CHAPTER-VII

Allocation Of Expenditure

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CHAPTER VII

Allocation Of Expenditure

701. General Principles of Allocation -'Allocation' of expenditure implies identifying its source of Finance and should be distinguished from 'classification' which deals with the detailed heads of account under which expenditure is recorded in the accounting books of the Railway. Railway expenditure is financed from Capital provided by the General Revenues, Railway Funds, Extra Budgetary Resources (Institutional Finance) (EBR/IF), EBR (IRFC-Bonds) and Extra Budgetary Resources (Partnership) (EBR/P) and Current Revenues. Accordingly, the expenditure is allocated to (i) Capital, (ii) the Depreciation Reserve Fund (iii) the Development Fund, (iv) EBR/IF (v) EBR(IRFC-Bonds), (vii) EBR/P (viii) Railway safety Funds (ix) other specific fund and (x) Revenue. The detailed classification of (a) the expenditure chargeable to Revenue is given in Appendix I, and of (b) Capital and other Works Expenditure is given in Appendix II. The classification of revenue is given in Appendix III. {Appendices I to III are printed as a separate volume vide Financial Code Volume II). The List of Major and Minor Heads of Accounts of Railway Revenue, Capital, Debt and Remittance Transactions adjusted in Railway Books are, however, given in Appendix IV of Indian Railway Code for the Accounts Department. Appendices I to III referred to in para 701 are in replacement of Appendices I to III of General Code Vol. II.

702. The general principles on which railway expenditure should be allocated between the sources of finance mentioned in the preceding paragraph are described in paras 703 to 715 below. These principles are based on the recommendations of the Railway Convention Committee, 1949, as amended from time to time.

703. **Capital bears** -

1) the cost of land as defined in paragraph 717 except in cases provided in paragraphs 718 and 719 ;
2) the first cost of constructions and equipment of (i) new lines including strategic lines, whether remunerative or unremunerative and (ii) new production units;
3) the cost of maintaining a section of the line not opened for working;
4) the cost of any additions to the line or equipment of the line, when it is not chargeable to Development Fund;
5) the cost of any additional plant and machinery not connected with any specific work; and
6) the cost of any tools and plant specifically purchased, and of any posts specially created for the supervision or construction of a work, in

accordance with the provisions of paragraph 776.

7) the capital component of IRFC lease charges.

(Note -Provided that the capital component of IRFC lease charge shall be charged to Capital, if adequate funds are not available under Capital Fund. However, the above payment shall be the first charge on Capital Fund if sufficient funds are available.)

(Authority: Board's letter no. 2002/AC-II/1/3 dated 25.07.2017)

8) Cost of construction of staff quarters.

(Authority- Board's letter no. F(X)II-94/ALC/3 dated 05.05.1995)

703 A. Capital fund bears –

1) The capital component of IRFC lease charges
(Provided that the capital component of IRFC lease charge shall be charged to Capital, if adequate funds are not available under Capital Fund.)
2) All other expenditure chargeable to Capital Fund as per allocation projected in yearly Pink Book.

Note -

i) The booking of expenditure on Capital and Capital Fund from 1998-99 onwards is to be done as per allocation indicated in yearly Pink Book.
ii) In case of on-going works for which source of allocation is changed in the intervening years, booking already made shall be frozen.
iii) Inventories will continue to remain under GBS portion of Capital.

(Authority: Board's letters No. 93/AC-1/1/1 dated 26.07.1995, F(X)II/93/ALC/1 dated 24.11.1997 and 2002/AC-II/1/3 dated 25.07.2017)

704. Capital is credited with -

1) the cost at debit of Capital of an asset (other than land) which is abandoned or disposed of without being replaced ;

Note –

i) When such an asset is subsequently replaced, the adjustment made under these rules is reversed provided the cost of replacement is chargeable to the Depreciation Reserve Fund according to paragraphs 754 and 755, otherwise the reversal adjustment should not be made, but the cost of replacement should be allocated according to the normal ruler as if it were a new work
ii) When an item of rolling stock is replaced by another of less

tractive power, seating capacity or floor area or carrying capacity as the case may be, the new asset cannot be held to render fully the services for which the old asset was intended and to the extent to which the new stock falls short of the requirement in this respect, the old stock should be considered to have been abandoned, and the credit for the proportion of the original cost thereof afforded to Capital.

2) the sale proceeds of any land acquired at the cost of Capital when it is sold or surrendered;

3) the difference between the cost at debit of Capital of a replaced asset (other than an asset mentioned in item (5) below) and the cost of replacement, when the cost of replacement is chargeable to the Depreciation Reserve Fund ,(vide paragraph 755) and is less than the cost at debit of Capital;

4) the cost of labour originally incurred in laying the assets or parts thereof, when such items are subsequently transferred for use on a new work;

5) the original cost at debit of Capital (estimated if not known) of an asset (falling within the categories mentioned in Note 2 to paragraph 711) replaced at the cost of the Depreciation Reserve Fund.

704 A. Capital Fund shall be credited with:

1) the amount out of the surplus after appropriation to Development Fund.

2) the cost at debit of Capital Fund of an asset which is abandoned or disposed of without being replaced;

Note -

i) When such an asset is subsequently replaced, the adjustment made under these rules shall be reversed provided the cost of replacement is chargeable to the Depreciation Reserve Fund, otherwise the reversal adjustment should not be made, but the cost of replacement should be allocated according to the normal rules as if it were a new work.

ii) When an item of rolling stock purchased from Capital Fund is replaced by another of less tractive power, seating capacity or floor area or carrying capacity as the case may be, the new asset cannot be held to render fully the services for which the old asset was intended and to the extent to which the new stock falls short of the requirement in this respect, the old stock should be considered to have been abandoned, and the credit for the proportion of the original cost thereof afforded to Capital Fund.

