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EXPLANATORY MEMORANDUM

The following notes are explanatory of the more important matters relating to the preparation of the balance-sheets and revenue accounts included in B.—1 [Pt. IV], 1942, which are prepared on an income and expenditure basis and present a more comprehensive statement of the financial operations of Departments and services than is possible in the cash statements included in papers B.—1 [Pts. I and II].

(i) *Authority.*—Section 57 of the Finance Act, 1932, requires the preparation of these accounts and their presentation to Parliament.

(ii) *Capital*—

(*a*) General: The amounts under this heading in the accounts usually represent the value of fixed assets at the conclusion of the financial year, and the amounts are divided to show loan capital separate from that provided from revenue or other source.

(*b*) Public Works Loans: Loans for the Public Works Fund (General Purposes Account) are shown as Public Works Fund Capital in the appropriate accounts recording the expenditure. Redemptions of those loans are allocated by the Treasury to the accounts whose expenditure is represented by the least productive assets.

(iii) *Depreciation.*—Treasury Instruction No. 79 specifies various rates of depreciation based on an estimated average life for different classes of assets. The rates are computed usually on the original capital cost. If the nature of a Department's depreciating assets calls for special rates, these are approved as required.

(iv) *Exchange.*—Exchange on all remittances abroad is charged to the Consolidated Fund; it is not recouped from the various departmental votes in the Consolidated Fund nor from votes in the General Purposes Account of the Public Works Fund with the exception of two—Telegraph Extension in respect of purchases made on account of the Post Office, and Railways Improvements and Additions to Open Lines in respect of purchases made on account of the Railways.

Exchange on remittances abroad for purchases of materials and miscellaneous services is, however, recouped from all the separate accounts, both within and outside the Public Account. No recoupment is made from separate or special accounts (either within or outside the Public Account) for exchange on remittances of interest.

(v) *Charges not subject to specific Appropriation.*—In pursuance of the general authority quoted in (i) above, certain charges such as administration, exchange of properties, assessed rental values, interest on capital and depreciation allowances, &c., are made between Government accounts through the Treasury Adjustment Account without cash payments or specific appropriation by Parliament.

(vi) *Interest.*—In the case of separate accounts such as Main Highways Account or State Coal-mines Account, the interest charge shown represents actual interest payable on the loans raised for those specific purposes. In the accounts of other Departments, an average rate, at present 4 per centum per annum, is charged.

(vii) *Rentals.*—Some Departments occupying private premises actually pay rentals. Others occupying Government buildings are assessed annually with rental based on the average rate of interest, the cost or valuation of the property, and the class of building.

(viii) *Treasury Adjustment Account.*—This is the equivalent of a "Head Office Account" in branch accounting, and through it are passed inter-departmental transfers and the total of cash transactions for the year. Separate accounts (see vi) having their own cash balances do not utilize a Treasury Adjustment Account.

(ix) *Values.*—When the provision of accounts and balance-sheets on a commercial basis by all Departments was first instituted about 1922, it was necessary to bring numerous properties and assets into account by means of a fair valuation. New assets since then, or additions, are usually recorded at actual cost with any depreciation provision shown either as a deduction or separately.

(x) *Non-publication of Balance-sheets.*—Publication of a considerable number of balance-sheets has been discontinued because of shortage of staff and as a paper-conservation measure.