

1935

1935

38179

KENYA
CO533/460

38179

Kenya - Uganda Railways and Harbours

Locomotives.

Previous

Subsequent

1937

Room 297 10/8

R. 309 25

D.C.A. 31/8

R. 297 1/9

Mr. Hood 1.9

Mr. Walker 2/9/24

Mr. Hood 2.9

Room 309

R. 297 4/9

R 303 11/9

298 12/9

R 297

A. Cms Transport Co _____ 28th June 35.

e.s.
Transport
K.V.R.

Reports the withdrawal of 36 E.B. Locomotives from service & seeks sanction for spreading of the charge of ₹ 88,122. to the Net Revenue Account in respect of the unexpired life of these assets on equal instalments over the next five years.

Reference to the large quantity of obsolete engines was made in the debate on the K.V.R. Estimate for 1935. See pages marked in the volume here with.

We are assured that everything possible has been done to dispose of these 35 old engines, but a purchaser cannot be found.

36

The expired life of the locomotives is assessed at ₹ 261,77, & the unexpired life ₹ 88,122. The latter amount amount forms a charge against net revenues, but it is proposed that the amount should be found over a period of 5 years. At the expiration of that period the sum of ₹ 88,122 would be available together with a sum of ₹ 261,77 from the Renewals Fund, for the purchase of additional Capital assets.

The arrangement seems satisfactory & it is recommended by the Railway
Railway

e.f.
Transport:-
K.V.R.

1. H. Com Transport 63 _____ 25th June 35.

Reports the withdrawal of 36 E.B. Locomotives from service & seeks sanction for spreading of the charge of ₹88,122. to the Net Revenue Account in respect of the unexpired life of these assets in equal instalments over the next five years.

Reference to the large quantity of obsolete engines was made in the Debit on the R.R. Estimate for 1935. See pages marked in the volume here with.

We are assured that everything possible has been done to dispose of these 35 old engines, but a purchaser cannot be found.

36

The expired life of the locomotives is assessed at ₹261,77, & the unexpired life ₹88,122. The latter amount amounts forms a charge against net revenue, but it is proposed that the amount should be found over a period of 5 years. At the expiration of that period the sum of ₹88,122 would be available together with a sum of ₹261,77 from the Renewal Fund, for the purchase of additional Capital assets.

The arrangement seems satisfactory & it is recommended by the Railway

Railway Council.

Subject to the approval of the
J.C.A. the H.C.'s proposal
may be approved.

C. J. Furman
8/7/35

I had toyed with the idea that this
engine might be offered to Italy for
use on the new railway now being
built in Eastern & Somalia; but I
learned an engine from U.O. that the
Italian gauge is 95 cm. - which
cannot carry a 1 meter-gauge locomotive!

As proposed

L. B. Austin
8/8

No: 3677/14.

Mr. Flood,

I see no objection to approval being
given. There is a point of accounting
involved, but I will take this up with the
Auditor when you have informed me that the
High Commissioner's proposal has been
approved.

J. C. Fisher
Deputy Director of
Colonial Audit.

27 AUG. 1935

27 August
29/8/35

2 To H. C. Dept. 75 (Unaud.) 31 AUG 1935

3

ACA base

Seen

Deputy Director of Colonial Audit

29 Sept 1935

BAM

Extract from Kenya Budget No 49 d. 8/10/35
attached in acc. with mins. on 38040/25 (Part 4)

DESTROYED UNDER STATUTE

Rec'd here for record
Part 4

C. J. Furman
29/8/35
A. B. Austin
29/8/35

4. H. Commr. Tpt. No. 57.----- 10.7.30.
Ref. No. 2; in view of improvement in financial position,
recommends that the write-off of the whole of this
liability should be made by debiting it to the Net
Revenue Account in 1936.

D. C. U.

No. 3677, 14.

Mr. Flood,

No objection.

May I have a copy of the despatch which
is sent?

Deputy Director
of Colonial Audit.

31 AUG 1936

Mr Walker

You may like to see. The effect will be of course to reduce the book revenue for 1936 by the whole £88,000 instead of one fifth of it.

There is no objection and it will clear the air. But the thing is oddish.

