

[Mr. Chairman]

The question is:

"That clauses 1 and 2, the Enacting Formula and the Long Title stand part of the Bill."

The motion was adopted.

Clauses 1 and 2, the Enacting Formula and the Long Title were added to the Bill.

Shri B. R. Bhagat: I move:

"That the Bill be passed"

Mr. Chairman: The question is:

"That the Bill be passed"

The motion was adopted

12.29 hrs.

# COST AND WORKS ACCOUNTANTS BILL

MOTION TO CONCUR WITH RAJYA SABHA  
re. JOINT COMMITTEE

The Deputy Minister of Commerce and Industry (Shri Satish Chandra):  
I beg to move:

"That this House concurs in the recommendation of Rajya Sabha that the House do join in the Joint Committee of the Houses on the Cost and Works Accountants Bill, 1958, made in the motion adopted by Rajya Sabha at its sitting held on the 10th December, 1958 and communicated to this House on the 12th December, 1958, and resolves that the following members of Lok Sabha be nominated to serve on the said Joint Committee, namely.

Shri Nibaran Chandra Laskar,  
Shri Etikala Madhusudan Rao,  
Shri Bholi Sardar, Shrimati Jayaben Vajubhai Shah, Shri Radhe-lal Vyas, Shri C. R. Narasimhan, Shri S. A. Agadi, Shri Satish Chandra Samanta, Lala Achint Ram, Shri Radheshyam Ramkumar Morarka, Swami Ramanand Shas-tri, Shri Padam Dev, Shri Sunder Lal, Shri Prabhat Kar, Shri Rajendra Singh, Shri Jaipal Singh, Shri Karsandas Parmar, Pandit Braj Narayan "Brajesh" the Mover and Shri Lal Bahadur Shastri."

I commend for the acceptance of the House the recommendation of the Rajya Sabha that the Cost and Works Accountants Bill, 1958, be referred to a Joint Committee of the two Houses.

The Bill is intended to set up an Institute of Cost and Works Accountants, which is to be entrusted with the functions of regulating the profession of cost accountancy. There is a general recognition of the fact that without a sound system of cost accounting, the evaluation of the progress of the working and development of industries in the public sector, where the ordinary forces of competition may not always operate effectively, is considerably hampered.

The Tariff Commission has repeatedly emphasised the need for a proper system of costing so far as the protected industries are concerned, not only from the point of view of ascertaining the fair price of the products of protected industries but also of assessing their progress periodically.

The Estimates Committee in their Ninth Report on Administrative, Financial and Other Reforms, have recommended

" Government should take early steps to set up an Institute of Costs and Works Accountants and to train sufficient number of men in this line with the modern and up-to-date methods suited to the various types of undertakings. Meanwhile, every endeavour should be made to tap the existing manpower trained in this line in order that Cost Accounting Units are introduced where not already done or are improved where such units are in existence."

Their report for 1954-55 on organisation and administration of nationalised industrial undertakings refers to the early adoption of the costing system as under:

"That Committee have noticed that the importance of cost accounting is not appreciated in some of these nationalised undertakings. In the

absence of cost accounting, control of expenditure and efficient working are difficult. The Committee would, therefore, urge that even from the outset, cost accounting should be introduced as a matter of course."

The Public Accounts Committee too have stressed from time to time the necessity to have a system of modern cost accounting in industrial undertakings run by the Government

Costing and cost accountancy have assumed great importance in the present discussions on industrial management, consequent on the fast pace of industrialisation in the context of our planning. Problems of production and employment cannot be considered merely in terms of simple aggregates of output or of labour force employed, but have to be viewed in the light of the quality and unit costs of the end-products of industry, and the nature and the quality of employment created. These problems can be solved satisfactorily only by a combination of productive skill and efficient management. But neither of these can be effected without efficient technical guidance. There has to be a carefully contrived balance between all the functions of industry, and this can be brought about by skilled direction, by the knowledge of where and how to exert pressure to obtain better results, and by research into the fundamentals of labour and material utilisation. It is here that cost accounting has its special part to play in industrial management. There is no law at present imposing any obligation on industrial undertakings in regard to the maintenance, certification or publication of cost accounts. Unlike the profession of general accountancy, which has been in the field for a long time and has been subject to some form of statutory regulation for about forty years, by virtue of the provisions in the Companies Act, the cost accountancy profession is of comparatively recent origin in this country.

The first prerequisite for development of the profession is, therefore, its organisation on a sound and systematic basis, so as to assure a constant flow of well-qualified accountants to meet the needs of the industry both in the public and the private sectors.

The question of undertaking legislation in this regard, especially, in the light of the recommendations of the Estimates Committee, the Tariff Commission, the Public Accounts Committee, etc., has been under consideration of Government for some time. A Bill was actually drafted for this purpose in 1956, but due to the necessity for consulting professional opinion, as at present represented by the Institute of Cost and Works Accountants, Calcutta, the various Ministries concerned in the matter and also the State Governments (the subject being in the Concurrent List in the Constitution), all of which took time, it has been possible to introduce the Bill in Parliament only now. Pending the enactment of the necessary legislation for setting up of a statutory body to assume the responsibility for the maintenance of requisite standards, qualifications, discipline and conduct of the members of the profession, however, Government have accorded administrative recognition to the existing institute in November, 1956, as a first step towards the creation eventually of a statutory organisation.

Cost accounting is a function entirely different from general or financial accounting. Cost accountancy covers a wide range of subjects, with special emphasis on cost accounting, factory organisation and management, engineering techniques, and knowledge of the working of the factories. The cost accountant performs services involving pricing of goods, preparation, verification or certification of cost accounts and related statements, or recording presentation or certification of costing facts or data. In a manufacturing concern, he works out the economical cost of production and evaluates its progress at each stage of production. In mass production enterprises, he points out wastage of man-power due

[Shri Satish Chandra]

to over-staffing or inefficient organisation and indicates the output, the capacity of the machines and labour, the stock position, the movement of stores, and weaknesses in the production processes. The systematic determination of cost in every single and distinct process of manufacture provides a continuous check on the margin of waste in the processing of raw and semi-finished materials, on the utilisation of the machinery installed, on man-power expended and the percentage of rejection of finished products. This pin-points also the particular process in which defects and deficiencies exist, thereby enabling immediate remedial measures being taken. Costing, in short, aims at making the organisation efficient and economical, by providing the minimum of labour and materials and getting the full capacity of the machine output. The cost accountant therefore, is concerned solely and mainly with the internal economy of the industry, and renders services essential to the day-to-day management of the undertaking. The chartered accountant, on the other hand, engages himself to perform services involving preparation, verification or certification of financial accounts and related statements in accordance with the requirements of statutes such as the Companies Act or assess any matters of principle or details relating to the financing of business enterprises. His work is more in the nature of an overall assessment of the results of the working of an undertaking and, therefore, serves a field entirely different to that of the cost accountant.

