

Rules Base Accounting and Principle Base Accounting Study of Inventory Control in Railway Store Jodhpur Division



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Abstract

We know that for doing any work we needs some rules or principles. When work is done on the basis of rules we can change rules according to our needs, time or situation. In this case we got different results for a work done in different times, different needs or different situation.

But when work is done on the basis of principles, we can't be change principles according to our needs, time or situation. Because of principles we get same result for similar types of work.

The present paper analyzes that effect of Rules based accounting and Principle based accounting on Railway store inventory

Railway is biggest department and employer in India. It was established by the British in 19th century and rules and regulation for the operation, maintenance, inventory control etc. were formed by them according to their needs. Most of them have lost there relevance especially in view of change of economic scenario due to globalization and liberalization process.

Now many scientific inventory techniques are in hand for better controlling and management Which are the principles based. The given analysis based on the present study was arrived at keeping this in mind.

Problems

1. The rules in force in Railway are very old.
2. Maintenance and control of inventory are not scientific.
3. Some material is either more or less because minimum and maximum has not been decided. Many mores problem are found in time of study.

Solutions

1. Inventory register should be inspected periodically by senior officer.
2. Staff should be trained.
3. The department should be computerized.
4. Inventory control software should be purchased etc.

Keywords: Inventory, Railway, Rules Based Accounting, Principle Based Accounting.

Introduction

Railway is biggest and oldest department of Indian government. The department of Railway was established by the British. The rules and regulation for the operation, maintenance, inventory control etc. were formed by the British. These rules and regulation were made in 19th century according to British needs.

Most of them have lost there relevance especially in view of change of economic scenario due to globalization and liberalization process. Now today many scientific techniques are used for inventory control.

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Objects of the study

The Objects of the study analyzed that effect of Rules based accounting and Principle based accounting on Railway store the affectability on inventory.

Hypothesis

The material of study was getting form book, review and railway store.

Concepts (Main Task)

Accounting

"Accounting is the science of recording and classifying business transaction and events, primarily of a financial character and the Art of making significant of summaries analysis and interpretation of those transaction and events communicating the result of person who must make decisions or form judgments."

"Smith and Ashburne "

Accounting is a language of business. Accounting is not only use by the business organizations but it is also used by an individual, the Government and other institutions.

Rules

Rules mean work done as according to some certain conditions. Rules and ruling usually refers to regular for activities or what will be do or will be not to do in conditions.

Principle

Principle mean work done as according to law. In principle work done as per some certain law which are the follow by worker how done work.

Almost all companies are prepare their financial statements as per the Accounting Standards, Those standards are generally principles-based. Recently, there has been much debate on whether principle-based accounting is more efficient than the popular rules-based accounting-especially after becoming some accounting scandals, such as Home trade (involve some Co-Operative Bank in Gujrat for bad investment and loss 80 or more corer) DSQ Soft Ware and Nagarjuna Finance 1997-98 and many more, the current way of accounting has been under a great deal of criticism.

Rules or Principles

All type of Companies are must prepare own income statements, balance sheets and other financial documents as per requirement (Yearly Monthly ect.). These accountants have a set of standards to follow when they are creating. Rules-based accounting sets those standards in the form of detailed rules. It is therefore very specific but also very complicated because many rules are needed to cover the numerous situations accountants face when preparing financial statements. Principles-based accounting, on the other hand, avoids rules in favor of general guidelines. Instead of having to comply with hard-and-fast dictates, the accountant uses general principles to guide her professional judgment.

Railway

Railway is largest employer to providing employment in Government sector. The first railway

line in India covering 34 kms. between Bribunder (Mumbai) and Thana was opened to traffic on 16th April , 1853 , barely 28 years after the World's first train made its initial successful run between Stockton and Darlington in England in 1825.

The first railways built in India were constructed and worked by private sterling companies who were guaranteed a fixed rate of exchange and a specified return on the Capital investment by them.

After some dispute between Company and British investors who invest own money in India they wants guaranteed profit with State guarantee. After this with the nationalization of all Indian Railway system in 1944 the further integration of all the railway in the Indian State into the Indian.

In 1951-52 railway formed SIX major Zonal Administrative Offices for better Administration. This work also further done and reformed some new Zonal Office. Now today 17 Zones offices are working in Indian Railway.

