<table>
<thead>
<tr>
<th>Title</th>
<th>Financial Information of Public Corporation - By Taking New British General Post Office as an Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Author(s)</td>
<td>Nishikawa, Yoshiro</td>
</tr>
<tr>
<td>Citation</td>
<td>Hitotsubashi journal of commerce and management, 8(1): 21-35</td>
</tr>
<tr>
<td>Issue Date</td>
<td>1973-07</td>
</tr>
<tr>
<td>Type</td>
<td>Departmental Bulletin Paper</td>
</tr>
<tr>
<td>Text Version</td>
<td>publisher</td>
</tr>
<tr>
<td>URL</td>
<td><a href="http://doi.org/10.15057/7614">http://doi.org/10.15057/7614</a></td>
</tr>
</tbody>
</table>
Modern accounting information and accountability have developed in various fields of general industries. In the private sector, effective information and so-called generally accepted accounting principles have been very rapidly progressing since the Second World War. But, so far as the financial accounting is concerned, those methods in the public sector, especially in public enterprises, have not rapidly advanced like in the private sector in Japan. The main reason for this is that bureaucratic status and government-restricted budgetary control of the public enterprises, in practice, lack the business flexibility in general.

The first modern corporation in Japan, Japan Monopoly Corporation (dealing with tobacco and salt) was set up in 1948, and Japan National Railway was also set up in the same year. After then Nippon Telegraph & Telephone Public Corporation followed them in 1952. These three corporations were typical of modern big public enterprises in Japan. They have the following principal characteristics: 1

1) They are wholly owned by the government.
2) They are respectively established by a special law defining their powers, duties and immunities and prescribing the form of management and their relationship to government departments.
3) They are monopolistic enterprises, except for a present state of affair of the Japan National Railway.
4) As a body corporate, they are separate entities distinct from the Government itself for legal and economic purposes, and can sue and be sued, enter into contracts, and acquire property in their own name. In general corporations conducting business in their own name have been given more freedom to some extent in making contracts and acquiring and disposing of property than ordinary government departments.
5) In regard to finances and accounts of the corporation, increase, decrease or any a change in the property shall be accounted for on the accrual basis.
6) Except for appropriations to private capital or to cover losses, public corporations

* Professor (Kyōju) of Accounting.

1 Some parts of these characteristics were displayed in the United Nations Technical Assistance Administration, 'Some Problems in the Organization and Administration of Public Enterprises in the Industrial Field' (New York), 1954, p. 9 and they have been added to the Japanese Public Corporations' characteristics.
are usually independently financed.2 They obtain their funds from borrowing, either from the treasury or the public, and from revenues derived from the sale of their goods and services. They are authorised to use and re-use its revenues.

7) Employees of public corporations are not general civil servants, and are recruited and remunerated under terms and conditions which the corporation itself determines.

In regard to these characteristics, we are concerned here mainly with the financial accounting aspects of the public corporation which are accountable for the management of the corporation.

We can observe a very rapid growth of the public corporation in Britain. According to Professor W.A. Robson, "The public corporation is not an entirely new institution. There have long existed numerous organs exercising official or governmental functions, yet possessing varying degrees of independence from the executive and distinguishable from the great departments of state under the direct control of Ministers of the Crown."3

The purpose of this paper, therefore, is to examine and describe some informative and progressive reports and modernized accounting system for public corporations by taking the British Post Office as an adequate case.

**Establishment of the New General Post Office**

Though the background of British public corporations, that is, nationalized industries, differs quite markedly from the situation in Japan, main objectives of the Report and Ac-

---

2 So far as the disposition of the "profit" being concerned, Japan Monopoly Corporation has no freedom of the self-financing, except depreciation as like as other two public corporations. In this case the profit, viz. (gross revenue)−[(gross expenses)+(depreciation negotiated with the Treasury Department)+(equalization reserve for changing value of goods which are purchased by long-term borrowed funds or long term interest expense)], is contributed to the national treasury. The nature of such a nominal profit, therefore, may be considered substantially as a kind of indirect taxes.