3) In case of assets referred to in Note (ii) of Para 703 A, the assets so created as and when retired will be retired by credit to the source from which it was created and where the charge was booked to Capital as well as Capital Fund, the credit will be in the proportion of the charge.

4) The difference between the cost at debit of Capital Fund of a replaced asset (other than an asset mentioned in item (6) below) and the cost of replacement, when the cost of replacement is chargeable to the Depreciation Reserve Fund, and is less than the cost at debit of Capital Fund;

5) The cost of labour originally incurred in laying the assets or parts thereof, when such Items are subsequently transferred for use on a new work;

6) The original cost at debit of Capital Fund (estimated if not known) of specified asset replaced at the cost of the Depreciation Reserve Fund; and

Amount of interest earned on the balance of fund.

(Authority: Board's letter No.93/AC-I/1/1 dated 26.07.1995, F(X)II-93/ALC/1 dated 12.05.1993, and F(X)II/93/ALC/1 dated 24.11.1997)

705. Revenue bears -

1) All charges for maintenance and repairs after opening of the line for traffic, other than charges of the nature detailed in paragraph 727, including the current expenses of conducting the business of a railway, e.g., pay, allowances, etc., of establishment employed on the open line;
2) The contribution made to the Depreciation Reserve Fund under paragraph 710 to meet the cost of replacement and renewals of assets;
3) The cost of such replacements and renewals as are not chargeable to the Depreciation Reserve Fund or the Development Fund under paragraphs 758 and 711;
4) The cost of labour originally incurred in laying the assets or parts thereof at the cost of Capital, when such items are subsequently transferred for use on a new work;
5) The cost of additional pitching stone laid in training works and protective works after the completion of such works; and
6) The cost of procurement on additional account of small items of equipment, including medical equipments apparatus, appliances including instruments and accessories for Railway Hospitals and Dispensaries as also the cost of replacement of these items provided the cost does not exceed Rs. 3 lakh per item or the monetary limit as prescribed by Board from time to time. These powers should be exercised with great

circumspection and justification for the purchase thoroughly examined so as not to place an undue burden on Revenue. In cases where (i) cost of an item of medical equipment exceeds Rs 20,000/- (or the monetary limit prescribed from time to time) and (ii) cost of an item other than medical equipment exceeds Rs 10,000/- (or the monetary limit prescribed from time to time) the powers should not be re-delegated below the level of Heads of Departments.

Note -In the context of provisions contained in sub-para (3) read with para 758(4), replacement of all items included in the list below para 758 (4) is to be allocated to Revenue, irrespective of the cost involved.

706. Revenue is credited with the value of material released from works charged to Revenue and the amount realized from the disposal of an asset, after deducting the incidental charges, e.g., the cost of dismantling, handling and shifting, including freight to stores depot.

707. Deleted

708. Revenue is credited with the amount realized from the disposal of an asset without being replaced, the original cost of which has been charged to Open Line Works-Revenue.

709. Depreciation Reserve Fund bears -

1) The cost of replacements and renewals including the cost of dismantling, handling and shifting including freight to stores depot in accordance with the provisions of paragraphs 753 to 755 and 758
2) The cost of replacement of ballast involving improved type of ballast; vide para 739 (ii)
3) The original cost (cost at debit of capital) of an asset other than land, estimated if not known, replaced at the cost of Open Line Works-Revenue;
4) The cost at debit of creation of an asset under works (other than land) which is abandoned or disposed of without being replaced;
   Note -When such an asset is subsequently replaced, the adjustment made is reversed provided the cost of replacement is chargeable to the Depreciation Reserve Fund according to Paragraphs 754 and 755, otherwise the reversal adjustments should not be made but the cost of replacement should be allocated according to the normal rules as if it were a new work.

5) All expenditure incurred on modernization of Rolling Stock ; and

6) The cost of tools and plant specially purchased, and of any posts specially created, for the supervision or construction of a work in accordance with the provision of paragraph 776.

710. Depreciation Reserve Fund is credited with -

1) The amount contributed annually from the Railway Revenues;
2) The amount realized from the disposal of an asset (cost at debit of Capital or Development Fund or similar funds) and the amount realized from the disposal of materials released from a work replaced at the cost of the Depreciation Reserve Fund; and
3) The amount of interest earned on the balance of the Fund.

711. Development Fund bears-

1) The cost of new works relating to amenities for customers falling within one or more of the categories in the list in Note 2 (I) below, irrespective of the cost of work,
2) The full cost of replacement of a work (falling within one or more of the categories in the list in note 2 (I) below, where the original cost was charged to revenue,
3) The cost of all new labour welfare works
4) The entire cost of unremunerative works, for improvement of operational efficiency including addition to existing or new works falling within one or more of the categories in the list Note 2 (III) below;
5) The cost of any tools and plant specifically purchased and of any posts specially created for the supervision or construction of a work in accordance with the provisions of paragraph 776;
6) The original cost at debit of Capital, estimated if not known, of an asset (falling within the categories mentioned in Note 2 below) replaced at the cost of the Depreciation Reserve Fund.

I. Passenger and Other Railway Users' Amenities : -

1) Provision of overhead and/or ground level arrangements at stations for filling water in carriages, water supply at stations for use of Passengers, including not only general water supply arrangements which are used for providing water in carriages but also purification plants installed, water coolers-electric or otherwise-water trollies, etc., provided for use ofpassengers.
2) Provision of waiting accommodation including reinforced cement concrete and other types of benches at stations including extension or improvements

to existing arrangements to meet the requirements of railway passengers.