In view of this fact, it is considered desirable to entrust the regulation of the professions of chartered and cost accountancy to different institutes. Besides, the core of the work done by cost accountants being different from that of the chartered accountants in its nature as well as in its scope, a single governing body for both would have to face serious difficulties, in matters relating to discipline and control over the members of the profes-

sion. It would, therefore, not be possible for the existing Institute of Chartered Accountants of India to deal both with general accountancy and problems relating to cost accountancy unless it sets up a completely separate organisation for dealing with cost accountancy. Further, the experience of various advanced countries indicates that it is necessary to have a separate Institute of Cost and Works Accountants as distinct from that of chartered accountants.

The existing Institute of Cost and Works Accountants in Calcutta, full-fledged members of which would automatically be enrolled on the register of the proposed statutory Institute, was established in 1944 as a non-profit-making public company limited by guarantee. It was set up at a time when the dearth of men having costing knowledge or handling accounts of war production was being keenly felt and the Institute was actually supported by Government during the initial period of its existence. During the early war years, the then Government of India in the Ministry of Supply had set up an advisory body of accountants known as the advisory panel to advise Government on the pricing of war contracts. As this did not meet the needs of Government at that time adequately and the registered accountants were not fully competent to do this specialised work satisfactorily, Government actively sponsored the formation of the Institute so that it could, apart from being an examining body, also impart training to students as also to junior staff of Government at that time. This was the beginning of the institute in 1944.

The Institute has at present 388 full-fledged members on its rolls and 368 persons who have passed the examinations but have not enrolled themselves as members. There are also about 160 persons who have qualified as cost accountants through the examinations held in India by the Institute of Cost and Works Accountants, London. Further, there are now 8,300 students registered with the Institute preparing

for professional examinations. 3,600 examinees are expected to appear at the next examination to be held by the Institute in January 1959. The syllabus of the examinations conducted by the Institute was originally modelled on that of the Institute of Cost and Works Accountants in U.K. It has, however, recently been revised and can now be said to be of even a somewhat higher standard. There is no other similar Institute imparting training in or holding examinations in cost accountancy in this country. The existing Institute is, therefore, the only nucleus around which the statutory body envisaged in the Bill can be built up if the objectives of legislation are to be fully realised.

There have been many complaints about the low percentage of passes in the examinations and inadequate facilities provided for training for intending students. These are matters which will be governed by regulations made under the Act and it is Government's intention immediately after the statutory body is set up to look into all these matters to ensure that improvements are effected in the present arrangements. The proposed legislation follows closely the pattern of the Chartered Accountants Act, 1949, with suitable adaptations to meet the requirements of the case. Since the Act mainly provides for the form of organisation and the scope and functions of the Institute, there is, as far as the organisational aspect is concerned, not much fundamental difference between the two Institutes. The present Bill, therefore, takes into account the various amendments proposed to be made in that Act through the Chartered Accountants (Amendment) Bill, 1958, which this House will be considering, I think, in the next session.

Certain changes were made in the Bill during its passage in the other House and some changes might also be necessary in this Bill which, I have no doubt, the Joint Committee will agree to make. Broadly, the proposed legislation provides for the creation of a body corporate by the name of the

Institute of Cost and Works Accountants with two classes of members, namely, Associates and Fellows. It provides for the entrustment of the management of the affairs of the Institute to a Council consisting of elected representatives of the members of the Institute and nominees of Government, election by members of the representatives of the Institute being on a regional basis. It vests the requisite powers in the Council which is to be an autonomous body except in respect of certain specified matters and subject to the over-riding power of the Central Government to issue such directions from time to time as might be conducive to the fulfilment of the objects of the legislation. It provides for the conferment of powers on the Council and the Central Government to recognise foreign qualifications on a basis of reciprocity, if they are satisfied that such recognition is in public interest and also for the recognition of accountancy qualifications granted by other institutions in India.

The Bill provides for the formation of regional bodies to assist the Council in its work, such regional bodies being subject to the guidance, supervision and control of the Council and also for the enrolment initially of the members of the existing Institute at Calcutta as members of the proposed statutory body in the same way as was done in the case of registered accountants when the Chartered Accountants Act, 1949, was brought into force. It provides for the winding up of the existing Institute at Calcutta, the transfer of its assets and liabilities and the services of its employees to the proposed statutory body. The Institute is expected to be financially self-supporting, though Government may make suitable grants to it from time to time for the implementation of specific schemes of development.

In view of the fact that a statutory organisation is being created for the regulation of this young profession for the first time and since the members of the other House felt that the experience gathered of the working of the

[Shri Satish Chandra]

Institute of Chartered Accountants would be of benefit in scrutinising this Bill, Government have agreed to the reference of this Bill to a Joint Committee. I hope, Sir, that this House will accept the recommendation of the Rajya Sabha.

Mr. Chairman: Motion moved.

"That this House concurs in the recommendation of Rajya Sabha that the House do join in the Joint Committee of the Houses on the Cost and Works Accountants Bill, 1958, made in the motion adopted by Rajya Sabha at its sitting held on the 10th December, 1958 and communicated to this House on the 12th December, 1958, and resolves that the following members of Lok Sabha be nominated to serve on the said Joint Committee, namely

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Shri Warior (Trichur) Sir, I stand to welcome this piece of legislation about the Cost and Works Accountants of India. This subject had come before this House in a previous session as a Private Member's Resolution. Shri C R Narasimhan moved a resolution on that occasion recommending to Government the bringing forward of legislation with the same object. At that time we were sorry that although all sides of this House supported that resolution of Shri C R. Narasimhan, the Government expressed its opinion that the time was not mature enough for the establishment of such an Institute. We are glad now at least wisdom has dawned on Government and

it has come forward with this legislation.

This is not in any way a complete or comprehensive legislation so to say. There is legislation already here but there are so many things to be incorporated in this and modified so that we will profit from the experience of the working of the Chartered Accountants Institute legislation also.

The hon Minister was pleased to say that cost accounting is quite different from general accounting. In general accounting, they place more emphasis on the financial aspect of the concern whereas this is, in fact, improving upon those financial records which are presented—especially the closing accounts, the profit and loss account and the final balance-sheet. It creates a fear in the minds of certain industrialists when they think about this cost accounting as a probe into their affairs. Actually, it is not so. As far as I understand and I have learnt, cost accounting is only a continuation and amplification of general accounting. So, there is no room for apprehension from any quarter at all.