It is also recognized as a surplus from the financial accounting point of view which means net profit and contributed amount to the national treasury in this case, and the recent rate of profit vs. contributed amount will be explained as follows:

<table>
<thead>
<tr>
<th>Year ended 31st March</th>
<th>Net profit (A) (Million Yen)</th>
<th>Contributed amount (B) (Million Yen)</th>
<th>B / A (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>203,468</td>
<td>177,018</td>
<td>87.0</td>
</tr>
<tr>
<td>1968</td>
<td>284,206</td>
<td>250,045</td>
<td>87.9</td>
</tr>
<tr>
<td>1969</td>
<td>294,141</td>
<td>255,844</td>
<td>86.9</td>
</tr>
<tr>
<td>1970</td>
<td>306,301</td>
<td>272,309</td>
<td>88.9</td>
</tr>
<tr>
<td>1971</td>
<td>324,016</td>
<td>289,678</td>
<td>89.4</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td></td>
<td><strong>88.0</strong></td>
</tr>
</tbody>
</table>

counts of the public corporations both in Britain and Japan have similar nature in essence.4

Among British public corporations, General Post Office (GPO) has recently established its autonomy as an entity under the Post Office Act, 1969 which had been prepared since the Act, 1961.5 In case of the latter, its finance had been separated from the Exchequer with the establishment of the Post Office Fund, but constitutionally it remained a Government Department. In the former, GPO has become a modern independent public corporation and the New Board of GPO managing staffs are appointed by the Minister on the advice of the Government.

In accordance with the Post Office Act 1969, the Board sent new Post Office Report and Accounts for the six months ended 31 March, 1970 to the Minister on 4 November, 1970 and presented to Parliament.6 Following that, accounting period has become one-year basis as in the past, and an Annual Report for the year ended 31 March, 1971 was presented.

So far as the fundamental accounting structure and the system of that report are concerned, the contents of the public corporation's report have not been changed with the recent annual report for the year ended 31 March, 1971 remarkably.

In the following sections, we will mainly take up the report and accounts for the six months ended 31 March, 1970 (new semiannual report) as an example.

---

4 An essential feature of so called public corporations as a whole is difficult to define exactly so enough even in Britain as public utilities' concept in America. But it would seem fairly fitting to say that 'The creation of the modern type of public corporation is the need for a high degree of freedom, boldness and enterprise in the management of undertakings of an industrial or commercial character and the desire to escape from the caution and circumspection which is considered typical of government departments.' W.A. Robson, ibid., p. 47.

5 According to the First Report from the Select Committee on nationalized industries, appointed by Ministers of the Crown, a history of the Post Office had been stated as below:

1. The Post Office trace their origins to 1660 when the office of Postmaster General and Comptroller of the Post Office was instituted to run the Crown monopoly of the letter post. The first service other than letter transmission provided by the Post Office was the Money Order service, which was taken over in 1838. In 1861 the Post Office Savings Bank was set up, and the parcel post was introduced in 1883. Telegraphs were taken over from private hands in 1870, and telephones (which had been provided to a limited extent by the Post Office from 1880) were taken over in 1912.

2. Until 1933 the Post Office were treated as a normal Revenue Department of the Government, but in that year their special case as a commercial organisation was recognized. Although all revenue was still paid into the Exchequer a sum was fixed beyond which any net saving were at the Post Office's own disposal. In 1955 the level of the Post Office's contribution to the Exchequer was fixed at £5 million a year, but, despite these accounting arrangements, all revenue was still paid into the Exchequer and all expenditure voted by Parliament.