In Mostly Rajasthan North Western Railway is working which divided into four divisional office for smooth working they are:

1. Ajmer Division
2. Bikaner Division
3. Jaipur Division
4. Jodhpur Division

In order to have effective control , the Zones have been further divided into division. Johdpur division of the Northan Railway has been divided in to many departments.

Inventory Management in Railway

Objective

Inventory control refers to the techniques used to ensure that stores are kept at levels, which provide maximum service at minimum cost. The main objectives of inventory control is to ensure that STOCK-OUT do not occur and that surplus stock are not accumulated and carried.

Meaning and Definition

Inventory control mean "Systematic Control and regulation of purchase, storage and usage of material. In other world maintain an even flow of production or rendering services and at the same time avoiding excessive investment in inventories.

Store Department

The administration and control of the stores of a railway will be conducted by the Store Department, under the supervision of a Controller of Store. The Duty of Controller is ascertaining needs of railway in the matter of material and store and arranging for the supply of such material and store in most efficient. Economical, inspection and distribution to the various store depots for their need.

Nature and Distribution of Stock

For the proposes of maintenance and distribution the store are divided in to General Store and Engineering store including permanent way stores. The organization for the control of stock of permanent way material is generally under the direction of an officer designated the track supply officer who with his staff including the staff of any separate permanent way depot.

Nature of Stock

Stock are two types

1 **Stock Item:** Which is the stock to be issued to consuming depot. Further this divided into two.

A- Ordinary Store

B- Emergency store

2 **Non Stock Item:** All items of store other than ordinary store and emergency store may be termed Non Stock Item.

Inventory Control Rules and Regulation in Railway Purchase polices and rules:-

The Purchase of store is the most important factor of inventory management. The rules for purchase are in accordance with the polices of the Government of India to make their purchase of store for the public services in such a way as to encourage the development of the industries of the country.

There are four main sources of supply or receipt of material required by Railway.

A- Purchase

B- Manufactured by Railway Workshop

C- Returned Store and last one is

D- Transfer of Store from other Zones and Department.

Order of Preference:-

First any materials which are produce, manufactured in raw or item in India provided that the quality is sufficiently good for the purpose.

Secondly any item wholly or partially manufactured in India form imported material provided that the quality is sufficiently good for the purpose.

Third any item of foreign manufacture stock held in India provided quality is sufficiently good for the purpose.

Forth any item which is manufacture in abroad which is need to specially import.

Note:- form 1995 the order of preference has been abolished due to liberalization of Economic Policies of Government of India.

Price Preference

Price preference may be granted to the purchase of articles produced or manufactured in India or wholly / partly manufactured in abroad without release of foreign exchange over those subject to import assistance and release of foreign exchange up to certain limits accordance with policies of the Government of India and guideline issued by Railway Board time to time.

Supply and Purchase of Stores

The agency of the stores department will be used in ordering the supply of all stores required for the use of the Railway for stock purpose or immediate consumption on work. The controller of stock will be the only officer through whom purchase may be made and he will have completed authority to insist upon executive officer drawing stores. If he thing that this sufficient and suitable than his order will be final unless he is overruled by G.M.

Planning of supplies of stores

The controller of stock is responsible for preparing a correct estimate of the quantities of store to be purchased or manufactured in the Railway Workshops each year and for making the most advantage arrangements possible for the economic purchase of store . These supply will be only DG S & D Rate .

Preservation of Material

Preservation of materials, stock in the stores depots is a vital factor of stores keeping as issue of material in serviceable condition to supply of the need and demands comes them is very important function of controller of stores .

Since variety of material worth crores of rupees are stock in stores depots it is quite possible that certain material may get damage or deteriorate due to inherent defect or inherent vice, exposure, heat, light, rust , dust, moisture , breakage etc.

In Railway not taken proper way to keep preservative method of material due to this many materials have damage, wastage, breakage etc. Just like

Timber and Wooden item

Timber and wooden item are damaged by insect borer termite and micro- organisms. So timber should be protected from micro-organisms as to avoid moist timber which result damage, change of colour and many more.