In the West Cost Accounting had come into being—and similar institutions have been established—only very lately. Even in UK, if I remember correctly it was only in 1919 that an enactment came into force and this Cost Accountants Institute was established there.

The hon Minister was saying that it is particularly for the public sector. That is not so. Even for the private sector, it is very helpful because in the complex system of manufacture wastage is a very important factor nowadays. Some people think that wastage is natural in the course of processing and manufacture. That is not always true. It is only partially true. There are direct and indirect wastages. There are manipulated wastages also.

Long time before, in the Trade Union movement, I remember to have read in the forties or so that Subhash Babu

once remarked about the Tata Iron and Steel Co., that wastage is created there intentionally for certain purposes. In modern industries wastage has at times to be thought of rather as profit and not actually wastage, because there are so many processes and so many loopholes. Intimately connected with the textile industry, I have come across many instances of intentional wastage created so the management could get huge profits unaccounted for. That is a very important point.

Apart from that, in our economy which is a planned economy to a certain extent, it is implied that there must be some control. In an unplanned economy, there is not so much necessity or importance to check wastage at every stage of manufacture. But, in a planned economy, it implies control, control at every stage and every level of manufacture. For that ordinary general accounting is not enough. In ordinary general accounting, as we all know, only the correct figures are required and the auditors—the chartered accountants—who go into those accounts have only to check up whether there are vouchers supporting the entries in the debit and credit columns. But, finally, when the profit and loss accounts or the trading accounts are prepared, we do not know whether those are actually correct or not.

There are always disputes from the labour point of view that these profit and loss accounts are not to be taken as the real profit and loss accounts and the profits or losses shown in them as real profits or losses. Why is there this dispute? Because, the profit and loss account can be manipulated and so many small things which go out of the factory or which go to increase the cost of production can be shown as waste and are unaccounted. The final profit and loss account also depends upon the stocks. That is also very important. The stock also has to be valued very correctly.

In general accountancy the primary principle accepted is that the valuation of the stock should be made

according to the market value obtaining at the time of the closing of accounts or according to the production cost, whichever is less. That is the general rule. But nobody can vouchsafe that this is the price. The market value varies from market to market and during the same day. But, how can we arrive at the correct figure? A single anna in a unit of a commodity can increase the profit or decrease the profit as the case may be and according to the necessity of the management. If the management wants to defraud the share-holders and workers, it may reduce it by one anna and a million and odd annas would come to so many rupees and the whole profit will come down to a loss. So, also, if it wants new debentures to be floated or new shares to be floated, it can increase. So, there is no vouchsafing the correctness of the profit and loss account. This has become a very irritable question in the labour movement.

Ordinarily, the workers have a horse sense of the profits or losses incurred. They know what is the cost of the material, how much they are paid, how much the expenses of management are and so on, how much the fuel and other accessories and spare parts costs, etc. They have a rough calculation—it is rough no doubt and not recorded; but at the same time they know also how much these commodities are fetching in the market. From a comparison of these figures they come to a general understanding as to how much of profit or loss has been there. The profits and loss accounts generally show nothing near this calculation of the workers. Often the figures are much lower and in a very few cases they may be higher; but that is an exception. Generally, it is lower than the calculation of the workers employed in different units of the industry.

13 hrs.

Now the controversy arises. The management will say that a piece of cloth has fetched only a particular amount. The workers know that it fetches much more and all these accumulated together will necessarily

{Shri Warior}

give a much higher figure than actually shown in the profit and loss accounts. The most important factor in manipulating profit and loss is in the stock which the workers do not know. Even if cost accounting is instituted it is only possible in big units. There is no doubt about it. Nobody is saying that cost accounting can be instituted in small scale industries. It is impossible, because, by and large the cost of cost accounting will be much higher than what is actually gained from the operation. This is intended more or less for the bigger units. It is very essential also, because now-a-days industries and manufacture have got a general tendency of making this more complex by simplifying. For instance, in the textile industry a new machine has come which is called the *Simplex* machine, but the process is more complicated than before. In every industry that process is coming and it is very difficult to assess where the leakage is, where the loopholes are, where the losses are and where the wastage is. If at every stage of the processing the check is there, the cost accounting is there, we can find out what the industry is gaining or losing. Hence this is very important from the point of view of planning, from the point of view of settling disputes amicably with labour.

There is a general tendency to believe that labour is always recalcitrant. That is not so. Labour is also very reasonable. That is my experience of the trade union movement. Labour never goes against the interests of the industry. But the industrialists in order to hide their profits do certain tricks in accounting. If proper cost accounting is there surely a number of labour disputes—99 per cent of them—can be amicably settled, because of the reasonableness of the workers in understanding that the interests of the industry is as paramount as their own monetary interests.

Coming now to the Bill I do not want to expatiate upon it. We had a real thesis from the Deputy Minister who is in charge of the Bill. In

regard to the membership of the institute, as envisaged, I have to make one or two suggestions. As the Minister has given out the figures we have only a very few qualified hands in cost accounting and I do not know how much even they are qualified. It is an examination conducted by a private institute, no doubt recognised by Government. But cost accounting is a highly specialised subject; it has gone through so much of improvement in foreign countries, particularly in the United Kingdom and the United States. Add to the specialised nature of the subject the complexity of the manufacturing organisations are also there. It can be conducted efficiently only if checks are made at different stages of manufacture. Ordinary people cannot check up these processes.

All the same our chartered accountants also do a portion of cost accounting in their syllabus. To some extent they have also been doing the work of cost accountants. So, there is a real apprehension in the minds of the chartered accountants, and many of them had also approached me saying that this will take away their living because many of the industries have grown up horizontally as well as vertically. Government by introducing this measure are depriving them of their means of livelihood.

In regard to the constitution of the Cost Accountants organisation, I have to make a suggestion for the consideration of the Joint Committee if the Chartered Accountants pass a special paper or examination in cost accounting they also may be permitted to become members of this Institute as well as of the Chartered Accountants Institute. A dual membership may be given to them, so that this sort of apprehension may be removed from their minds.

The other suggestion I have to make is in regard to the autonomy of the Institute. I do not know very much about the working of the Chartered Accountants Institute, how it is functioning and all that. But any way I

wish to inform the hon. Minister that there is enough of talk among the lower category of Chartered Accountants, or the junior members of the profession, that all is not well with it. I am only giving this information for him to check up. Why is it so? Statutorily it has been provided that 25 per cent of the Members of the Institute would be nominated by Government, and the 75 per cent would be elected. But while these elected members come from different parts of the country, Government nominated Members come from Delhi. As such the nominated element has always been having an overwhelming voice in the affairs of the Institute, which in its turn has become a hard maid of the Government. This is their complaint. I do not mean to say that the complaint is quite correct. I do not know, but there is such a complaint and this is voiced by the chartered accountants themselves.