3. In 1961 the Post Office were given greater freedom. Under the Post Office Act 1961 the Post Office Fund was set up and all receipts (apart from a few exceptions) and payments were made into and out of it. This fund replaced the provisions in the Budget for the Post Office's self-balancing revenue and expenditure and the Post Office ceased to present annual estimates to Parliament. The Post Office produce annual accounts, showing the trading position for each year, together with a balance sheet.' See the First Post Office Report and proceedings of the Select Committee, on Nationalized Industries, Vol. I p. 15.'

6 In accordance with Section 12 of the Post Office Act 1961 and Section 85 of the Post Office Act 1969, the Board as a Government Department sent the Post Office Report and Accounts for the six months ended 30 September 1969 (old semiannual report). Contents of those Report and Accounts approximately were the same as before. They had been provided, for the purpose of comparison with previous years, information relating to the whole of the financial year 1969-70 and presented to Minister on 8, July 1970.
Contents of the New Post Office Report and Accounts
October 1969 to March 1970


The content of Report was given by the chapter titles which were as follows: Posts, Giro and Remittance Service; Telecommunications; National Data Processing Service; Technology; People in the Post Office. The content of 'Accounts' in part 2, items of the title were given as follows:

Auditors' Report
Profit and Loss Account
Post Office Balance Sheet
Business Accounts: Postal Telecommunications
National Data Processing
Statements to the Accounts
Notes on Accounts

The content of 'Accounts' in part 3 items of the title were the same as those of the part 2 until 'Statement to the Accounts'. 'Notes on Accounts' and 'Supplementary supporting statements' were added to them.

The last content of the part 4, items of the title were given as follows:

1. Financial results by services
2. Financial performance over 5 years
3. Growth in income and expenditure over 5 years
4. Tariff changes
5. Tariff indices
6. Total pay and related expenditure
7. Staff numbers by function
8. Major capital schemes
9. Research and development expenditure over 5 years
10. Loss and gain statistics
11. Mail statistics
12. Counter service statistics
13. Telecommunications statistics
14. Motor transport statistics
15. Summary of finance over 10 years

The contents of the Post Office Report in the Fiscal Year of 1968-69 had been divided into 8 chapters. Titles of chapter 2, 3 and 4 were the same as those in the semiannual Report. But other chapters were given by the titles as follows,

Chapter 1 Introduction
Chapter 5 Savings
Chapter 6 Staff Affairs

Chapter 7 Conclusion
Chapter 8 Report by Staff Side of Departmental Whitley Councils
Bird's-eye View of the New Report by the British General Post Office

First of all, report of the New Post Office explains Financial Results before the Report by the Board with brief comments. The format and figure were stated as follows:8

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>205.4</td>
<td>397.3</td>
<td>377.8</td>
<td>+5.2</td>
</tr>
<tr>
<td>Expenditure</td>
<td>220.8</td>
<td>422.1</td>
<td>383.6</td>
<td>+10.0</td>
</tr>
<tr>
<td>Profit (+), Loss (-)</td>
<td>-15.4</td>
<td>-24.8</td>
<td>-5.8</td>
<td></td>
</tr>
<tr>
<td>TELECOMMUNICATIONS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>334.3</td>
<td>652.2</td>
<td>568.2</td>
<td>+14.8</td>
</tr>
<tr>
<td>Expenditure</td>
<td>312.5</td>
<td>590.9</td>
<td>518.1</td>
<td>+14.1</td>
</tr>
<tr>
<td>Profit (+)</td>
<td>+21.8</td>
<td>+61.3</td>
<td>+50.1</td>
<td>+22.4</td>
</tr>
<tr>
<td>NATIONAL DATA PROCESSING SERVICE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>2.8</td>
<td>5.3</td>
<td>4.0</td>
<td>+32.5</td>
</tr>
<tr>
<td>Expenditure</td>
<td>3.1</td>
<td>5.6</td>
<td>3.9</td>
<td>+43.6</td>
</tr>
<tr>
<td>Profit (+), Loss (-)</td>
<td>-0.3</td>
<td>-0.3</td>
<td>+0.1</td>
<td></td>
</tr>
<tr>
<td>TOTAL POST OFFICE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*Income</td>
<td>536.9</td>
<td>1,046.4</td>
<td>946.1</td>
<td>+10.6</td>
</tr>
<tr>
<td>*Expenditure</td>
<td>530.8</td>
<td>1,010.2</td>
<td>901.7</td>
<td>+12.3</td>
</tr>
<tr>
<td>Profit (+), Loss (-)</td>
<td>+6.1</td>
<td>+36.2</td>
<td>+44.4</td>
<td>-18.5</td>
</tr>
</tbody>
</table>

