

# PREFACE

The Indian Railways is the largest public enterprise in the country and is considered as the principal mode of transport. It covers a wide area that deals with the provision of modern day services. No other means of transport is as important as the railways for inter-regional movement. The services of railways are indispensable, their supply has to be maintained to the extent of demand satisfaction at appropriate prices. The railways as well as their customers must make a reasonable profit. Since the finance is essentially important for the railways. On the other hand, the accounting process is very necessary for control of railway finance in the shape of revenue and expenditure. The Indian Railways work under the control of Central Government. It functions as a government undertaking and so its accounts are rendered under government rules and regulations. The present study is undertaken primarily to examine the financial problems of Indian Railways, and issues involved in the working and management of railways. This will also highlight the accounting system and audit process in Indian Railways.

## **Hypothesis:**

The hypothesis of the study is that since finance is an important and essential ingredient for the growth and development of the railways. India being a developing country with all sorts of constraints, inefficiencies and shortages of physical and financial nature, the Indian Railways need a huge capital investment. These resources cannot be obtained in railways without having proper control by the Central Government. The proper control on capital investment and railway finance can be done through rendering the railway accounts and their audit proper. In order to overcome numerous problems faced by Indian Railways in financial matters, an appropriate system of accounts and audit is essential. The Central Government should, therefore, take a definite view and develop a separate financial agency to finance and control these huge investments. There is a strong reason for making railways fully aware of their financial structure and financial problems due to a number of constraints – internal financial crunches, low rate of return, heavy investments etc. Indian Railways should change its accounting system and adopt a flexible mode of accounting and control.

## **OBJECTIVES OF THE STUDY**

The study had been undertaken with the following objectives:

1. To have a real picture of the financial performance of Indian Railways.
2. To study the relative role of various funds of Indian Railways.
3. To study the revenue earnings in the shape of earnings from goods traffic and passenger traffic.
4. To examine the different kinds of railway expenditure.
5. To examine the accounting system and audit procedure used by the railways.
6. To upgrade the standard of accounting system of railways by introducing modern methods of accounting and control.

## **METHODOLOGY**

The work has been undertaken by a thorough and detailed survey of the existing published literature on the railways and its financial aspects with the latest information on the subject. The information and data pertinent to the work was collected from numerous secondary sources as was made available to me through the

financial and annual reports of Railways. Information has also been gathered from the Railway Board Library, Baroda Bhawan Library, New Delhi, Maulana Azad Library, AMU Aligarh, the Seminar Library of the Department of Commerce, AMU Aligarh and various other libraries. The journals, periodicals, newspapers, government publications, directly from Ministry of Railways, Government of India, year books, Railway Budgets, annual reports and accounts have been used. A thorough study of the data and information so collected were systematically arranged, synthesised, analysed and interpreted for formulating ideas on the topic and arriving at some concrete and specific findings on the subject.

## **FRAMEWORK**

*The thesis is divided into six chapters.*

Chapter-I: This chapter is an introductory one. This chapter contains the basic introduction and a review of literature on the subject.

Chapter II : This chapter is on the Significance and Financial Performance of Indian Railways. The chapter gives a brief description of the significance of Indian Railways. Further it

analyses the financial aspects of Indian Railways. It highlights the sources and application of funds. This chapter also provides a careful study of the various reports and Railway Convention Resolutions adopted and the findings of the various committees and commissions appointed from time to time to look into the affairs of railways in India.

**Chapter III:** This chapter portrays the items of income. It presents briefly the data about the earnings such as coaching earnings and goods earnings of Indian Railways. The significant figures have also been given on the railway earnings.

**Chapter IV:** This chapter provides an insight into the working expenditure of Indian Railways. This chapter deals with various items of expenditure in Indian Railways

**Chapter V:** This is the core chapter which presents the Accounting and Audit System in Indian Railways. This chapter discusses the accounting system and audit process in India Railways. It also describes the role of Chief Account Officers in maintaining the railway accounts. Again, it examines the role of auditor general, internal check system, powers and duties

of auditor general, audit report in respect of Indian Railway accounts.

Chapter VI: This is the concluding chapter. The findings of the earlier chapters are summarised and suggestions are offered that are based on the findings of the study.

### **LIMITATIONS OF THE STUDY**

In this study on "Accounting and Financial Reporting Practices in Indian Railways during 1990s", I have mainly depended upon the analysis and interpretation of secondary data as was made available to me through the governmental publications, annual reports, budgets and journals. Consequently, the work has some limitations as the genuineness of these data cannot be ensured. Although, I have tried to include these data and collected information in this thesis but it was just impossible to go through the detailed renderings in a vast organisations like Indian Railways.