**Shri Satish Chandra:** I may correct the facts given by the hon. Member. There are twenty-five members on the Council of the Chartered Accountants of which five are nominated by Government. They are not government officers, excepting two or three, the rest come from Chambers of Commerce in the country, also from different parts of the country.

**Shri Warior:** Five out of twenty makes twenty-five per cent. That was what I said. As such these people have an overwhelming voice.

**Shri Narasimhan (Krishnagiri):** The five can be five *maha-bhudas*.

**Shri V. P. Nayar (Quilon):** Or *pajcha bhudas*.

**Shri Warior:** I, therefore, suggest that instead of eight being elected and four nominated, ten should be elected and only two nominated. The elected members should be at least three times more than the nominated members.

This is called an autonomous institute. The autonomy of the institute is of paramount importance. Whatever

goes against that should be carefully watched. I would therefore request the Minister to accept an amendment that more than three members will be nominated by Government and the rest will be elected. I am only giving the points and suggestions.

**Mr. Chairman:** Only two hours are allowed, there are other members also who wish to speak.

**Shri V. P. Nayar:** There may not be, except Shri Narasimhan.

**Shri Warior:** The life of this Council is three years. I wish to have elections every year. The Council may remain for three years. But President and Vice Presidents and others remain there. It is the office bearers who really control all these things for three years, for the lifetime of the Council. That may be amended suitably so that these people may know that they are not permanent there and that their actions will be reviewed. They may know that they are likely to be checked out if their performance is not up to the mark. These positions are very powerful positions. So many things are involved. So, there should not be a monopoly of power at the head of such an autonomous institute.

I am doubtful about the effect of clause 21. It must be modified. The Central Government is alone vested with powers for taking disciplinary action. I do not know whether the Bar Council or the Medical Council or such all-India institutions of professionals have got such a thing as Government taking disciplinary action. It may have powers of appeal but actual disciplinary action must be vested not with the Government.

**Shri Satish Chandra:** It is vested in the Council.

**Shri Warior:** There is appeal to the Central Government in clause 32. That also may be modified.



**Shri Satish Chandra:** Only the appeal lies to the Government Power to take disciplinary action is vested with the Council.

**Shri Warior:** Who takes the action? The Central Government takes the action. If I am wrong, I am subject to correction. It is in clause 21(6).

**Shri Satish Chandra:** Under that clause, power to take disciplinary action is vested in the Council.

**Shri Warior:** I am sorry, I am subject to correction. When I looked into, perhaps it slipped over. However, it may also be looked into.

18-13 hrs

[MR SPEAKER in the Chair]

The whole procedure of disciplinary action must be gone into because I do not know whether it is the same thing lifted from the Chartered Accountants' Act. I have not checked it. There is so much of room for confusion in this section. I think the Joint Committee must go into it in more detail and see that these things are facilitated and no unnecessary and undue harassment is there for the accountants.

By way of conclusion I may say that I welcome this piece of legislation though there is room for improvement. I hope the Joint Committee will go into the Bill and give us a much improved Bill taking into account the experience gained from the Chartered Accountants Institute.

I now come to the training facilities of these cost accountants. I think it is completely the monopoly of the Calcutta Institute. But the necessity for these people is increasing day by day. Even in the university curriculum there must be some modification and this may be included after the Intermediate stage. Students go for B Com and M Com. It has to be seen whether this course cannot be included for specialisation so that any number of cost accountants may come in the field to fill in the gap.

Finally, there must be statutory provision or amendment made to the Company Law to have these cost accountants if it is over and above a certain level. I know it is impossible to have a cost accountant in each unit; it is a costly affair. Even their operation and performance is costly. So, if the investment is above a certain level, there must be a statutory provision for a cost accountant. That must be provided for either by way of an amendment or a new piece of legislation.

**Shri C. R. Pattabhi Raman (Kumbakonam):** Sir, I shall confine myself to certain aspects of the Cost and Works Accountants Bill No 7, now before the House. While dealing with this, we have to bear in mind that an amending Bill has been introduced—No 8 of 1958—to the Chartered Accountants Act which is now on the Statute book. You will find that a bifurcation is being attempted. The work of the chartered accountant in limited concerns is one which is necessary under the Companies Act. An audited statement from him is necessary and is legally required. We are going to have a new profession of cost accountants. It is no doubt true that, as admitted by the Government, we are putting the cart before the horse. There is no provision in any enactment today requiring cost accountants. That, I dare say, will come later in another Bill. We are now trying to manufacture, if I may use that word, certain number of cost accountants who have to get trained for a certain duty. It is true that the Tariff Commission has emphasised the need for cost accounting, especially for protected industries and for the public sector. When we have a monopoly in the public sector we must ensure that there is proper trading, we must know whether the consumer is getting the goods at competitive rates or whether he is being made to pay more on account of the wasteful expenditure and lack of cost accounting. I do conceive that good cost accounting will become necessary in view of the mixed economy of our country.

I think there is some justifiable complaint so far as chartered accountants are concerned. Cost accounting which deals with cost accounts and works accounts is different from financial accounts. It is really a specialisation. That is to say, it is like ear, nose and throat man among doctors. A student gets the MBBS degree and thereafter specialises in ophthalmology or ENT work. Have we a separate institute for these specialists? We have only a general Medical Council dealing with all doctors and surgeons. That is what seems to be their complaint. Why are you taking away a very important part of audit from the realm and scope of the chartered accountants? I take it that when it emerges from the Committee it will be made more elastic so that there may be movement as between chartered accountants and cost accountants. The chartered accountants may be permitted to go from one sphere to another. If that is allowed it will allay a lot of fear. After all I do not think that the industries and companies are absorbing all the chartered accountants. Many of them are without full employment. Therefore, when that is the position so far as the chartered accountants are concerned, it may be asked whether it is advisable to have a separate bifurcated cost accountancy department, as it were, and a separate profession.

It is no doubt true that in England you have an institute of cost and works accountants, but it is not dealing with a separate profession. The qualification of cost and works accounting is only an additional qualification for a chartered accountant. The whole procedure has been explained in the memorandum which these auditors have given. I find that so far as guidance from advanced countries, as they are called,—so far as USA and U.K. are concerned, they do not have a separate profession as envisaged here in India. A separate cost accountants institute is being envisaged now.