* Excluding inter-business transactions included in the sectional figures above.

The purpose of such a comprehensive financial statement shown above was to account for the final result viz. a profit of the Public Corporation during the half year as well as the state of the three main business belonging to the General Post Office.

The profit of the Public Corporation is a return on capital for which the government expects. It is, therefore, the Target of the corporation and a preliminary yardstick for

efficiency measurement. The first of the report gives briefly the reason why the Post Office became a Corporation and explains its background of GPO.

Next, several sections of the report focus on current problems and future development of the four businesses viz. Posts, National Giro, Telecommunication and Data Processing Service. After those explanations, some aspects of Industrial Relations and Business Management are described.

Among those explanations, we can find out some financial matters concerning the background of the accounting for Public Corporation. For instance, in 1968 a £2,000 million, five-year capital investment programme was launched in preparation for the introduction of a wide range of improvements in services, procedures and equipment.

Concerning the 'Post' service, the difficulties which surround postal service have been arisen just like Japan Post Office are the direct result of the labour-intensive character of the operation. "A great deal is being done in co-operation with the unions to improve productivity and economise on manpower, chiefly by mechanising the preliminary stages of the mail delivery process. But, in the end, a post man is needed to collect and deliver letters. The postal service therefore faces in a particularly acute degree the familiar but difficult task of maintaining its services in face of continually rising wage costs." 11

We must call our attention to the fact that the financial target of earning a surplus of 2 per cent on expenditure over five years from 1968-69 to 1972-73 and making an average annual profit of at least £6m. have been set for the postal service. But in fact, the postal business made a loss of £6m. in 1968-69 and it was obvious even before the new Corporation was formed that the deficit in 1969-70 would be larger. For such a condition GPO's cost

9 According to the UNIDO’s Report of the Seminar, concerning with the profit as a measure of efficiency, is stated as follows:

"It is generally agreed that profitability may be taken as a rough-and-ready measure of efficiency only where enterprises are subject to the discipline of free competition. When competitive conditions are non-existent or extremely imperfect, profitability and efficiency are by no means necessarily correlated. As the latter situation, by and large, prevails in the systems of public manufacturing enterprise created in the developing countries, the profitability of these enterprises can play only a very limited role in efficiency measurement. Other criteria of efficiency and other means of stimulating it need to be discovered and applied.

The concept of efficiency has meaning only in relation to objectives. The first essential, therefore, is that the objectives of the enterprise should be clearly defined (and periodically re-defined as economic circumstances and national goals undergo change) and that these objectives should be communicated to all concerned with the operation of the enterprise, from the general manager or board of management downward. Efficiency can then be defined as the optimization of the input-mix for the achievement of stated targets, which will frequently include certain social benefits, accruing to the national economy as a whole rather than to the enterprise itself. It is particularly important that the costs of achieving such targets to the enterprise should as far as possible be quantified. Otherwise the enterprise will be unfavourably and unjustly compared with similar enterprises (whether in the public sector or the private) which are not burdened with such obligations. Only when these factors have been duly taken into account does the achievement of a specified rate of return on invested capital offer a useful, if partial and preliminary yardstick for efficiency measurement and a meaningful stimulant to managerial entrepreneurship. The meaningfulness of such a yardstick and stimulant will, of course, also be dependent upon its being calculated on the true value of the enterprise's assets, which may be very different from their nominal value." United Nations Financial Aspects of Manufacturing Enterprises in the Public Sector, 1970, pp. 35-36.