3) Refreshment Rooms, Retiring Rooms, and vendors, stalls of all descriptions at stations provided for catering to railway passengers, except those which the vendors are required by contract to provide at their own cost.
4) Provision or improvement of latrines provided for railway passengers at stations.
5) Miscellaneous improvements, viz., provision of seats, hedges, shade trees on platforms, at stations to cater to the needs of railway passengers.
6) Provision of bathing facilities at stations for use of passengers
7) Improvement to existing carriages such as provision of fans, improved lighting and lavatories, special insulation in roofs, bigger water tanks in carriages, better fitting etc., intended to provide improved facilities to railway passengers. Cost of additional coaches to compensate the loss in seating capacity when old coaches are replaced by new coaches which have a lower carrying capacity due to provision of better facilities for passengers.
8) Improved lighting and provision of fans on platforms or in waiting halls and sheds or vendors stalls at stations to cater to the requirements of railway passengers.
9) Exhibition of sheets time tables in glass fronted frames at station to serve the requirements of passengers.
10) Computerization of Passenger Reservation System (PRS).
(Authority Railway Board's letter No.F(X)II-87/ALC/1 dated 09.09.1988)
11) Works under all the above heads meant to cater to railway passengers provided in connection with Melas and required for periods exceeding 6 months.

Note -Works of this nature required for periods less than six months will be treated as temporary and charged to Revenue under para 740.

12) Any other work considered essential for meeting the requirements of railway passengers at any station, eg., provision of information Offices or Kiosks, provision of public announcement systems etc.
13) Provision including extensions and improvements of the following to cater to the needs of other railway users in Goods Sheds and Parcel Offices for Arrangements for drinking water including water coolers, water trollies etc,Waiting accommodation, including provision of various types of benches, Refreshment rooms and Vendors Stalls, except those that a contractor has to provide at his own cost, Latrines, Miscellaneous improvements, namely; provision of seats, hedges and shade trees,Lighting arrangements and provision of fans,Any other work considered essential, e.g., Enquiry Offices / Information Centres etc, Work under the above heads provided in connection with melas and required forperiods exceeding 6 months.

II. Staff Welfare Works

Provision of new hospitals, dispensaries and schools and additions, alterations and improvements to existing ones, Provision of new institutes, recreation rooms, swimming baths, sports grounds and reading rooms and improvements and additions to the existing ones, Provision and improvement of health and welfare services, child welfare and maternity centres, cooling arrangements for workshops, canteens and rest rooms for workmen, Provision and improvement of sanitation, water supply, roads, lighting and marketing facilities in railway colonies, Improvements and alterations to existing quarters of whatever type.

III. Un-remunerative Works for improvement of Operational efficiency

Works arising out of the need for keeping operational methods up to the latest requirements and standards, viz.-,Improvement in water supply at stations for loco traffic purposes, Removal of infringements, Regrading permanent way and improving curves, Converting dead-end sidings into through loops and the provision of additional loops at stations, Provision, extension, realignment or modernization of catch-sidings, Electric lighting of sheds and stations, whether new works or improvements to existing ones, Provision of guard rails on major bridges with through or deck spans, Duplicating or strengthening girders by adding materials, Additional earth work carried out in raising the roadbed in the approaches to railway bridges on account of replacement of girders by others of greater depth, Strengthening of track by inserting additional sleepers, Provision of Anticreep Anchors, Fitting of automatic vacuum brake equipment to Metre Gauge wagons, Telecommunication works and wireless installations, Accommodation works not called for during the construction of a railway or for the period thereafter laid down in Section 11 of the Indian Railway Act, Schemes for remodelling of station yards, workshops, sheds, stores depots and store yards, Improvements to existing station buildings, sheds, godowns, etc, Improvements, extension and additions to office buildings, Provision of, and improvements and additions to, drivers and guards running rooms and rest houses for officers, Provision for fire fighting arrangements or equipment at stations, Provisions of washable aprons on passenger platform lines, Opening of new flag stations or conversion of halts into flag stations, as a passenger facility where there is no financial justification, Provision or improvement of approaches and circulating areas at stations including improved lighting, tonga-car-taxi-cycle-rikshaw stands to cater to the requirements of railway passengers, Approach roads, circulating areas, bullock and other cart sheds and water troughs etc.

IV. Safety Works – Safety related works can be charged to Development Fund

also.

Note - A) A work shall be considered to be remunerative for the purpose of this paragraph if it earns the return stipulated in Para 204

B) The cost of plant and machinery required for any of the above works should also be included in the cost of the work for the purpose of the above rules.

C) The works 'Provision or improvement of approaches and circulating areas at stations including improved lighting, tonga-car-taxi-cycle-rikshaw stands to cater to the requirements of railway passengers, Approach roads, circulating areas, bullock and other cart sheds and water troughs etc' which appear in the Pink Book for 1979-80 or were approved separately during that year irrespective of whether they had been commenced or not, will continue to be classified as "Passenger Amenities" and 'Other Railway Users Amenities' respectively, Only new such works included in 1980-81 budget and onwards will be treated as unremunerative operating improvements.

712. The Development Fund is credited with-

1) the amount transferred to it from the Revenue Reserve Fund;

2) the amounts appropriated to it each year from the surplus or otherwise

3) the cost at debit of the Development Fund of an asset which is abandoned or disposed of without being replaced;

Note -When such an asset is subsequently replaced, the adjustment made under these rules is reversed provided the cost of replacement is chargeable to the Deprecation Reserve Fund according to Paragraphs 754 and 755, otherwise the reversal adjustment should not be made but the cost of replacement should be allocated according the normal rules as if it were a new work.

4) the difference between the cost at debit of the Development Fund of a replaced asset and the cost of its replacement, when the cost of replacement is chargeable to the Depreciation Reserve Fund (vide Paragraphs 754) and is less than the cost at debit of the Development Fund; and

5) the amount of interest earned on the balance of the Fund.

713. If a work or scheme consists of several categories, some relating to amenities for customers or labour welfare and other to operative improvements, remunerative or unremunerative, the allocation should be considered with reference to the work or

the scheme as a whole, except that the cost of such item or items of the work or scheme as can be identified to be of the category of amenities for passengers and other railway users should be charged to the Development Fund.