They bought the engines - years ago - and paid for them. They are now being scrapped five years before their 'life' is up.

The renewals fund contains £261,177 on account of the expired life of the engines & the £88,122 is the balance of the total amount which would have been in the fund at the end of the life. So it is proposed to push that balance into the fund and have in it the whole £349,299 representing the cost of the engines. But they are not being replaced so the sum will be available for something - maybe new engines in the future - maybe not.

I should have thought myself that a better move would be, since there were not going to be any renewals, to put the accrued £261,177 into the General Reserve, write down the assets "wearing assets" by the value of the engines, and then, if later they bought new engines, to charge them up to capital and start fresh renewal contributions.

But it is all very involved. No money will be spent, so it becomes an 'accounting' matter.

J. R. Flood
19.36.

Mr Flood

A renewals fund is the Railway way of providing for depreciation.

Depreciation should write off the asset over its working life. These engines did not survive for their theoretical working life & there is 5 years arrears of depreciation to make good. The quicker that is done the better & the proposal in No 4 is very

satisfactory.

As regards accounting, the instruction quoted in No 1 does not direct the £88,122 to be put into the Renewals Fund, but to be credited to Capital Account expenditure in company with £261,177 from the Renewals Fund, the effect being to write-off the cost of the engines & to set free £349,299 of capital monies for the purchase of engines or other capital assets. On such purchase the capital expenditure account is debited & so restored to its original figure.

If the £261,177 were credited to reserve or replacement suspense account, it would not be available of course, for writing down the capital assets in accordance with the instruction quoted. Otherwise I think procedure will be as you suggest at X.

L. Walker
29.36

all right.

he can now

approve the proposal in 4

have a copy of the despatch

J. R. Flood

27.36

5 To H Co. Sept. 86 (4 answers) 9 SEP 1936

6 3 JCA (w/c 5) B/106. - 12 Sept 36

EW

That's where
went wrong.

X

C. O.

38171/35 5

Mr. Evans 2-9.
Mr. Parker 3-9 f.p.

September, '55

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Permt. U.S. of S.

Party. U.S. of S.

Secretary of State.

3-SEP
9

D

1/5

Sir.

I have etc to refer

DRAFT. *Cons.*

Transport.

Kenya - Uganda.

No. 86

High Commissioner

(4)

to your despatch No 57
of the 16th of July and
to inform you that I
approve your recommend-
ation that the ~~cost~~
of the ~~deferred~~ liability

~~of £88~~

change of £ 88,122 in

respect of the unexpected
life of thirty-six
locomotives should
be debited to the

FURTHER ACTION.

Copy to P.C.P.

WF.

Net Revenue Account in
the current year.

W. Ormsby Gore

(Signed) W. ORMSBY GORE.

W. O. G.



46

TRANSPORT
KENYA - UGANDA

OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT,
GOVERNMENT HOUSE,
NAIROBI,
KENYA.

NO. 54

RECEIVED
40 AUG 1936
C. O. REGD

16th July, 1936.

Sir,

2)

Answer (5)

I have the honour to refer to Mr. Malcolm MacDonald's ^{Transport} despatch No. 75 of the 31st August 1935, in which he approved the proposal that the charge of £86,122 to Net Revenue Account in respect of the unexpired life of 36 locomotives should be spread over the next five years in equal annual instalments. In view of the very much improved financial position of the railway, and the prospect of a considerable surplus at the close of the year's accounts, I recommend that the write-off of the whole of this deferred liability should be carried out by debiting it to the Net Revenue Account in 1936.

If you approve this recommendation I propose to arrange for the inclusion of the necessary provision in the supplementary estimates which will be presented to Railway Advisory Council towards the close of the year.

I have the honour to be,

Sir,

Your most obedient, humble servant,

for HIGH COMMISSIONER.

THE RIGHT HONOURABLE
W.C.A. ORMSBY-CORE, M.P.
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET, S.W.1.

89/35

38141/35

27

C. O.

Mr. Hunt 29/8/35
Mr.

- Sir C. Parkinson.
- Sir G. Tomlinson
- Sir C. Bottomley.
- Sir J. Shuckburgh.
- Permt. U.S. of S.
- Parly. U.S. of S.
- Secretary of State.