I find, also, that there is likely to be some little rivalry. Are you going

to make it necessary for all financial and industrial undertakings to have cost accounting first, then have financial accounting? Have the signatures of both these people to be obtained in any audited statement? Is it going to be made part of the audited statement required under the Company Law? I am thinking aloud on this point. Supposing there is difference of opinion between the cost accountant and the chartered accountant, what happens? Is there going to be a stalemate on that? This question arises especially in the case of factories whether in the private sector or in the public sector—even in our corporations. This question will have to be answered. What happens if there is a rivalry or disagreement between these two sectors of accountants?

[ Then, it is also true that unless the cost accountants' institute is able to produce a number of cost accountants in a short time, this is going to be only a Bill on the statute-book without much use so far as the industrial units are concerned. Though the functions of the Council are referred to in section 15 nowhere in this enactment is it mentioned as to what the scope of cost accounting should be whether that is legally necessary in industrial undertakings or not. I dare say the Select Committee will give due attention to this aspect of the matter.

So far as the qualification for cost accountants is concerned, nothing is stated in this Bill. Is he a man with Intermediate (Mathematics) who has to branch off and go to cost accounting? Is he to be a pure cost accountant? If he is to be a pure cost accountant, is he going to be a permanent employee of industrial undertakings or only a consultant? If he is going to be a permanent employee are his comments or remarks going to be useful so far as the industrial undertakings are concerned? If he is not going to be a permanent employee and he is only to go and check the stocks of goods etc. in industrial undertakings is he going to be an independent man employed by the

[Shri C. R. Pattabhi Raman.]

undertaking for the purpose, or is he necessarily to be employed as a result of any enactment Government may think of in time to come? These are some of the questions, Sir, that come to my mind when I take up this Bill.

A reference has been made by Shri Warior to Government's powers with regard to disciplinary action in cases of misconduct. In sub-clause 6 of clause 21 it is said:

"On receipt of any case under sub-section (4) or sub-section (5), the Central Government shall fix a date for the hearing of the case and shall cause notice of the date so fixed to be given to the member of the Institute and the Council...."

I do not know if the Central Government is going to take upon itself this sort of onerous duties so far the discipline and conduct of the cost accountants are concerned.

Shri Satish Chandra: It is only a review.

Shri C. R. Pattabhi Raman: I understand it is a review. I quite see the point. But, even in review, I think your hands are full enough end to take up the review....

Shri Warior: And the machinery for it also.

Shri C. R. Pattabhi Raman: The hon. Minister was drawing my attention to the fact that it is really at the review stage.

Shrimati Parvathi Krishnan (Coimbatore): Work for one more Minister or Deputy Minister.

Mr. Speaker: Why not it be chosen from this side?

Shri C. R. Pattabhi Raman: In view of the amendment which is being introduced in Bill 8 of 1958 seeking to amend the Chartered Accountants Act and in view of this Bill before the House, I think it is too late in the day

to suggest that this sort of cost accounting may be left to the Chartered Accountants' body. But, anyhow, it must be very clearly demarcated so far as the functions are concerned. It must also be made part of any enactment that is to come. Naturally, it has to come. After all, nothing at all is stated here as to what the industrial undertakings have to do so far as cost accounting is concerned. It is only echoing the pious wish of the Tariff Commission, nothing more, nothing less. We know, as I conceded in the very beginning, that we need to provide for cost accounting, and my friend Shri Narasimhan has been at it for a long time. I am glad that there is a Bill like this before the House. But, Sir, there are serious apprehensions in the minds of chartered accountants, which I think the Government must allay.

Shri Narasimhan: I am glad, Sir, that though some months ago I pressed for an institution of this kind and Government were not willing to accept it at least now they are accepting it. The hon. Deputy Minister was saying that this Bill was on the same pattern as that of the Chartered Accountants Act which we are now going to amend. But, while he seems to be satisfied that he is copying a good model, I have my own doubts. Certain defects there also have crept in here—that is how I will put it.

The chief defect in the new Bill or the Chartered Accountants Act, regarding which an amending Bill is being circulated and which probably will be considered in the next session, is that there is the predominance of government representatives in the institute. That does not help in the healthy growth of the institution. That is how I feel and many accountants outside feel. I do not know whether the Institute of Chartered Accountants was officially consulted about the matter; we are yet to know about it. A large volume of opinion of chartered accountants outside the Executive Committee of the Institute is that such predominance does not help.

While it is so, there has been a further deterioration. In the existing Chartered Accountants Act which Government seek to amend it is put that any resolution will be effective only if Government countersign it. Important resolutions of a particular category will have validity and will come into force only after Government has approved them. That is good enough. With a strong number of five people, whom I humourously described as *Pancha Mahabhooth*, doing everything when they are there, Government has in addition the power of validating signing things and getting them validated. But I do not think there is any necessity for a further power to be invoked, namely that of ordering and making them do in the way they like. That is just like stitching a cloth and asking you to wear it. It is not at all good. I think the principle underlying the proposed amendment of Chartered Accountants Act is not at all sound. Government should not give a strait jacket and compel others to wear it. This Cost Accounts Bill being on the same pattern as the other Act has the same defect.

Sir, while I am not seriously objecting to this kind of power remaining in the new Bill as the Institute that will be created will be at its infancy, the tendency is there that Government when they get power never feel like parting with it. It has become a regular chronic disease with them. They first want power, then more power. They say that the institution is an autonomous one. Both in the objects here and also in the Objects and Reasons of the Chartered Accountants Bill which was introduced on the last day of the Constituent Assembly it is said that the institution should be autonomous. But Government, in the name of transitory needs get some power, and then they ask for more power. It has become a kind of regular chronic disease. I do not know whether the need is felt by the Secretariat, by the Ministry or by the Ministers. I am not able to explain that. There is an ever-growing desire

on the part of Ministers just to take what the Secretaries say, and there is a never-ending desire on the part of Secretaries to ask for more and more power. This tendency should be curbed and it should not be indulged in when we intend to set up autonomous bodies. When the object itself is that it should be autonomous, the powers should not be there. Further, when the Government want more powers, it means that the measure has failed in its purpose. To the extent that the Government want more powers or, if any Act does not function properly, the Government should also accept a certain amount of responsibility for the state of things.

I would also like to know whether it will be open to any Member or whether it will be proper for any Member to seek to put in a clause in the Bill while it is being discussed in the Joint Committee, which would have the effect of compelling certain categories of companies to have cost accountants in their firms for certifying certain costs. I would like to have a ruling from the hon. Speaker on that point. Supposing a clause to that effect is sought to be moved, I would like to know whether it will be beyond the scope of the Bill. I would like to have your ruling, Sir, on that matter.

