

Notification
Ministry of Industrial Development and Company Affairs
(Department of Company Affairs)
New Delhi, the 20th September 1967

Cost Accounting Record (Batteries other than Dry Cell Batteries)¹ Rules 1967

G.S.R. 1467. – In exercise of the powers conferred by sub-section (1) of section 642, read with clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 (1 of 1956), the Central Government hereby makes the following rules, namely: -

1. Short Title and commencement

- (1) These rules may be called the Cost Accounting Records ‘(Batteries other than Dry Cell Batteries)² Rules 1967
- (2) They shall come into force till 1st day of January, 1968

2. Application

They shall apply to every company engaged in the production or manufacturing of [Batteries of all types other than Dry Cell Batteries]³ excepting those companies falling under the category of “small scale industrial units.”

Explanation - For the purpose of this rule, the expression “small scale industrial undertaking” means a company -

- (a) [The aggregate value of the machinery and plant installed where in dose not exceed the limit as specified for a small scale industrial undertaking under the industries (Development and Regulation Act 1951 (65 of 1951), as on the last date of the presenting financial year]⁴ and
- (b) [the aggregate value of the realization made by the company from the sale or supply of all its products during the preceding financial year does not exceed ten crore rupees.]⁵

3. Maintenance of Records

- (1) Every company to which these rules shall in respect of each of its accounting years commencing 1st day of January 1968 [till the 31st day of March 2000]⁶ keep proper books of account containing, inter-alia, the particulars specified in the schedule I and II annexed to these rules and proforma mentioned in the said Schedule relating to the utilization of materials, labour and other items of cost so far as they are applicable to it.
- (2) The books of account aforesaid shall be kept in such a way as to make it possible to calculate the cost of production of automobile batteries produced during the financial year of the company hereinafter referred to as the relevant period) from the particulars therein.
- (3) [Every Company to which these rules apply shall, in respect of each of its financial year commencing on or after the 1st day of April 2000 keep proper books of account containing, inter-alia, the particulars specified in the schedule III annexed to these rules and proforma mentioned in the said Schedule relating to the utilization of materials, labour and other items of cost so far as they are related to the manufacture or production of Batteries and components thereof.

^{1,2,3,6} Substituted by GSR 667 (E) dated 28th July 1999

⁴ Substituted by GSR 430 (E) dated 3rd August 1998

⁵ Substituted by GSR 303 (E) dated 24th March 1993

⁶ Inserted by GSR 667 (E) dated 28th July 1999

Provided that if the said company is manufacturing any other product(s) or is engaged in other activities in addition to manufacture of Batteries and components thereof, the particulars relating to utilization of materials, labour and other items of cost in so far as they are applicable to such other products or activities shall not be included in the cost of Batteries and components thereof.

- (4) The books of account referred to in sub-rule (3) shall be kept on a regular basis in such a manner as to make it possible to calculate the cost of production and cost of sales of all types of Batteries and components thereof manufactured for every financial year from the particulars entered therein and every such books of account and the proforma specified in the said Schedule III shall be completed not later than ninety days from the close of the financial year of the company to which they relate.
- (5) Statistical and other records shall be maintained in accordance with the provisions of the Schedule III which shall be such as to enable the company to exercise as far as possible, control over the various operations and the costs with a view to achieve optimum economies in cost and provide the necessary data required by the Cost Auditor to suitably report on all the points referred to in Cost Audit (Report) Rules 1996.
- (6) It shall be the duty of every person, referred to in sub-section (6) and of section 209 of the Companies Act 1956 (1 of 1956), to take all reasonable steps to secure compliance by the company with the provisions of sub-rules (1), (2), (3), (4) and (5) of this rule in the same manner as he is liable to maintain accounts required under sub-section (1) of section 209 of the said Act.]⁷

4. Penalty

If the company contravenes the provisions of rule 3, the company and every person thereof who is in default to referred to in sub-rule (c) of rule 3 [shall subject to the provisions of section 209 of the Companies Act, 1956 (1 of 1956) be punishable]⁸ with fine which may extent to rupees five hundred and where the contravention is a continuing one with a further find which may extent to rupees fifty for every day the first day during which period such contravention continues.

SCHEDULE I

(See Rule 3)

I. Materials other than stores & Spares

(a) Adequate records shall be maintained showing receipts, issues and balances both in quantities and values of each item of material and components required for the manufacture of batteries for automobile. The basis on which the value of the purchases and issues have been calculated shall be clearly in indicated in the cost records or, if so desired by the company in a separate manual of procedure, if any, maintained by the company or in foot-notes or separate explanatory notes to the cost statements for the relevant period. Such basis shall be applied consistently throughout the relevant period. The values shall include all direct charges up to works such as freight and insurances. Any wastage whether in storage, transit or for other reasons shall be shown separately and the method of dealing with such wastages in the calculation of costs indicated in the cost records by way of foot-notes or explanatory notes or in some other suitable manner.