714. Deleted
715. Deleted

715 A. Railway Safety Fund (RSF) bears-
The cost of projects under the following Planheads (PH):

i) Road Safety Works-Level Crossings,
ii) Road Safety Works-Road Over/Under Bridges,
iii) New Lines
iv) Gauge Conversion,
v) Traffic Facilities
vi) Track Renewals,
vii) Bridge Works,
viii) Electrification,
ix) Customer Amenities &
x) Metropolitan Projects.

715 B. Railway Safety Fund (RSF) shall be credited with:

i) Funds received from General Exchequer as Railway's share out of Central Road & Infrastructure Fund (CRIF) from cess levied on HSD oil and petrol etc, as per CRIF Act.
ii) Amounts to be appropriated from Railway Revenues i.e. out of the surplus after appropriation to Development Fund and Capital Fund.

715 C. Extra Budgetary Resources (EBR)

EBR(P): Cost sharing with State Government for Plan Heads New Lines, Traffic Facilities, Road Safety Works, Other Electrical Works (incl TRD) and Customer Amenities-
Another component of EBR is EBR-Partnership which captures the investments made by third parties on the railway network and includes sidings, private freight terminals, contributions of state governments in joint venture projects, loans directly provided to Railway companies for which IR stands as guarantor, etc.

EBR (IF): A new source of fund was introduced in the Railway Budget 2015-16 for financing projects. The funds are borrowed from institutional sources so as to ensure availability for completion of projects critical for the Railways for generation of revenues.EBR(IF) allocations would be utilized for priority works under Plan Heads New

Lines, Gauge Conversion, Doubling, Traffic Facilities, Railway Electrification, S&T etc with a view to enhancing throughput on the congested corridors.

EBR (IRFC-Bonds): Allocation of Business Rules of GOI allow only MOF to borrow funds for GOI finances. For supplementing funds to finance Railway Budget, the finance arm of Indian Railways, i.e. Indian Railway Finance Corporation does the borrowings. These funds are utilized primarily for procurement of rolling stock, which is then leased to IR for a fixed period. IR pays lease charges to IRFC - both principal and interest components. After the lease period the assets are handed over to Railways at an agreeable amount.

715 D. RRSK: 'Rashtriya Rail Sanraksha Kosh' (RRSK) was created in 2017-18 for a period of five years (as extended from time to time by MoF) to fund critical safety related works. This fund will be utilized for financing identified works under Plan heads Track Renewal, Bridge Works, Signal & Telecom Works, Road Safety works of Level Crossings and Road Over/Under Bridges, Rolling Stock, Traffic Facilities, Electrical Works, Machinery and Plant, Workshops, Passenger Amenities and Training/HRD.

716. The following detailed rules regulate the allocation of expenditure in particular cases and are intended to be illustrative of the application of the basic principles in practice.

717. Land -Land taken up permanently, whether for works or Revenue purposes of the railway is charged irrespective of cost to Capital All charges incidental to the acquisition of land are included in the cost of land.
Note -Incidental charges are defined in the "Explanatory Note 1120" against' Land' in Appendix II of Volume II of this code.

718. The cost of land provided free to subsidized railways is debited to the minor head "Subsidized Companies" under major head 345-Indian Railways Policy Formulation, Direction, Research and other Miscellaneous Organisations. No readjustment to capital is allowed after such a railway is purchased by Government.

719. The cost of land required for the acquisition of materials by quarrying, mining, boring, or other operation; and payments for royalty, mining rights, etc., connected with the same, is dealt with as part of the cost of the manufacturing operations or charged off finally to the work concerned.

720. Rent or other miscellaneous charges in connection with the hire of land,(e.g., the compensation payable for land acquired temporarily under Section 35 of the Land Acquisition Act of 1894) are charged to the work concerned.

721. The cost of filling up burrow pits as a conservancy measure is chargeable to Revenue. When the filling up of borrow pits is necessitated by the construction of a new work, the cost of filling up should be allocated to the work concerned.

722. When land, originally acquired at the cost of capital, is sold or surrendered, the sale proceeds are in all cases credited to Capital.

723. When land is lost through erosion, its cost is written back from Capital to Revenue. If the land so washed away subsequently reforms and is used by the Railway, the adjustment originally made between Capital and Revenue is reversed.

724. **Surveys & Preconstruction activities -**The expenditure incurred on a survey or pre-construction activity is in the first instance charged to the head "3001-A Indian Railways Policy Formulation, Direction Research and other Miscellaneous Organizations (Miscellaneous Expenditure General)" and when the construction of the project is **Sanctioned by the competent authority,** it is transferred to the project concerned, irrespective of the year in which the expenditure was originally incurred.
Note -If the adjustment of such expenditure involves large amounts, it may be considered specially in consultation with Audit.
Railway Board Authority 2024/F(X)II/10/15 dated 11.07.2024 (ACS No 03)

725. **New lines -**The allocation of expenditure on new lines after the date of opening, but before the closing of the completion estimate, is regulated by the rules in paragraphs 726 to 732.

726. The cost of completing works which were incomplete on the date of opening and of works which, though commenced after that date may properly be considered as forming essential parts of first equipment, is charged to Capital.

727. During the period for which such works remain incomplete, the cost of their maintenance, replacement or renewal is also charged to Capital, provided the maintenance, replacement or renewal becomes necessary directly out of their incomplete state.

728. The cost of maintenance of works which were complete on the date of opening is charged to Revenue. The cost of their replacement or renewal is allocated to Depreciation Reserve Fund according to the provisions of paragraph 754 etc For the purpose of this rule a work is considered to be "complete" only when, for the first time, it conforms in all respects to its accepted specification.