10 Major reason for this decision was that the Board of GPO found much had been achieved in terms of improving productivity, modernizing and expanding services and meeting the requirement of customers. Post Office Report, ibid. p. 2.

11 Post Office Report, ibid. p. 3.
saving policy has been stated.\textsuperscript{12}

We can see about National Giro and Data Processing Service are rather new field in GPO. In accordance with the development of the computer systems, the past investment accumulated up to now will be paid back, and their future profit may be expected.

In Telecommunications, there are so many problems as like Nippon Telegraph & Telephone Corporation. For example, there were long waiting lists for telephones in some areas and sharp problems to be overcome before the opportunities for an ever-widening range of services can be seized. The growing use of computers creates a new and increasing form of traffic. Computers also improve the efficiency of existing telecommunications operations and open the way for new and better services for customers.

Early in 1970, the Corporation launched the biggest investment programme in the history of the Post Office. A total of £2,700 m. will be invested over the next five years, equivalent to about £1\textsuperscript{4}m. a day. In the interests of all customers this programme must be safeguarded. The Board, therefore, agreed with the Government that the telecommunications financial target should be raised to 10 per cent on mean net assets, with the intention that at least half, and hopefully more, of the programme would be financed from telecommunications' own resources. In consequence, telephone tariffs had to be raised to generate the extra funds; these increases came into force after the end of the six months under review.\textsuperscript{13}

About Industrial Relations, the Corporation taken as one of its first priorities the encouragement of a constructive approach to industrial relations and one Board member has special responsibility for this activities.

The Board's attitude to industrial relations was published in a Statement of Intent issued in October, 1969. Above all, the Board declared its intention of operating joint consultation in a way that enabled staff to make a full contribution, and in a spirit of genuinely wishing to consult and reach agreement if at all possible.

These two matters are important descriptions in the item of Industrial Relations.

Next, we can find out attractive explanations in the item of Business Management, viz., if the Corporation is to succeed in achieving its financial objectives, while providing the high-quality services its customers look for, its affairs must be managed in accordance with the best modern practice. Above all, the Board must be sensitive to the problems of the community and able to take advantage of commercial opportunities as they arise. The Board is, therefore, seeking ways of fostering in the organization a spirit of local pride and deep community involvement.

Changes are also coming in financial techniques. For some years the GPO had been moving towards a system of accounting that was more in keeping with a business organization. This is now being taken further, so that as individual managers accept greater responsibility their performance can be successfully monitored. Long-term plans will be clearly formulated in both financial and physical terms and an annual operating programme prepared which will provide targets for management. Actual performance against the plans will then be measured by periodic accounts and associated statistics.

We can point out as the important matter, in this item, from the financial point of view, which the Corporation's accounts had been audited by two firms of professional auditors, instead of, as in the past, by the Exchequer and Audit Department. There are more extensive

\textsuperscript{12} Post Office Report, \textit{ibid}. p. 3.
\textsuperscript{13} Post Office Report, \textit{ibid}. pp. 5-6.
notes to the accounts and some qualifications to the auditors' report.\textsuperscript{14}

In the last item, as the Conclusion, 'the Corporation has viogorously attacked the substantial problems with which it was confronted, and has put in hand measures that will increase efficiency and profitability in all its spheres of activity. Above all in those short six months it has tried to show that the Post Office is in business and means business.' 'All of them are aimed at ensuring that the Corporation operates with maximum efficiency and provides the best possible standard of service at the lowest possible cost to the public.'\textsuperscript{15}

\textit{Main Report of the Accounts}

At the beginning of the Report by the Corporation, a summary of the contents of 5 chapters shows us as a format respectively. The financial report by a format classifies actual business results into three sections viz. finance, general and staff, and describes their respective year-by-year comparison in their chapters.

