

B. ASSETS AND LIABILITIES

41. The practical application to Saurashtra of the general principles relating to allocation of assets and liabilities (cf. Paragraphs 25 and 30 of Part I of our Report and also Chapter III of this Part) is illustrated below with reference to the position as at 31st March 1949. The final allocation and apportionment should be made on the same lines, on the basis of a complete Statement of assets and liabilities to be compiled as at the date of federal financial integration.

(1) "Unproductive" Capital Assets

The Central Government will take over all unproductive capital assets connected with "federal" functions, Services and revenues ; the Saurashtra Government will retain the rest.

(2) "Productive" Capital Assets

(a) The Central Government will take over all productive capital assets connected with "federal" functions. Their book value as at 31st March 1949 was as follows :—

Particulars	Rs. (Lakhs)
Railways	1025.57
Telephones	12.70
Posts and Telegraphs	1.00 (Estimated)
	1039.27
Total	1039.27

There is no "specific" debt connected with these assets.

(b) The Saurashtra Government will retain all other productive capital assets. Their book value on 31st March 1949 was as follows :—

Particulars	Rs.(lakhs)
Electricity Schemes	75.00
State Transport	4.75
Ports	389.45
Productive Irrigation Works	?
	469.20 plus ?
Total	469.20 plus ?

There is no " specific " debt connected with these assets.

(3) Current Assets, Liabilities, Reserves and Funds

(a) It is necessary to deal with liabilities, Funds, Reserves etc. first. The Central Government must take over such of these as are functionally theirs; the rest will remain with, or be discharged by, the Saurashtra Government. These liabilities etc. arranged in their order of "priority" stood as follows on the 31st March 1949. (A detailed analysis is given in Statement III appended to this Chapter).

	"Federal"	Others	Total
	Rs. in (Lakhs)		
A. Banking or current Liabilities, Trust Funds, Sinking Fund etc.	?	125.79	125.79
B. Specific "Functional Funds" . . . . .	..	212.30	212.30
C. Reserve Funds for Assets . . . . .	..	..	..
D. Depreciation Funds	188.27	205.03	393.30
E. Reserve for contingencies (un-traced liabilities and Funds) . . . . .	..	50.00	50.00
F. Public Debt <i>less</i> Sinking Fund . . . . .	..	47.00	47.00
Total	188.27	640.12	828.39

(b) The total liquid assets available amounted to Rs. 1472.57 lakhs, as follows : (A detailed analysis is given in Statement IV appended to this Chapter).

	Rs.
	(Lakhs)
Cash and Bank balances	210.85
Bank Deposits	73.04
Shares	271.34
Investments (Earmarked)	615.00
Investments (<i>Not</i> earmarked)	302.34
Total	1472.57

Clearly, there are sufficient investments (earmarked and non-earmarked) to meet all the liabilities and Funds in full. They should, therefore, be first allocated between the two Governments to the extent equivalent to the liabilities, Reserves and Funds allotted to 'each on a functional' basis

(c) There will remain a surplus of liquid assets over liabilities amounting to Rs. (1472·57—828·39) lakhs equal to Rs. 644·18 lakhs. Of this, approximately Rs. 90 lakhs may have to be written off from the book value of shares in commercial concerns, which have depreciated considerably since they were acquired. The balance of the surplus, approximately Rs. 554 lakhs, will have to be divided between the Centre and the Saurashtra Government in some equitable manner. We recommend that ten per cent of this surplus should be allocated to the Centre for *Capital expenditure* on “federal” objectives in Saurashtra ; and in the choice of schemes upon which this sum may be expended, the Saurashtra Government should be consulted.