729. A few instances are given below to elucidate further the principles enunciated in paragraphs 726 to 728.

730. Cess repairs and earthwork for banks undertaken immediately after the opening of a line, while the construction estimate is still open may be regarded as works necessary to complete the bank, chargeable to Construction Estimate and debitable to Capital.

731. Ballast and permanent way are regarded as "complete" when they are laid to the accepted specification and any subsequent packing or other work that becomes necessary after opening of the line should he charged to Revenue.

732. Repairs to bridge bed blocks, training works, protective works, mile-stones, engine sheds, water columns and quarters which have been completed to specification, and are capable of being put to the use for which they were intended, are chargeable to Revenue irrespective of whether they were actually so used or not. If works were not complete as defined above, the cost of repair is chargeable to Capital.

733. **Lines partially opened for traffic-** Subject to the provisions of Rule 727 in regard to the maintenance of incomplete works, the maintenance charges of a line, or a portion of a line which has been opened for traffic but the maintenance of which continues to be supervised by construction staff should be allocated as follows. Such of the charges as can be identified as directly allocable to the line or portion of the line opened for traffic should be debited to Revenue. The cost of supervising and miscellaneous staff and other miscellaneous expenditure, which is not so identifiable, should be distributed between Capital and Revenue in the ratio which the total Capital expenditure, both on opened and unopened portion of the line, bears to Revenue expenditure on the portion opened to traffic plus Revenue earnings of that portion. So for as the maintenance of permanent way is concerned, the debit to Revenue in respect of expenditure not so identifiable, may be arrived at on an estimated basis having regard to the expenditure on the maintenance of a line similarly located.
Note -The term 'Capital expenditure' in this Paragraph means 'gross' expenditure, ignoring any credits for the value of released materials.

734. Deleted
735. Deleted
736. Deleted

737. Cost of Office Equipment and other office Appliances, Tools and

Plants -Cost of Office appliances and machines such as Personal Computers, Xerox machines, Fax machines, small tools and plants (costing upto Rs 1 lakh individually) should be charged to revenue, except when this is required to be booked under Capital or Depreciation Reserve Fund or Development Fund etc, as per provisions of Para776,

Note -Personal Computers, upto Rs.1 lakh only will be treated as Office appliances. This rule will not, however, apply to computers of higher configuration, viz, Mainframes etc. or PCs , machines and other office appliances chargeable to works estimates.

(Authority: Board's letter No. 2011/F(X) II/5/11 dated 08.09.2016).

738. **Revenue Sidings-** The cost of sidings required purely for revenue purposes e.g. ballast and fuel sidings are charged to Revenue**.**

739. **Additions of Ballast-** Except when connected with the relaying of permanent way and/or replacement of, and changes in, the type of sleepers, the cost of additions, of ballast shall be charged—

i) to revenue (a) when ballast is added after three years of the opening of a line; (b) when there is an increase in the depth of ballast for the purpose of maintaining the requisite depth;

Note -Cost of ballasting an unballasted line within three years of its opening will follow the allocation of the original construction estimate.

ii) to Depreciation Reserve Fund when there is an improvement in the type of ballast (e.g. when sand or moorum ballast is replaced by stone ballast) or when the depth of ballast is increased beyond the normal prescribed depth to comply with the revised track standards.

If the additions or improvements are so connected with the relaying etc, the supply of additional or improved ballast should form an integral part of the operation of and be combined with the " Permanent Way" portion of the estimate for relaying and replacement for the purpose of allocation.

Note -1) the word "Improvements" occurring in this sub-Paragraph includes "renewals"

2) the expression "connected with the relaying" should be taken to mean strictly only where ballasting is a necessary and integral part of relaying, but when relaying is taken as an occasion to simultaneously add to the ballast, it should not be held that the ballasting is connected with the relaying.

740. **Temporary and Experimental Works-** The cost of a temporary or

experimental work is chargeable to Revenue. When, however, it ceases to be temporary or experimental and becomes permanent, or is replaced by a permanent work, the actual cost of the work should be transferred to the debit of fund in works.

741. **Maintenance of Quarters for Construction Staff-** When quarters built as part of important open line works in progress and not handed over to be managed by the open line, are occupied by the open line staff, the rent realized shall be credited and the cost of repairs and maintenance debited to revenue. But when such quarters or occupied by construction staff, the rent will be credited to, and the cost of repairs and maintenance of such quarters even if vacant should be debited to, the project.

742. **Rolling Stock-** All first equipment of rolling stock for a line of railway is chargeable to Capital/EBR (IRFC-Bond). Whether an item of rolling stock provided otherwise than as first equipment is to be accounted for as an addition or as a replacement or renewal shall be decided according to the following principles.

743. Renewals must always take precedence of " Additions"

744. When additions are made to the Rolling Stock of any class authorised for the Railway, the cost of such additions should be charged to Capital. However, as an exception to this, the cost of new coaches procured to make good the loss in the seating capacity of replaced coaches due to the provision of additional facilities for the passengers in the new coaches (though they are treated as additions to the authorised stock for the Railway) should be charged to the Development Fund in accordance with item 7 of List "A" below Note (2) under para 711.

745. No new rolling stock should be charged to Capital as additions, if the actual stock of that class in existence on the line is below the authorized stock for the railway, when additions to rolling stock are made under classes in respect of which there has previously been a reduction in authorized stock, the new stock should be considered to have replaced the stock previously reduced.

746. The following are the classes into which rolling stock is divided for the purposes of the preceding paragraph, but if there is any doubt whether a particular item belongs to one class or another, the decision of the Railway Board should be obtained-

Class	**Particulars**
1)	Locomotives, diesel and battery.
2)	Locomotives, electric.
3)	Coaching stock (suburban motor units).