(b) If the value of materials consumed is determined on any basis other than actuals, the method adopted for such valuation as well as the method of reconciling such consumption with actuals and the treatment of variations, if any, shall be disclosed in the cost records by way of foot-notes, explanatory notes or in any other suitable manner.

⁷ Inserted by GSR 667 (E) dated 28th July 1999

⁸ Substituted by GSR 778 dated 3rd June 1977

(c) Manufactured Components- (i) In the case of major components manufactured by the company itself such as plates, separators and containers, separate records shall be maintained showing the cost of manufacture of such components in such details as many enable the company to fill up necessary particulars in proforma 'A' of Schedule II or in a proforma as near thereto as may be possible.

(ii) [Omitted]

(iii) Any wastage, whether in storage or for other reasons, shall be shown separately and the method of dealing with such losses in the calculation of costs indicated in the cost records by way of foot-notes, explanatory notes or in other suitable manner.

(iv) Records of quantities manufactured, accepted and rejected shall be kept separately for each batch of components and the method of dealing with losses on account of rejection in the calculation of costs shall be indicated in the cost records or by way of footnotes, explanatory notes or in other suitable manner.

II. Wages and Salaries

(a) Proper and systematic records shall be maintained with respect to attendance of workers and other operational staff indicating the departments or the work on which they were employed. Where payments to workers are made on piece-rate basis, their records relating thereto shall be so maintained as to enable assessment of wages payable to such workers. Proper records shall also be maintained in respect for incentive are made, whether in the shape of production bonus or other forms for incentives based on output achieved by the workers individually or collectively, proper records shall also be maintained for assessment of such payments.

(b) The records shall further show separately the cost of all wages and salaries relating to various manufacturing departments or units or cost centres in the factory being the amounts payable and allocated to the different departments or units or cost centres and to the products manufactured therein. Any wages any Salaries being expenditure on additions to plant, machinery or other assets shall be allocated to the relevant capital heads in the accounts. Any idle time arising and the reasons for such idle time shall be recorded separately. The method of its treatment in calculating the costs of products shall also be indicated in the cost records or in footnotes, explanatory notes or in other suitable manner.

(c) If the wages are allocated to the departments or units or cost centres or to products manufactured in such departments or in manufacturing units or cost centres on any basis other than actuals, the reconciliation of such wages with actuals and the treatment of variations, if any, shall be disclosed in the cost records or indicated by way of foot-notes, explanatory notes or in other suitable manner.

III. Stores and Spare Parts

(a) Detailed and adequate records shall be maintained to show the receipts, issues and balances both in quantities and value of various stores and spare parts for repairs and maintenance and loose tools required in the manufacture of automobile batteries. The values shown shall include all direct charges up to works such as freight and insurance. The value of the issues and balances of stores and spare parts may, if the company so desires, be recorded monthly or at such shorter intervals as the company decides, or kept in the for of control accounts for main groups of the stores provided, in the latter case, the value of the balances according to such control accounts are reconciled periodically at least once a year with the values of the quantities shown by the quantity accounts for each item of store.

(b) The value of stores consumed shall be charged to the relevant heads such as manufacturing, repairs to plant and machinery, repairs to buildings, townships and maintenance of vehicles capital items etc. The value of stores charged to manufacture shall further be allocated to the different departments or manufactured therein. Stores issued for capital works, such as additions to plant and machinery or other assets shall also be separated and shown under relevant capital heads. Stores shall be valued on a reasonable basis and consistently applied during the relevant period. The records shall also indicate the method of valuation adopted. Any wastage, whether in storage, transit, or due to other reasons shall be

shown separately. The method of dealing with such losses in the calculation of costs shall also be indicated in the cost records or in foot-notes, explanatory notes or in other suitable manner.

V. Services

(a) Detailed records shall be maintained to ascertain the cost of services such as power, fuel, water, electricity and steam produced and utilized in manufacturing operations.

(b) Where power is purchased, the cost of power shall include the cost of units of power consumed and fixed charges and duties, if any, payable by the consumer. Where power, water or steam is produced by the company itself, separate records shall be maintained to show, in sufficient detail, the different items making up the cost of such power, water or steam produced and consumed.

(c) The records shall be so maintained as to enable the assessment of utilization of the services by the different departments or manufacturing units or cost centres in cases where the allocation to the various departments or manufacturing units or cost centres are made otherwise than at actuals, the basis adopted for such allocation shall be indicated.