Principle Based Inventory (Accounting Standard 2)

Why and When do Organization Hold Inventory

Costs of Purchase

The costs of purchase consist of the purchase price including duties and taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), freight inwards and other expenditure directly attributable to the acquisition. Trade discounts, rebates, duty drawbacks and other similar items are deducted in determining the costs of purchase.

Demand Forecasting (Market and supply design)

Depending on the industry, inventory ranks in the top five business costs. Accurate demand forecasting has the highest potential savings for any of the principles of inventory management. Both over supply and under supply of inventory can have critical business costs. Whether it is end-item stocking or raw component sourcing, the more accurate the forecast can be.

Establishing appropriate max-min management at the unique inventory line level, based on lead times and safety stock level help ensure that you have what you needs when you need it. This also avoids costly overstocks. Idle inventory increases incremental costs due to handling and lost storage space for fast-movers.

Warehouse Flow

The old concept of warehouses being dirty and unorganized is out dated and costly. Lean manufacturing concepts, including 5S have found a place in warehousing. Sorting, setting order, systemic cleaning, standardizing, and sustaining the discipline ensure that no dollars are lost to poor processes.

The principles of inventory management are not any different from other industrial processes. Disorganization costs money. Each process, from housekeeping to inventory transactions needs a formal, standardized process to ensure consistently outstanding results.

Inventory Turns/Stock Rotation

In certain industries, such as pharmaceuticals, foodstuffs and even in chemical warehousing, managing inventory down to lot numbers can be critical to minimizing business costs.

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Inventory turns is one of the key metrics used in evaluating how effective your execution is of the principles of inventory management.

Defining the success level for stock rotation is critical to analyzing your demand forecasting and warehouse flow.

Cycle Counting

One of the key methods of maintaining accurate inventory is cycle counting. This helps measure the success of your existing processes and maintain accountability of potential error sources. There are financial implications to cycle counting. Some industries require periodic 100% counts. These are done through perpetual inventory count maintenance or through full-building counts.

Process Auditing

Proactive error source identification starts with process audits. One of the cornerstone principles of inventory management is to audit early and often. Process audits should occur at each transactional step, from receiving to shipping and all inventory transactions in between. By careful attention to each of these critical core principles, your business can increase efficiency and reduce costs.

Cost of Capital

Cost of capital is very important factor of principle based inventory control. Cost of capital includes the costs of various investment, interest on working capital taxes and insurance cost. In rule based accounting ignore this.

Aspects of Inventory Control

There are two aspects of inventory control as given below

Accounting Aspects

The accounting aspect of material is concerned with safeguarding of undertaking property in the form of material by proper recording of receipts and consumption of material and balance.

Operational Aspects

The operational aspect is concerned with maintaining material at the optimum level keeping in view the operation requirement and financial resources of the business.

Methods / Techniques in Present Time

Many methods and techniques are on hands for various type of inventories and various type of industries. To help of these methods and techniques we can manage minimum cost maximum utility of inventory with better management and control.

Some methods and techniques are :-

- (1) Control level
 - (a) Re-order level
 - (b) Minimum level
 - (c) Maximum level
 - (d) Danger level
- (2) Average stock holding and stock turnover rate
- (3) Slow moving, Dormant and Obsolete Stock

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- (4) Economic- Order quantity (EOQ)
- (5) ABC Analysis
- (6) Two Bin system
- (7) Perpetual Inventory system
- (8) Just in time purchasing
- (9) Physical verification of stock system

Conclusion / Result

Railway is biggest and oldest department of Indian government. The department of Railway was established by the British. The rules and regulation for the operation, maintenance, inventory control etc. were formed by the British. These rules and regulation were made in 19th century according to British needs.

Most of them have lost there relevance especially in view of change of economic scenario due to globalization and liberalization process. Now today many scientific techniques are used for inventory control. We find out that:-

- 1. The rules in force in Railway are very old.
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Summary and Suggestions

- 1. The present system as regard handling of inventories and its control is not scientific inventory system.
- 2. The established and recognized inventory control techniques such as Two bin system, EOQ techniques etc. use scientific inventory method
- 3. Some inventory are founds excess or short. Those there is a system of minimum, maximum and records level but no such information is mentioned in the stock register. The stock register is not regularly checked at appropriate level.
- 4. Check in proper way all register of stock and modified it.
- 5. The department has adopted the modernization process and computer software for proper controlling.

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