The report itself describes the actual business results of each case in detail, for example, the Post Office's shortage of funds, and it is worthy of note that the report presents a diagram as shown on the below space making the status at a glance clearly.\textsuperscript{16}

\begin{figure}[h]
\centering
\includegraphics[width=0.8\textwidth]{postal_capital_expenditure_and_its_fund_resources.png}
\caption{Postal Capital Expenditure and its Fund Resources}
\end{figure}

\begin{table}
\centering
\begin{tabular}{|c|c|c|}
\hline
Year & Financial Results & Notes \\
\hline
1966 & Shortage of Funds & \textsuperscript{17} \\
1967 & Improved Efficiency & \textsuperscript{17} \\
1968 & Increased Profitability & \textsuperscript{17} \\
1969 & Maximum Efficiency & \textsuperscript{17} \\
1970 & Lowest Possible Cost & \textsuperscript{17} \\
\hline
\end{tabular}
\end{table}

\begin{footnotes}
\textsuperscript{14} Post Office Report, \textit{ibid.} pp. 7-8.
\textsuperscript{15} Post Office Report, \textit{ibid.} p. 8.
\textsuperscript{16} Post Office Report, \textit{ibid.} p. 20.
\end{footnotes}
Regarding the finance telecommunications, the report indicates firstly the actual figures of income, expenditure and profit for the accounting period from October in 1969 to March 1970 and compares them with the actual figures for the past two fiscal year periods.

At the same time, it indicates a profit of 84 million pounds which is based on the revision of charge in 1968 (60 million pounds if we deduct the 20 million due to this revision) and also indicates the tendency for each accounting value to increase, as shown in the following diagram.\(^{17}\)

---

\(^{17}\) Post Office Report, *ibid.* p. 37.
Furthermore, after giving the analytical figures of revenue and expenditure items for the 1970 fiscal year, by comparing, with the previous year figures, the report contrasts fixed assets with their corresponding funds, pertaining to the actual amount of capital expenditures for that fiscal year.

GROWTH OF CAPITAL EXPENDITURE AND SOURCE OF FINANCING

Main Report of the Accounts

The following financial statements are descriptive reports of the situation concerning the new accounting field of the GPO.

---

STATEMENT A

POST OFFICE PROFIT AND LOSS ACCOUNT FOR THE PERIOD
1 OCTOBER 1969 TO 31 MARCH 1970

PROFIT OR LOSS (—) Before taxation and after
charging supplementary depreciation:
Postal .................................. (—) 15,349 A (Postal)
Telecommunications .................. 21,794 A (Telecomms)
National Data Processing ............. (—) 321 A (NDP)
Total .................................. 6,124

TAXATION ................................ —

PROFIT TRANSFERRED TO GENERAL
RESERVE .................................. 6,124 B 4

In the next section, the main substance of the financial statements will be indicated and examined.

The details of the sum total listed above are classified into three categories, postal services, telecommunications and national data processing.

These details are also indicated in the present statements and notes, but we will omit them here.

The reserve statement could almost be regarded as the equivalent to the "surplus statement" in our country.

However included here in the sums of the substracted items are amounts not necessarily related to the adjusted amounts of the so-called profit and loss of the post-periods. 6.65 million pounds of the amount marked "Reserve Against Obsolescence and Excess Materials and Supplies" and indicated first among the substracted items is the amount

STATEMENT B

POST OFFICE BALANCE SHEET AT 31 MARCH 1970

1 October 1969 31 March 1970
£'000 £'000 £'000
(Note 2) 2,227,100 2,452,826 B1 18
2,227,100 Fixed Assets ...................... 2,452,826 B1 18
4,597 Giro Development Expenses ....... — 19
253 NDP Projects in progress .......... 349 20