(d) If the company so desires, the cost of power, etc. allocated to the different department of manufacturing units or cost centres may, instead of being shown separately in the proforma concerned, be included in the manufacturing overheads of the department or manufacturing unit or cost centres concerned and allocated to products manufactured there in as part of manufacturing overheads.

V. Depreciation

(a) Proper and adequate records shall be maintained for assets in respect of which depreciation has to be provided for. These records shall inter-alia indicate the cost of each item of asset, the date of its acquisition, and rate of depreciation in respect of old assets whose original cost of acquisition cannot be ascertained without an unreasonable expense or delay the valuation shown by the books at the commencement of the accounting year beginning on or after the 1st day of January, 1968 shall be taken as the opening balance. The cost of any special repairs or renovations, if added to the value of the asset concerned, shall be separately recorded indicating the basis on which such additions are made.

(b) Depreciation chargeable to the different departments or units or cost centres shall not be less than the amount of depreciation which may be worked out in accordance with the provisions of subsection (2) of section 205 of the Companies Act, 1956 (1 of 1956) and shall relate to the plant and machinery and other assets utilized shall be consistently applied from year to year.

(c) If the company so desires, depreciation allocated to the departments or manufacturing units or cost centres or products manufactured therein may, instead of being shown separately in the relevant cost sheets, be included as part of manufacturing overheads of the department or manufacturing unit concerned and allocated to products manufactured therein as part of manufacturing overheads.

VI. Other Items of Cost (overheads)

(a) Proper records showing the details of allocation of overhead expenses to the various departments or manufacturing units or cost centres and to products shall be maintained after collecting the details of all such expenses from the financial accounts. Overheads relating to manufacturing administration and selling and distribution activities shall be distinguished from each other. The method of allocating such overheads to the various departments or manufacturing units or cost centres and further to operations, jobs or products manufactured therein shall be clearly indicated in the cost record and shall be applied on a reasonable basis consistently throughout the relevant period.

(b) Where the amount of overheads is manufacturing units or cost centres the method by which such estimated overheads are reconciled with the actuals for the relevant period and the variations, if any, as well as the treatment of such variations between estimates and actuals shall be disclosed in the records.

(c) Selling overheads comprising of selling and distribution expenses pertaining to completed automobile batteries may be shown in one lump sum in the relevant summary statement of cost proforma 'C', Schedule II.

VII. Cost Statements

The particulars of cost shall be completed in each of the proforma specified in Schedule II or in as near a form thereto as practicable. The cost of manufactured components required for the production of automobile batteries shall be compiled in proforma 'A' specified in Schedule II and the cost of complete batteries in proforma B and C in schedule II.

VIII. Work-in-Progress

The quantities and value of work-in-progress, if any, in relation to the various components and final assembly at the end of the period for which the costs are made up, shall be calculated to represent the cost incurred up to the relevant stage of manufacture and shall be shown in the relevant proforma specified in Schedule II.

IX. Production Record

Detailed and adequate records shall be maintained to indicate the quantities of all receipts, issues and balances of different components, containers, plates and separators as well as complete automobile batteries produced by the company. The value of all receipts, issues and balances shall be kept in the form of control accounts for each product group.

Provided that the values of the balances according to such control accounts are reconciled periodically, at least once a year, with the values of the quantities shown by the quantity account for each item of component and completed batteries.

X. Reconciliation with Financial Books

The cost records shall be periodically reconciled with the financial books of account so as to ensure accuracy. All variations shall be clearly indicated and explained. The period for which such reconciliations are effected shall not exceed the period of the financial year of the company.

XI. Stock Verification Records

Records of stock verification shall be maintained in respect of all raw materials components, stores, spare parts including loose tools and other materials kept in stock. The method of dealing with discrepancies arising out of such verification shall be indicated in the records.

XII. Statistical data

Adequate records containing information as to actual hours worked by individual items of plant or machinery, group thereof or departments or manufacturing units shall be maintained to show the hours worked, idle time, if any, and the reasons therefore.

Records shall also be maintained to show the production by each department or manufacturing unit.

SCHEDULE II
(See Rule 3)

-----Co. Ltd.