I would say that without such a clause, without such a step being taken this piece of legislation will be an incomplete measure. The purpose of this law will not be fulfilled, unless at an early stage, it is possible for the Institute of Cost Accountants that is going to come into existence to expect every important concern, public or private, to have the costs certified. The sooner that the cost accountants are appointed, the better. So, some kind of provision to that effect, either recommendatory or elastic, may be made in this Bill, and it will be very useful. I would like the Joint Committee to remember this. As I said, I would like to know whether it will be permissible, by way of a rule, to make such an additional clause in the Bill at the Joint Committee stage. I have nothing more to say.

**Mr. Speaker:** So far as the point raised by Shri Narasimhan is concerned, the Speaker cannot be called upon to give an idea or a ruling about the admissibility of any amendment that is likely to be made. If there is a motion here, requesting the House to give instructions to the Joint Committee on such and such a matter, that is another matter, and I could understand it. But, when no such motion is here, there is nothing to be done. If, however, the Joint Committee looks into the matter and adds any particular provision, then, it is for the House to consider it after the report of the Joint Committee comes up for consideration here. I do not know whether the companies' accounts should generally be looked into only by cost accountants, as has been laid down in the Companies Act where the accounts are to be looked into by chartered accountants. Now, the point is only hypothetical.

Of course, hypothetically and academically, one can say that under a particular set of circumstances, the statement of accounts shall be examined and certified only by cost accountants, as only certain persons qualified for a thing can practise, such as, say doctors or nurses, or in any other capacity for which qualifications are prescribed. One can certainly prescribe qualifications for all that Parliament can certainly pass legislation to that effect. But now, it is only a hypothetical matter. I do not want to give any ruling over a matter which is hypothetical.

**Shri Barman** (Cooch-Bihar—Reserved—Sch. Castes): Just before Shri Narasimhan spoke, another hon. Member had doubted the utility of cost accountants.

13-34 hrs

[**MR. DEPUTY-SPEAKER** in the Chair]

He has mentioned that there may be confusion, and that there may be disagreement between the chartered accountants and cost accountants in

any particular case. I cannot visualize whether such confusion will arise or not, but generally speaking, it is my considered opinion that we need cost accountants and the more so because India is fast developing in industry, both in the private sector as well as in the public sector. At present, so far as I know, there is a dearth of cost accountants. Even in our public installations, when we ask the managing director or whoever might be responsible for running the industry whether they have got any cost accountants with them, they say that it is very difficult to have a qualified cost accountant for these intricate production matters. So, there is no gainsaying the fact that we need an institution of cost accountants run in an efficient way with all the administrative safeguards necessary for producing qualified cost accountants and regulating their work. We need cost accountants in large numbers.

Unless we know whether a particular job is adequately done or whether there has been a lavish expenditure of money on it, we cannot ascertain the utility of the job, and we cannot know all the facts unless we have costing. In the private sector, the private industries produce the goods and the consumers have to pay for them. The Tariff Commission, if it examines an industry, gets an overall costing of the production. There is no material before the Tariff Commission even to justify the various stages of production. So, the Commission simply examines, so far as I know, the costing from the vouchers and other relevant papers and after coming to some decision, it allows a certain percentage of profit. But it is not possible for the Tariff Commission to say whether in the industry—private or public, for, the case is almost the same—they have observed any economy in production, whether there has been any favouritism by paying for any particular job or particular man who is not really qualified for that payment, and whether the management is taking too much profit or not. The Tariff Commission cannot say

anything this way or that way in regard to such matters. But, if we have cost accountants, then we could compare the costing of several jobs in one industry with that of another. Therefrom we can adjudge that in the same process, in the same amount of work, the quantity of managerial skill or the amount of technical skill in one industry has produced the goods at a much lesser cost and so on, and ask why it should be at a greater cost in the other industry. There is something to judge whether the industry is doing well or is doing a thing according to its own sweet will. So, the necessity of cost accountants cannot be denied by anybody.

My friend has raised the question as to whether there shall be any confusion between the opinion of a cost accountant and the opinion of a chartered accountant. According to my knowledge, the two things are quite different. The chartered accountant does not go into the cost of production of the jobs and of the products, whereas the cost accountant's job will be particularly that kind of work. So, there cannot be any confusion.

Private industry will certainly, by necessity, be compelled to keep cost accountants if the industry is forced by law to produce the costing of several items of jobs before the Government-appointed cost accountant so that the latter might certify that things are all right. Sometimes, the manager himself does not know—and the shareholders certainly do not know—whether he is doing the right thing or not. Further, if there be a cost accountant in the industry, then, his work will be further verified by the Government-appointed cost accountant, and in that case, the shareholders will also be able to judge the work done. The Government also will have the necessity to judge the affairs, because, after all, it is the consumers who are going to pay for the products they buy. From all these considerations, I think that the Institution of Cost Accountants which

is being proposed by this Bill is quite timely and quite relevant, and is a necessity for the development of our industries.

**Dr. Melkote (Raichur):** Mr. Deputy-Speaker, Sir, the previous speaker, my hon. colleague, has voiced generally speaking my own feelings in the matter. I entirely agree with what he has said and welcome the move of the Government in this matter. Both as one who has worked among labour, and has known a number of factories working and a number of factories which have also closed down also due to a variety of factors and as one who has had some experience with regard to these factories being given money by the Government, as a Minister of Finance for a couple of years in Hyderabad, I feel that this move of the Government is most appropriate and welcome at this juncture. The usual audit, and all those things that go with it, by the chartered accountants or even the pre-audit will be unable to prevent deceitful transactions with regard to the sums of money that have already been budgeted when those monies are spent regularly day today. Neither the audit nor the pre-audit would know exactly where the faults lay in a factory for which the Government was giving plenty of money in the private sector as well as in the public sector. It is very necessary for us to know as to where exactly things are going wrong. It is not a post mortem examination of the thing that would help at the end of the year and if correction has to take place it is this cost-accounting right from the beginning in respect of the purchase of material that has to be done. It is not a question of installation of a factory with machinery and these things that matters. It is with regard to its working and where its working would be going wrong. It is the purchase of material, the cost of labour and the cost of other incidentals that go to make up for the success of a factory in the long run. If it has to be successful this cost accounting has got to be done very meticulously and by

[Dr. Melkote]

competent people. Therefore, it would be but right to lay down standards of education and to set up a body of specialists which might be a part of the work of general accountants. This work is of a specialist nature just as a medical man may be a surgeon or an ear, nose and throat man or anything that has been mentioned now. So, this type of special accounting has got to be done. Therefore it is necessary to have specially trained personnel.