341,707 Current Assets ..................... 284,143 10

181,387 Deduct: Current Liabilities. ...... 215,876

160,320 Excess of Current Assets over

Current Liabilities. .................. 68,267

2,392,270 Net Assets ......................... 2,521,442

2,392,270

Financed by:
1,775,402 Capital Advances ............... 1,910,402 B3 25
616,868 General Reserve ................. 610,914 B4
— Giro Investment Reserve .......... 126 B4

2,392,270

The Viscount Hall Chairman
A. W. C. Ryland Deputy Chairman and Chief Executive
A. S. Ashton Member for Finance and Corporate Planning
CAPITAL LIABILITY TO THE MINISTER OF POSTS AND TELECOMMUNICATIONS UNDER SECTION 33 OF THE POST OFFICE ACT, 1969:

Maturing in annual instalments of £31,644,080 on 31 MARCH during the period 1970-1986 ...........

<table>
<thead>
<tr>
<th>Year of advance or renewal</th>
<th>Interest rates per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961-62</td>
<td>6 1/2-6 1/2</td>
</tr>
<tr>
<td>1962-63</td>
<td>5 1/2-6</td>
</tr>
<tr>
<td>1963-64</td>
<td>5 1/2-6</td>
</tr>
<tr>
<td>1964-65</td>
<td>6 1/2-6 1/2</td>
</tr>
<tr>
<td>1965-66</td>
<td>6 1/2-6 1/2</td>
</tr>
<tr>
<td>1966-67</td>
<td>6 1/2-7 1/2</td>
</tr>
<tr>
<td>1967-68</td>
<td>6 1/2-7 1/2</td>
</tr>
<tr>
<td>1968-69</td>
<td>7 1/2-7 1/2</td>
</tr>
<tr>
<td>1969-70</td>
<td>7 1/2-9 1/2</td>
</tr>
<tr>
<td>1969-70</td>
<td>8 1/2-9 1/2</td>
</tr>
</tbody>
</table>

UNDER SECTION 35(2) OF THE POST OFFICE ACT, 1969:

Maturing on the dates stated .........................

<table>
<thead>
<tr>
<th>Year of advance or renewal</th>
<th>Interest rates per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969-70</td>
<td>9 1/2</td>
</tr>
<tr>
<td>1969-70</td>
<td>9 1/2</td>
</tr>
<tr>
<td>1969-70</td>
<td>8 1/2</td>
</tr>
<tr>
<td>1969-70</td>
<td>9</td>
</tr>
</tbody>
</table>
### ADVANCES (Note 25)

<table>
<thead>
<tr>
<th>Dates of Maturity</th>
<th>Outstanding at 1 October 1969</th>
<th>Advanced during 6 months ended 31 March 1970</th>
<th>Renewed during 6 months ended 31 March 1970</th>
<th>Outstanding at 31 March 1970</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>31 March 1987</td>
<td>537,949,360</td>
<td>—</td>
<td>(—)31,644,080</td>
<td>506,305,280</td>
</tr>
<tr>
<td>31 March 1988</td>
<td>71,644,080</td>
<td>—</td>
<td>—</td>
<td>71,644,080</td>
</tr>
<tr>
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<td></td>
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<td>15,000,000</td>
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<tr>
<td>Total</td>
<td>1,775,402,000</td>
<td>135,000,000</td>
<td>—</td>
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<tr>
<td>Average Interest Rate</td>
<td>6.33%</td>
<td>—</td>
<td>—</td>
<td>6.61%</td>
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of the so-called depreciation allowance for materials used for repairs.

And this amount is equivalent to the price variance dependent upon the average cost valuation of clothing and working parts listed as inventory in the balance sheet.

The amount of reserve for bad debts is the sum total of estimated unpaid amounts in the telecommunications section. And the sums of almost all other items for subtraction can be considered to be amounts subtracted from assets. In this way, items subtracted from reserve are understood to be an allowance in which some indefinite amounts (retained profit) are included.