4) Coaching stock, self-propelled and trailers.
5) Saloons.
6) Tourist cars and Restaurant cars.
7) Coaching stock, upper classes, including all vehicles in which air-conditioned or first class accommodation is provided.
8) Coaching stock, including brake, luggage and postal in which second class accommodation is provided.
9) Other coaching vehicles, including brake, luggage, postal, motor, fruit, fish, poultry, duck (vans) and horse-boxes, in which no passenger accommodation is provided.
10) Officers carriages
11) Service coaching vehicles, including stores vans, tool vans, break down vans and subordinate inspection carriages.
12) General service goods wagons, including open, covered, low sided rail and timber trucks.
13) Acid, oil and petrol tank wagons.
14) Other goods vehicles, including cattle wagons and explosive wagons.
15) Well wagons.
16) Goods brake-vans.
17) Service wagons, including ballast hopper, crane support, crane and weigh bridge testing wagons, and water tank wagons.
18) Mineral centre discharge hopper wagons.

Note -The above represent the maximum number of classes. A similar number of classes may be observed, when deciding whether an item of new rolling stock is to be treated as an addition or a replacement. Within each such class, the particular item of rolling stock which should be considered as being replaced is that which approximates most closely to the vehicle that is being provided on renewal account. Where close approximation is impracticable or where difficulty arises in determining what is the stock most closely approximating, due regard should be paid to the consideration of eliminating any debit to capital that can be avoided consistently with the adequacy of the replacement.

747. The classification given in the preceding paragraph is intended to cover ordinary cases where new stock of particular class is obtained, but when new stock of a particular class supersedes actually old stock of another class, the case should be referred to the Railway Board for orders on its individual merits.

748. Railway administration shall maintain in the necessary detail, statistics of Rolling Stock showing the figures separately for each class of rolling stock, the numbers of the gross authorized stock, the reduction therein made from time to

time and the net authorized stock.

749. **Stand bys -**For the purpose of this rule a "stand-by" is a complete unit of machinery, plant or equipment which is kept in order to perform the functions of the main unit of machinery, plant or equipment to which it is a "stand-by" and with which it may be identifiable, when such unit is put out of action temporarily on account of accident or periodical repairs, or is required to assist when the main unit has to meet on overload. The cost of such "stand-by" is chargeable to the head to which the machinery, plant or equipment to which it is a "stand-by" is charged. A "stand-by" does not include articles which have been replaced but continue to give service as unauthorized stock or duplicates for some time after.

750. **Spares -**Other spare items of machinery, plant or equipment, whether complete units or parts, which do not fulfil the conditions of the preceding paragraph, such as boiler tubes, super heater element, armatures, valves, coils, etc., will be called "spares" for the purpose of rule. The cost of such "spares" should, in all cases be brought on to the Stores Suspense Account and charged to revenue when handed over to be retained in the custody or issued to the using department. Exceptional cases where a debit to capital is considered justifiable should be referred to the Railway Board for orders. The following items have been admitted by the Railway Board as justifying a charge to capital provided they cost individually more than the monetary limit prescribed from time to time.

a) spare boilers for each type of locomotive in use, up to 7 percent of their total authorised stock of locomotives, intended to accelerate engine repairs,
b) spare boilers for watering arrangements at stations and power-operated spare pumping sets; and
c) the items of spares of circulatory nature for Diesel Locos /Rail Cars listed below when costing the monetary limit prescribed from time to time or more per loco set/rail car should be charged to capital.

List of spares for Diesel Locos / Diesel Rail Cars to be charged to Capital.

Diesels Electric---

1) Diesel engine complete with Generator.
2) Motor truck assembly complete with traction motors.
3) Traction motors (BG/MG)
4) Traction Generators (BG/MG)

Diesel Hydraulic –

1) Diesel engine (Mak)
2) Suri transmission,
3) Reversing Gear Box.

751. The items of spares for electric locos and EMU stock listed below when costing the monetary limit prescribed from time to time or more each and not being of the nature of consumable stores but intended to accelerate repairs should be charged to Capital.-

List of spares for Electric Locomotives and EMU Stock to be charged to capital.

Spares for Electric Locomotives

1) Bogies complete with Traction Motors.
2) Main Transformers.
3) Traction Motor.
4) Tap changer.
5) Silicon Rectifier Block.
6) Traction Motor Armature (as distinct from Traction Motor).

Spares for EMUs-

1) Main transformer.
2) Traction Motor.
3) Silicon Rectifier Block.
4) Traction Motor Armature (as distinct from Traction Motor).

752. The cost of spare starting resistances of D.C. Electric Locos will also be charged to Capital in addition to 6 items of spares for electric locos listed in para. 751.

752A. Spare C & W bogies built with wheels and axles provided to facilitate and expedite the out turn of coaches and wagons from the repair shops, has been admitted by the Railway Board as justifying a charge to Capital provided they cost individually more than the monetary limit prescribed from time to time and held in shops/sheds as non-stock items with complete documentation.

753. **Replacement and Renewals--**.After the date of opening of a line for traffic, the cost of replacement or renewal of works or articles of equipment which were complete on that date, is allocated in accordance with the rules in paragraphs 754 to 758.

754. Except as provided in paragraphs 703 (5) and 711 (2), the full cost of replacement, including the improvement and inflationary elements, of an asset should be charged to the Depreciation Reserve Fund.

755. When the cost of replacement is chargeable to the Depreciation Reserve Fund and is less than the original cost (cost at the debit of Capital or Development Fund etc) of the assets replaced, which may be estimated if not known, the entire cost of replacement should be charged to the Depreciation Reserve Fund and difference between the original and the cost of replacement should be credited to Capital or Development Fund etc as the case may be, by debit to the Depreciation Reserve Fund.

756. Deleted.

757. If the original cost of an asset was partly debited to the Development Fund and partly to Open Line Works-Revenue, the cost of replacement of such an asset shall be allocated to the Depreciation Reserve Fund.