India is spending a lot of money over many of these industries and we see year after year a number of factories being closed down. Apart from closing down, these factories in the private sector demand money for their normal running. When given they spend it as they like. So far as the chartered accountants are concerned, they go through the accounts at the end of the year and say that every thing is all right according to budgeted provision. But with regard to the monies that they further demand in the shape of tariffs etc by saying, "We cannot carry on. There is competition—foreign and local" what exactly is happening, we do not know. In many of these monopolist concerns whom Government also helps by tariff walls, we will be able to find out exactly how much profit these people are making by irregular methods if this type of cost accounting is done. We would then possibly be in a position to arrange for the manufacture of goods not merely cheaply but we will be able to amend our tariff rules and also know with regard to the quantum of money that the Government ought to give to these industrialists, whether it be in the private sector or in the public sector. I therefore have to most heartily welcome this move and support it. I only hope that the Government will keep in view the necessity of getting the proper technical people, who may already have been trained in general accountancy, or they may even include that kind of knowledge in this Institute.

Shri Satish Chandra: Mr. Deputy-Speaker, Sir, the object and the principles underlying the Bill have been welcomed by almost every section of the House. My hon. friends opposite and on this side have both spoken in support of the measure, though they have expressed disagreement with certain provisions contained in the Bill dealing mainly with administrative details.

Shri Warior said something about the composition of the Council. He thinks that the number of nominated members in the Council of the Chartered Accountants' Institute is too much. I intervened and said there are five members nominated by the Government in a 25-person body, but out of those five, there are only two or three Government officers and the rest are non-officials nominated by the Government with a view to give representation to certain commercial bodies. So, it is not correct to say that the Government is very much over-represented there.

Here, in the Cost and Works Accountants' Institute, the proportion at present appears to be high. But as the Institute is just making a start and is likely to grow, the membership of the council may also increase in future. Though only eight persons representing the members of the Institute have been provided on the Council, their number is likely to increase in due course. Out of four which will be nominated by the Government a few will not necessarily be Government officers. Therefore this objection may be considered in the light of the explanation that I am giving.

Shri Warior also said something about the powers of the Government to take disciplinary action. The position is that the powers to take disciplinary action are vested in the disciplinary committee and the Executive Council of the Institute. If the disciplinary committee or the Council feel that the name of a member should be removed from the Register or the

ends of justice will be met by simply reprimanding the member, the committee or the council can in almost all cases take the action. There is of course a provision that if a person is punished or his name is removed from the Register for a period exceeding five years, then there should be a second review by the Government and the Council of the Institute must refer that case to the Government. When you are depriving a man of his profession for a long period of more than five years, it is only right and proper that there must be some scrutiny of such a case and a second thought be given by a second set of persons. It is in that spirit that that power of review has been provided. According to the present Chartered Accountants Act, such power of review vests in the High Court, but experience has shown that the reference to High Courts of these disciplinary cases involves a lot of time, delay and suspense which is neither good for the man against whom disciplinary action is taken nor is in the interests of the profession as a whole. To overcome that difficulty, provision has been made that such cases may be reviewed by the Government.

There is also a fundamental difference between the Chartered Accountants Institute and this Institute. In the case of chartered accountants, the man against whom disciplinary action is taken is completely deprived of his means of livelihood. Under the Companies Act, it is compulsory for the accounts of a company to be audited by chartered accountants and a chartered accountant can only be one who is an associate of the Institute or a fellow of the Institute. If disciplinary action is taken against him, he cannot carry on his profession. In the case of cost and works accountants, as has been pointed out by several hon. Members themselves, there is no statutory obligation on any company, whether in the public sector or in the private sector, to get the accounts checked by a cost accountant. Therefore, even if disciplinary action is taken, the man is not deprived of his

livelihood. So, it has been thought that it is not necessary to have these cases reviewed by the High Courts. The case can be reviewed easily in the department of Company law Administration by senior officers. This is a provision which affords a greater measure of protection to the members of the profession. It is not something by which the Government is depriving the Council or the Disciplinary Committee of the Institute of the opportunity to have its full say and decide the case. They only forward the case with their recommendations to the Government for a second review.

It has been suggested by several hon. Members that there should be compulsory checking by the cost and works accountants. This question, though it may be desirable, has to be examined in the context of present conditions. I have just now given figures that there are a little over 300 cost and works accountants in the country who have enrolled themselves as Members of this Institute. There are 100 or so more, who have passed the examination conducted by the Cost and Works Accountants Institute of the U.K. With this number, obviously, Government cannot compel any set of industries to have their accounts checked compulsorily by cost and works accountants. Firstly, the nature of the work of the cost and works accountant is not like that of the chartered accountant, who sits after the end of the year, checks the balance-sheets and vouchers and the profit and loss account and certifies that they are in conformity with the books maintained by the company. Their work is day to day work. A cost and works accountant must be attached to a particular factory. He must look into the cost of the raw materials, whether labour and machine capacity is being fully utilised, whether there is a proper balance in the utilisation of raw materials, manpower and machinery in a particular factory, and so on. He has to see whether the entire expenses of the administration and management are being properly incurred and whether



[Shri Satish Chandra]

they are getting the best out of the manpower, material and the financial resources available to the factory. That being the position, and with the number that we have, it would be inadvisable at this stage to introduce an element of compulsion. This question may come up for consideration in future. The introduction may start perhaps more profitably in the public sector. A large section of the private sector has, so far, not, fully appreciated the need for a proper system of cost and works accountancy may be for various reasons. Some hon. Members will say that they do not intentionally want to introduce the system. Some may say that they have not realised its importance even though it is for their own benefit. If a more enlightened attitude is taken, they will appreciate its benefit as they know where they stand, whether they are utilising their resources properly. Many things can be said. But the fact remains that at the present moment, there are not enough cost and works accountants to undertake that work

Secondly, as has already been pointed out, it is not within the orbit of this Bill to make such a provision. As the hon. Speaker was pleased to say, provision is made in the Companies Act that all the companies will get their accounts verified by chartered accountants. Similarly, it may be necessary to amend the Tariff Act to say that the protected industries for which this House or the Government affords protection and the consumer is asked to pay higher prices, must be checked at every stage. That provision should be made in the Tariff Act and not in the Cost and Works Accounts Bill. This Bill is mainly for the regulation of the profession, to organise them, to make proper arrangements for their training, to control them, to lay down a code of behaviour, to deal with disciplinary cases and so on. Though I agree that cost accountancy is important, whether it is practicable to introduce an element of compulsion at this stage

and whether it should come in this Bill, is a different matter. While I do not disagree with the basic approach, I would respectfully submit that this is not a matter which can come within the provisions of this particular Bill.

