarding the use of Hindi for official work.	T.M. Section.	5th April July October January.	O.O. No. Ad- mn. 1/25 dt. 26-4-1971.
10.	Report of interesting cases to be sent to Director, I.A. & A.S. Training School, Simla.	H. A. D. through T.M. Section.	7th April July October January.	O.O. No. 14 dt. 24-11-71.
11.	Register of insufficient or otherwise irregular sanctions.	Branch Officer/T.M. Section.	9th May August November February.	Paras 16.32 and 16.39 of T.A.D. Manual.

APPENDICES

S.No.	Name of Return	To whom due	When due	Authority
<i>(D) Monthly</i>				
1.	Report on the state of work, with the register of pending cases and calendar of returns.	Branch Officer/ Group Officer.	3rd/5th	Para 565 of O.P.M.
2.	Extract of arrear report.	T.M. Section.	5th	Para 565 of O.P.M.
3.	Late attendance report.	Branch Officer.	4th	Para 21 of O.P.M.
4.	Sectional paysheet.	Estt. Section.	2nd	O.O. No. 33, dt. 3-8-58.
5.	Superintendent's Note Book.	Branch Officer.	3rd	O.O. No. 45 dt. 25-9-39.
6.	Rupee Loan Abstract.	Book Section.	3rd	O.O. No. 267, dt. 14-12-57.
7.	Transfer Entry Register.	Branch Officer.	3rd	Para 14.9 of TAD Manual
8.	Register showing mistakes committed by individual auditors in preparing Transfer Entries.	Branch Officer.	6th	Para 14.10 of TAD Manual.
9.	Requisition for Stationery and forms.	Stationery Branch.	7th	Para 596 of O.P.M.
10.	Register of account slips to be sent to other sections.	Branch Officer/T.M. Section.	10th 11th	T.M. O.O. No. 29, dt. 19-3-1965.
11.	Statement of debt under Sec. 'O' (Loan Balance Statement)	C.S. Section.	27th	Para 3.33 of the Manual.
12.	Register for watching receipt of debit statements from Account Current Sections in respect of discharged loans.	Branch Officer.	5th	Para 3.32 of the Manual.
13.	Register for watching settlement of old items, outstanding in discharged broadsheet.	Branch Officer.	Last Working day	Para 3.26 of the Manual.
14.	Register of corrections to Loan Manual.	Branch Officer.	-do-	Para 465 of O.P.M.
15.	Register of securities discharged in Delhi/New Delhi.	Branch Officer.	-do-	Para 3.18 of the Manual.
16.	Proforma Account in respect of Cash Balance Investment Account.	Branch Officer.	-do-	Para 5.21 of the Manual.
17.	Broadsheet of Cash Balance Investment Account.	Branch Officer.	-do-	-do-
18.	Register for watching receipt and disposal of Inspection Reports of Public Debt Offices.	Group Officer.	-do-	Para 5.31 of the Manual.

APPENDICES

S.No.	Name of Return	To whom due	When due	Authority
19.	Statistics relating to payment of loans by the Central Govt.	Book Section.	10th.	TM O.M. No. 41, dated 14-2-1968.
20.	Register of reconciliation.	Branch Officer.	15th.	A.A. II/1-51/69-71/2100, dated 6-2-71.
21.	Register of watching credits in respect of Loans.	Branch Officer.	Last Working Day	Para 6.6 of the Manual.
22.	Register of Review of audit.	Group Officer.	Within a fortnight of completion of review.	Para 2.19 of T.A.D. Manual.
23.	Broadsheets of Central discharged Loans.	Branch Officer.	Last working day of the 2nd month.	Para 3.28 of the Manual.
24.	Various Broadsheets maintained in respect of special types of loans.	Branch Officer.	-do-	Chapter 4 of the Manual.
25.	Various Broadsheets maintained in respect of loans advanced under 'P' Loans and Advances etc. (E)—Fortnightly.	Branch Officer.	-do-	Para 6.9 of the Manual.
1.	Register of Miscellaneous (F)—Weekly.	Branch Officer.	5th/20th.	
1.	Calendar of returns.	Branch Officer.	Monday.	Para 525 of O.P.M.
2.	Report on outstanding letters (inward diary).	Branch Officer.	Monday.	Para 302 of O.P.M.
3.	Register of Pending cases.	Branch Officer.	Monday.	Para 433 of O.P.M.
4.	Diary of Important letters.	Branch Officer Group Officer	Monday.	Para 308 of O.P.M.
5.	Immediate Disposal Register.	Branch Officer.	Tuesday.	Para 372 of O.P.M.
6.	Register of U.O. cases.	Branch Officer.	Monday.	Para 361 of O.P.M.
7.	Register of Outward letters.	Branch Officer.	Wednesday.	Para 431 of O.P.M.
8.	Register for watching receipts and disposal of Inspection Reports of Public Debt Offices. (G)—Bi-weekly.	Branch Officer.	Monday.	Para 5.31 of the Manual.
1.	Report of Inward Reminders.	Branch Officer.	Monday Thursday	Para 421 of O.P.M.