C.D.
R 30 AUG
D 31

li

August 1935.

DRAFT.

Transport.
Kenya-Uganda.
No. 75
High Commissioner

(1)

I have etc. to
rel. the receipt of your
despatch no. 63 of the 28th
of June, regarding the withdrawal
from service of 36 E.B.
Locomotives purchased in 1920,
and to inform you that I
do approve your recommendation that
the charge of £88,122 to the
Administration's Net Revenue Account
in respect of the unexpired
life of these ^{locomotives} assets should be
spread over the next five
years in equal annual
instalments, provided that the
deferred contribution from Net
Revenue Account is not utilized
for

FURTHER ACTION.

D.C.A. to see

for the purchase of additional
capital assets until such time
as the actual contribution
is made.

Shaw
etc

(Sgd.) MA - L. MACDONALD

3/1
8



RECEIVED
OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT,
29 JUL 1935
C. O. REGY 4

TRANSPORT
KENYA - UGANDA
NO. 63

OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT,
GOVERNMENT HOUSE,
NAIROBI,
KENYA.

28 June 1935.

Sir,

Al 2
3231/35

I have the honour to invite your attention to your predecessor's despatch No. 69 of the 26th July 1934, wherein approval was given to the revised instructions governing the Allocation of Expenditure of the Transport Administration. Part II, Section III.1 (b), of those instructions reads as follows :-

Amended (2)

"When the original cost of an asset exceeded 2250, Renewals Fund is debited with such cost up to the value of the expired life of the asset, when of a class contributing to Renewals Fund, calculated upon its original or improved capital cost without minimum as to amount. The difference between the contribution from Renewals Fund and the original or improved capital cost is charged to Net Revenue account without minimum as to amount. The sum of the amounts charged to Renewals Fund and Net Revenue (i.e. the original or improved capital cost) is credited to the appropriate head of Capital account Expenditure, and becomes available for the purchase of additional Capital assets."

2. This administration has for some years been compelled to take out of traffic, owing to their inability to handle the increased loads necessary for economical working, 36 L.M.S. Locomotives which were purchased in 1920 and it is most improbable that it will be possible to employ these 36 engines economically in the future. They should therefore be withdrawn from service as provided in Part II, Section III.1 (b) and Part III.4(2) of the Expenditure instructions.

3. The original cost of these locomotives was

THE RT. HON. MALCOLM MACDONALD, M.P.,
COLONIAL OFFICE,
DOWNING STREET, S.W.1.

1349, 299.

2349,299 and ordinarily their withdrawal would result in a debit to the Renewals Fund in respect of the expired life of the engines of 2261,177 the balance of 288,122 forming a charge to Net Revenue Account making a sum of 2349,299 available for the purchase of additional Capital Assets. The unexpired life of these Locomotives is 5 years and, if they are now withdrawn from service, the charge to Revenue in respect of Depreciation during each of the next five years would be proportionately reduced.

4. It is therefore considered that the charge of 288,122 to the Administration's Net Revenue Account in respect of the unexpired life of these assets might reasonably be spread in equal annual instalments over the next five years, with the proviso that the deferred contribution from Net Revenue Account will not be utilized for the purchase of additional Capital Assets until such time as the actual contribution is made.

5. This matter was considered at a recent meeting of Railway Council and Council recommended that the 36 Engines should be withdrawn from service and that your sanction should be sought to the special adjustment proposed in paragraph 4 above. Such a procedure is provided for in special cases in Part I - II paragraph (3) of the Instructions which reads :-

"With the sanction of the Secretary of State an exceptionally heavy charge against Net Revenue Account in respect of assets withdrawn and not replaced may be spread over a number of years instead of being met in full in the year in which the assets are retired."

I concur in Railway Council's recommendation and trust you will accord your sanction to this special adjustment.

10
and

6. I would add that the Administration has, for some time, endeavoured, through the Crown Agents, to dispose of these engines. Those efforts, which so far have been unsuccessful, will be continued.

I have the honour to be,

Sir,

Your most obedient, humble servant,

Arncliffe

HIGH COMMISSIONER.