The amount of "supplementary depreciation" of fixed assets which is appropriated to reserve is added to the common depreciation allowance of the historical cost of fixed assets. This items is added to the sum total for the amounts of expense corresponding it are debited to the profit and loss account and allowance of the same amount is appropriated to the credit of general reserve.

The explanation of Mr. Barnes, director of Telecommunications Finance of British Post Office, when writer met him in the Post Office, is that the real intention for the Post Office to adopt such a unique depreciation procedure is a means for upholding the principle of historical cost principle.

In these depreciation methods the calculation of the amount of supplementary depreciation is based on the market price index for every special asset group. When replacement of assets is needed, it could be said that this procedure aims at appropriating the necessary amount to replenish the shortage of funds. However it could be understood that this procedure adopts a depreciation methods based on the market price at the time of crediting the allowance and then adjusts the figure of historical cost at the replacement stage.

General reserve has the character of adding profit to (or subtracting loss from) the estimated adjusted figure of assets in the balance sheet. Next in the detailed statement of capital, firstly all items of capital are represented as capital liabilities to the Minister of Post & Telecommunications.

Furthermore, the interest of loan funds was financed and renewed annually over 10 years until the last day of the fiscal year as a previous statement.20

Though they are called capital, therefore, it is obvious that all of them are loan funds. Thus in the case of the British Post Office, its capital is only supplied by reserve and loan funds. It could also be said that the system adopted in BPO is noteworthy as an accounting system which clarifies the good results gained in this way over interest expense, from financial figure point of view.

Concluding Remarks

In the above, we have examined main contents of GPO Report which will lead modernized public corporations.

It would be said that public corporations have not been interested in reaping profits but rather have declined to obtain profits, emphasizing a duty towards the general public. Even when profit is gained, it has been proposed that the profit should be included back

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into charge cost, and limited to the capital cost.

From financial point of view, if the concept of profit in the public corporation is denied, then theoretically it becomes necessary to also deny the concept of capital. In its place it could be said that the concept of business funds and shortage or excess of revenue and expense will become the basis of the theory. Writer had written, the "capital contribution from customers" concept which theorized the retention of the difference between revenue and expense in the business corporation will possess a raison d'être under such a theory of fund accounting.\(^1\)

Since it is understood that capital is the production means of public corporations which generally depend on capitalism, the increment which is based on their production activity, principally, possesses the character of public profit or business profit whether it is considered from national economic point of view or private. Even if there are any differences of sections or arrangement in the account (which represents accounting structure of financial accounting) it will not have changed in essence. To illustrate this fact, the example of the financial statements of GPO was taken in this paper.

From financial point of view, the point which should especially be taken care of is that the total capital on which target and actual rate of return depend is represented as net assets in the balance sheet.

It could be understood that this has two meanings. One is that being included in the modern unified accounting system, the thought of double account system which has been respected in the field of public utilities is represented in the fixed assets. It is, therefore, understood that net assets in this case are fixed assets for business operation.

The second meaning is that on the one hand, the amount of fixed assets is adjusted by adding the amount of reserve mentioned above to the amount of fixed capital which corresponds to fixed assets and on the other hand, net worth which is connected with revenue and expense in the profit and loss statements is represented in the accounting structure of modern business accounting.

It could be said that financial reporting which represented the financial statements of public corporation in such section and arrangement of accounts clarifies the character of capital in such enterprise. It could also be said that financial reporting like this was devised well in order to explain the relation with business profit. There are many problems to be made up and to be examined in relation to the problems of charge in this paper.

The problems will be studied forward on these points with the rate problems and so on.

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\(^1\) Concerning the capital contribution from customers concept, see the writer's paper, "Some Basic Problems in Accounting System for Public Enterprises— with Special Emphasis upon the Concepts of Capital and Profit—" *Hitotsubashi Journal of Commerce & Management* Vol. 6 No. 1 (Whole Number 6) May, 1971, pp. 8-10.