758. For the purpose of paragraphs 754 and 755, a replacement or renewal to admit of a debit to the Depreciation Reserve Fund must fall under one of the fo1lowing categories.-

1) Renewals, including casual renewals of rails, sleepers and fastenings, such as fish plates, fish-bolts, spikes, points and crossings, tongue rails;
2) wholesale renewals or strengthening of bridges and girders;
3) renewals of assets detailed in paragraphs 759 to 768 and
4) Renewals of all assets except those detailed in the list appended below:

    a) Train lighting equipment including dynamos, batteries and re-wiring (Electric equipment).
    b) Locomotive fire-boxes.
    c) Locomotive fire-box plates.
    d) Locomotive axles.
    e) Locomotive tyres.
    f) Locomotive cylinders.
    g) Component parts of wheels and axles of carriages and wagons.
    h) All apparatus and appliances including instruments and accessories for railway hospitals and dispensaries.
    i) Floors and roofs of buildings.
    j) Stair cases and side-walks of bridges.
    k) Ballast.
    l) Re-wiring of high tension circuits of motor coaches of suburban electric rolling stock.
    m) Flexible pinion assembly on the Electric Freight Locomotives.

When a renewal or replacement does not fall under any of the categories detailed in this rule, the cost of replacement will be borne by Revenue

Note - The cost of repairing flood damages, including the cost of repairing damages to track caused by accidents, is chargeable to " Revenue, Maintenance and Repairs", unless the repairs are associated with an element of betterment when the cost should be charged to the Depreciation Reserve Fund.

759. **Renewals of rails, etc.-**When renewal of track is proposed by different weight of rail and different type of Sleeper, the amount chargeable to the Depreciation Reserve Fund will either be the estimated original cost of the material in the track or the full cost of replacement whichever is greater.

760. When rails, which were second-hand when originally put in the line, are replaced by new ones, the entire cost of replacement will be charged to the Depreciation Reserve Fund.

761. Deleted
762. Deleted
763. Deleted

764. **Renewals of Carriages and Brake-Vans-** In the case of replacement of carriages, one bogie should be taken as replacing two four-wheelers.

765. **Renewals of Self-propelled Coaches-** When self-propelled coaches are replaced by locomotives, the Cost at debit of capital in respect of the carriage portion will be written off from capital by debit to the Depreciation Reserve Fund and the cost of replacement, allocated to the Depreciation Reserve Fund in accordance with the provision of paragraphs 754, 755 and 758.

766. **Renewals of wagons-**In the case of replacement of wagons, one bogie should be taken as replacing two 4-wheelers.

767. When new stock is built on old underframes, only the depreciated value of the underframes should be included in the cost of the new stock and the same amount being credited to the Depreciation Reserve Fund as value received for released materials.

768. **Renewals of Rolling Stock parts-**The cost of renewals of complete wheels and axles of carriages and wagons should be allocated to the Depreciation Reserve Fund.

769. Deleted

770. When the motions, or in some cases the engine frames of locomotives, are altered, the total cost is charged to Revenue.

771. When small fittings are provided for locomotives incidental to conversions, the total cost is charged to Revenue.

772. **Incidental Works-**The allocation of temporary works and diversions, which are incidental to a main work, follows that of the main work in connection with which they are required, and where the main works are debitable partly to Capital or the Development Fund etc and partly to the Depreciation Reserve Fund or Revenue, their cost is allocated in rateable proportions.

773. The cost of incidental works which are not essential for the execution of the main work, but are required merely to maintain the earning revenue of the railway at their normal level is chargeable entirely to Revenue.

774. **Incidental Charges -**The cost of a work includes all charges directly connected with the work. Accordingly the freight on materials to the site of work and charges for loading and unloading, dismantlement, shifting and relaying form part of the cost of the work to which they are directly incidental and are not separately chargeable to Revenue.

775. **Expenditure on Ceremonial Occasions -**The expenditure incurred on ceremonial occasions in connection with the opening of new lines or open line works shall be charged to Revenue.

776. **Cost of Tools and Plants and Special Posts -**No portion of the pay or allowances of permanent open line staff shall be charged to estimates, when such staff is employed on special works and the vacancies thus caused in the open line cadre remain unfilled. The cost (less return value) of tools and plant specially purchased and the cost of any posts specially created, for the supervision or construction of a work chargeable purely to Capital or Depreciation Reserve Fund or Development Fund or Open Line Works-Revenue, is debited to Capital, Depreciation Reserve Fund, Development Fund, as the case may be. Where the cost of work is chargeable partly to Capital or Development Fund, or Depreciation Reserve Fund, the cost of such posts and tools and plants should be allocated to Capital or Development Fund or Depreciation Reserve Fund, in the same proportion in which the estimate for the work excluding the estimated cost of tools and plant and special posts, is chargeable. For working out the proportion, the gross amount of the estimate (ignoring the provision for credits on account of released materials) should be taken into account. The cost of a post, for the

purpose of this rule includes the leave salary and contributions towards passages, pensions, provident fund, bonus and special contribution to provident fund, which the holder of the post may be entitled to.
Note: The provision for credits on account of released materials to be ignored in working out the proportion of cost of tools and plants and special posts, should be the net credit in terms of paragraph 710 (2).

777. **Inter-Railway Transfer of Assets -**When locomotives and other rolling stock are transferred from an Indian Railway to a railway other than Indian Railways the Depreciation Reserve Fund of the selling railway should be debited with the original cost of the stock by credit to Capital and the Depreciation Reserve Fund credited with the depreciated value of the stock, by debit to the railway to which the stock is transferred, the depreciated value being arrived at according to the following formula

Then depreciated value (C) is:

$$C = \frac{a*75\ c}{b*100}$$

Where-

a is the sum of the years the stock has run, six months or less to be ignored and more than six months to count as one year;

b is the sum of the years of its normal life;

c is the original cost of the stock or present day replacement cost, whichever is greater

Note (1) The value of any locomotive,carriage or wagon shall not be at any time less than 25 percent of its original cost or present day replacement cost, whichever is greater.