Shri C. K. Pattabhi Kaman said that there should be some flexible arrangement so that the cost accountants can perform the work of the chartered accountants and the chartered accountants can undertake the work of cost accountants. There is nothing in this Bill to prevent a man if he is fully qualified from becoming a member of this Institute. He can do so. A chartered accountant, if he is qualified to work as a cost and works accountant, can also become a member of the Cost and Works Accountants Institute, if he wants to practise this profession. Similarly, a cost and works accountant can become a member of the Institute of Chartered Accountants. But, in practice, as the nature of the work is different, many persons will not like to do so. It is the practice in all countries which are industrially and technologically advanced to specialise in one subject. The Chartered Accountants generally perform post-mortem examination. If I may give the example, the nature of the duties of the cost and works accountants and of the chartered accountants is as different as the work of the Estimates Committee of this House and the Public Accounts Committee. The Public Accounts Committee looks into the accounts when the year is over or two years have passed and certain accounts and certain reports are presented before it, and tries to find out as to how things can be remedied in the future on the basis of past experience. But the Cost and Works Accountant's function is to check from day to day whether the industry is working satisfactorily, whether various cost factors are properly balanced, whether the end cost will be reasonable if so much is spent on various items today. He looks after

the present, while the Chartered Accountant looks after what has already happened. So, their work is different. While the Chartered Accountant must have very good knowledge of financial transactions and book-keeping, of the system of keeping vouchers, and of proper checking of accounts, the Cost and Works Accountant must have some knowledge of the techniques of production, how an industry functions, what should be the proportion of the labour cost to the material etc. Therefore, they are somewhat different from each other, though, of course there is some relationship between the two. The basic qualifications may be the same. So, if a Cost and Works Accountant is qualified to be a Chartered Accountant, he can become a member of both the Institutes. He is not prevented.

14 hrs

Shri C R Pattabhi Raman: Also the other way?

Shri Satish Chandra: Also the other way. A member of the Institute of Chartered Accountants, if he is qualified by his training and experience to do the work of a Cost and Works Accountant, can become a member of the Institute of Cost and Works Accountants on passing the prescribed examination. I think that satisfies my two friends. The Joint Committee may in its wisdom make some changes in the existing provisions or amend them but under the present draft they can become members of both the Institutes.

Shri C R Narasimhan spoke in somewhat strong language in favour of the autonomy of the Institute. The Institute is autonomous. Autonomy is being conferred on it by the Bill, there is no doubt about it. Because there is a provision that in case a situation arises and something happens to necessitate the use of reserved power by the Government which may issue directions, he feels that the autonomy has been taken away and that Government wants to grab more

and more power simply to satisfy its vanity. Either Government or Government officers want to grab this power, he is not sure whether the Institute wants it or the secretariat wants it. I can assure him none of us wants this power. If he looks into the matter in the right perspective, he will realise that the very fact that Government has felt the necessity of according statutory recognition to this Institute and conferring autonomy on it is proof of our intentions that Government wants to build up this profession on healthy lines and with the least interference in its affairs. Government wants to develop and help the profession in the formative stage. Because the Government is not satisfied with the progress so far made and with the present arrangements for framing or for the conduct of examinations, we have, in consultation with the existing Institute and with their concurrence, brought forward this measure.

Shri C. R. Narasimhan: Did they agree to this power, I want to know.

Shri Satish Chandra: We have had discussions with them on broad matters, but the experience gained through the functioning of the Institute of Chartered Accountants has made us wiser in this matter. In the Chartered Accountants (Amendment) Bill which has been passed by the Rajya Sabha and which will come up before this House early next session for consideration, we have similarly taken over the same powers. There have been occasions when the Members of the Institute failed to resolve their differences, approached us to give decisions and asked us to issue directions because they could not come to an agreement among themselves. Such occasions have arisen in the past. It is in the light of the experience of the working of the Chartered Accountants Act for nine years that such a provision is being introduced in that Act, and that is why, in this particular Bill which is being brought forward for the first time in order to organise a new profession, it has been considered

[Shri Satish Chandra]

all the more necessary for the Government to assume such a power. After all, when Parliament gives statutory recognition to the Institute of Cost and Works Accountants and the Government is held administratively responsible for its successes and failures, it is not too much to ask for some reserve power which it may not be necessary to use from day to day. There must be some power with the Government by which it can, if necessary, take corrective action, when the Institute itself is not able to reach decisions in the larger interests of the profession.

I have nothing more to say. I am grateful to all the hon. Members, who have welcomed the provisions of this Bill. I hope that matters of detail will be looked into by the Joint Committee. If there are any suggestions which hon. Members make to improve the structure of the Bill, Government will be very glad to make suitable amendments.

I request the House to agree to my motion.

**Mr. Deputy-Speaker:** The question is:

"That this House concurs in the recommendation of Rajya Sabha that the House do join in the Joint Committee of the Houses on the Cost and Works Accountants Bill, 1958, made in the motion adopted by Rajya Sabha at its sitting held on the 10th December, 1958 and communicated to this House on the 12th December, 1958, and resolves that the following members of Lok Sabha be nominated to serve on the said Joint Committee, namely Shri Nibaran Chandra Laskar, Shri Etikala Madhusudan Rao, Shri Bholi Sardar, Shrimati Jayaben Vajubhai Shah, Shri Radhelal Vyas, Shri C. R. Narasimhan, Shri

S. A. Agadi, Shri Satish Chandra Samanta, Lala Achint Ram, Shri Radheshyam Ramkumar Morarka, Swami Ramanand Shastri, Shri Padam Dev, Shri Sunder Lal, Shri Prabhat Kar, Shri Rajendra Singh, Shri Jaipal Singh, Shri Karsandas Parmar, Pandit Braj Narayan "Brajesh", Shri Satish Chandra and Shri Lal Bahadur Shastri."

*The motion was adopted.*

14-08 hrs.

#### REPRESENTATION OF THE PEOPLE (AMENDMENT) BILL

**Mr. Deputy-Speaker:** The House will now take up consideration of the Representation of the People (Amendment) Bill, 1958, as reported by the Select Committee.

**The Minister of Law (Shri A. K. Sen):** I beg to move\*:

"That the Bill further to amend the Representation of the People Act, 1950, and the Representation of the People Act, 1951, as reported by the Select Committee, be taken into consideration."

The House will recall that the Bill is substantially an amending Bill. Most of the provisions have been necessitated by reason of the reorganisation of States. There are only some important provisions which have been affected by amendments in the Select Committee.

If we go to clauses 7 and 8, it will be observed that a lot of difficulty has occurred in the preparation of electoral rolls for a particular constituency, having regard to the application of the words "is ordinarily resident in a constituency". In the Select Committee amendments were moved to clause 8 which seeks to amend section 20

\*Moved with the recommendation of the President.