(2) The cost of an engine, when it is not known separately should be calculated on the following basis :-

Cost of engine for tender/tank engine = ¾/⅔ of the original cost or present day replacement cost, whichever is greater, of the whole locomotive.

778. The normal life of Rolling stock should, for the purposes of the preceding rule be assumed to be as given under para 219, as modified from time to time.

779. The example given below illustrates the formula prescribed in paragraph 777-

Example.-An engine, the original cost of which is Rs 12 Cr is transferred to another railway after it has run for six years.-

a = 1+2+3+4+5+6 = 21.
b = 1+2+3..... 40 = 820
C= 12,00,00,000

$$depreciated\ value = 12,00,00,000 - \left(\frac{21}{820} * \frac{75*12,00,00,000}{100}\right)$$

= 12,00,00,000 - 2304878

= 11,76,95,122

780. When rolling stock is transferred from one Indian Railway to another such railway, the original cost and the amount of depreciation, since purchase or since last renewal if renewed, should both be transferred from the selling to the purchasing railway without any financial adjustment, the cost of part renewals, if any, actually charged to the Depreciation Reserve Fund being deducted before transfer. The depreciation, for the purpose of this paragraph, should be calculated on the basis of "normal life" as modified from time to time.

781. **Assets other than Rolling Stock -**When assets other than rolling stock are transferred from one Indian Railway to another such railway, adjustments, where necessary, will be made between the selling and the purchasing railways in accordance with paragraphs 703 to 715, the sale value being the market value as may be mutually settled between the railways parties to the transaction as in the case of disposal or sale of assets.

782. **Sale of overage or condemned locomotives and wagons -**The sale price of overaged or condemned locomotives and wagons shall be determined in accordance with the following formula -

Locomotives- (a) Scrap value, on weight basis, at controlled rates, on the ferrous portion. Virgin metal value, at present day prices, on non-ferrous portion, e.g., copper, brass, etc.

The aggregate value thus arrived at, to be raised by 25 per cent.

(b) In addition to the sale price, calculated as above, a proportion of the cost of periodical overhaul given to the locomotives prior to their sale, should also be included therein. This should be determined in accordance with the formula given below -

$$\text{Cost of periodical overhaul} \times \left\{\frac{\text{Average kilometrage between 2 periodical overhauls}}{} - \text{Kilometrage done by engine since last periodical overhauls}\right\}$$

Average kilometrage between 2 periodical overhauls

Wagons- Scrap value at controlled rates excepting for serviceable parts e.g., wheels and axles, springs, draw gear, buffing gear, brake gear, etc., for which 50 percent of the present day prices should be added. The aggregate value thus arrived at should be raised by 25 percent to arrive at the sale price.
Subject to the minimum as fixed above, the actual sale price should be settled in each case depending on the working condition of the unit.

Note -This Formula relating to wagons does not apply to wagon bodies (i.e. condemned wagons after stripping useful fittings) sold by auction.

783. **Transfers of assets from 'Open Line' to 'Construction' -**When an asset borne at the debit of Capital or Development Fund or any other such fund is transferred from Open Line to Construction, the original cost of the asset should be written back from Capital or Development Fund or any other such fund to the Depreciation Reserve Fund and the depreciated value of the asset deviated to the construction estimate by credit to the Deprecation Reserve Fund.

784. **Replaced Stock -**Credits for Rolling stock, replaced but kept running on the lines should be afforded to the Depreciation Reserve Fund only when the stock is actually broken upor returned to the store depot or other wise disposed of.

785. When parts of an engine or vehicle which is borne on the " replaced stock" list, are to be used in construction of new stock, the present value of material so used shall be included aspart of the cost of the new stock, the Depreciation Reserve Fund receiving credit to that extent.

786. The cost of all additions and alterations which may be required to be made in the replaced stock to render it suitable for the purpose for which its retention was intended, should be charged to revenue. Vehicles converted into those of a different class do not come under this rule and incidence of the cost of conversion follows the ordinary rules.

787. **Second-hand Rails -**When second-hand rails, released from existing lines are supplied to new projects or other administrations, their price is determined according the formulaprescribed below: -

Price per ton = R - N/L (R-S)

Where -

R. is the present day price of new rails of the section in questing (exclusive of freight charges)

N. is the age of the rails;

L is the estimated life of the rail; and

S is the scrap value of the rail

L should be taken as prescribed but is subject to variation in cases where the Chief Engineer considers that it is not a fair estimate of the life; and S should be taken at 40 percent of the present day price of new rail unless there are special reason to hold that, at the time of transfer of the rails, the value so arrived at diverges considerably from the current market rates for such scrap when the value may be fixed on the basis of rates obtained for large quantities at recent sales.

788. **Private Railways worked by Indian Railways -** The detailed rules in foregoing paragraphs of this chapter are generally applicable to expenditure on private lines worked by Indian Railways except in so far as they may be inconsistent with the provisions of the contract between the Government and party owning the railway, when the provision of the contract shall prevail. The important deviations from rules in this chapter which the contracts generally provide for are—

a) Petty works, can be grouped together for the purpose of debiting the aggregate cost of such works to capital when they are included in a group of petty works, none of which can be carried out or is effective for the purpose for which intended independently of the construction of others, or when the works are connected by the same general idea and are undertaken at or about the same time as a part of general scheme.

b) The cost of trial stations is charged to capital. It is written back to revenue if the station is eventually abandoned.

c) The original cost of an abandoned work ordinarily remains at the debit of capital. When the work is demolished or sold, Capital pays for the demolition and receives credit for the sale proceeds or the value of the material recovered, as the case may be. When assisted sidings are abandoned, revenue is charged with any balance of the cost, which may remain at debit of Capital after the sidings have been dismantled.

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