PROFORMA A

**Statement showing the cost of components
manufactured during the period-----**

Name of Component
Quantity produced

| | Quantity | Rate | Total Amount | Cost per unit | |
|---|----------|------|-----------------|-------------------|--------------------|
| | | | | Current Period | Previous Period |
| 1. Raw Material (To be specified) | | | | | |
| 2. Wages and Salaries - | | | | | |
| 3. Stores and spare parts - | | | | | |
| 4. Services - - | | | | | |
| (i) Power - - | | | | | |
| (ii) Fuel - - | | | | | |
| (iii) Electricity - | | | | | |
| (iv) Water - - | | | | | |
| (v) Steam - - | | | | | |
| 5. Depreciation - - | | | | | |
| 6. Other Manufacturing costs (Overheads) - - | | | | | |
| 7. Administration overheads | | | | | |
| 8. Adjustment for difference in opening and closing balance of Work-in-Process (if any) | | | | | |
| Total | | | | | |

-----Co. Ltd.

PROFORMA B

Statement showing the manufacturing cost of Automobile
Batteries manufactured during the period-----

Description or Type
Quantity produced

| | Quantity | Rate | Total Amount | Cost per unit | |
|---|----------|------|--------------|----------------|-----------------|
| | | | | Current Period | Previous Period |
| 1. Components | | | | | |
| (i) Container - | | | | | |
| (ii) Plates - - | | | | | |
| (iii) Separations - | | | | | |
| (iv) Other materials (important items to be specified) | | | | | |
| 2. Wages and Salaries - | | | | | |
| 3. Stores and spare parts - | | | | | |
| 4. Services - - | | | | | |
| (i) Power - - | | | | | |
| (ii) Fuel - - | | | | | |
| (iii) Electricity - | | | | | |
| (iv) Water - - | | | | | |
| (v) Steam - - | | | | | |
| 5. Depreciation - - | | | | | |
| 6. Other Manufacturing costs (Overheads) - - | | | | | |
| 7. Administration overheads | | | | | |
| 8. Adjustment for difference in opening and closing balance of Work-in-Process (if any) | | | | | |
| 9. Less Credit for scrap (if any) | | | | | |
| Total Works Costs | | | | | |

-----Co. Ltd.

PROFORMA C

**Statement showing the cost of Automobile
Batteries including selling and distribution
expenses.**

Description or Type _____

Quantity produced _____

Quantity sold _____

| | Total Amount | Cost per unit | |
|---|-----------------|-------------------|--------------------|
| | | Current Period | Previous Period |
| 1. Cost of Manufacture (Works cost) - - | | | |
| 2. Selling and Distribution overheads - - | | | |
| 3. Adjustment for the difference between the opening and closing stocks of finished goods - - | | | |
| Total Cost | | | |
| Average Sales Realisation Per Unit | | | |

Schedule III⁹
{See rule 3(3)}

1. MATERIALS AND COMPONENTS:

- (1) Proper records shall be maintained showing separately all receipts, issues and balances both in quantity and cost of each item of raw material like pure lead, lead alloy, lead oxide, sulphuric acid, fiber flock, processed past, chemicals, including bought out components like contain such details so as to enable the company to determine the quantity and cost of receipt (including all direct charges up to the works in respect of major raw material), issues and balances in quantity as well as value of each item of all such raw materials. Proper records showing the quantity of recycled raw materials like lead have to be maintained wherever applicable. The basis on which the said quantities and costs of issue and consumption have been calculated shall be indicated in the cost records and followed consistently. In the case of important raw materials, records shall be maintained showing separately details such as FOB value, overseas freight, insurance, customs duty and inland freight charges. If both indigenous and imported materials are consumed, records showing details of percentage mix of the same have to be maintained for each item. Materials processed through outside parties shall be recorded separately.
- (2) In the case of major components manufactured/produced by the company itself, separate records shall be maintained for the quantity manufactured/produced and the cost of manufacture/production of such components.
- (3) Proper records shall be maintained to show the receipts, issues and balances, both in quantities and cost of each item consumable stores, tools and machinery spares. The cost shall include all direct charges up to works.
- (4) In the case of consumable stores and small tools the cost of which are insignificant, the company may, if it so desires, maintain such records for the group of such consumable stores and tools.
- (5) The cost of consumption of consumable stores, small tools and machinery spares shall be charged to the relevant cost centre on the basis of actual issues.
- (6) Proper records shall be maintained showing the quantity and value of wastage, spoilage, rejections and losses of raw materials, whether in transit, storage, manufacture or at any other stage. The method followed for adjusting the above losses as well as the income derived from the disposal of rejected and waste materials including spoilage, if any, in determining the cost of product shall be indicated in the cost records. Any abnormal wastage or spoilage or rejection shall be indicated distinctly and separately along with reasons thereof. Records shall also be maintained to indicate value of raw materials and components, finished and semi finished, which have not moved for more than 12 months.
- (7) Where any credit under Modified Value Added Tax (MOVAT) or any other benefit under the Central Excise Act, 1944 (1 of 1944) are available on any item of material, the cost of such material should be shown after adjusting such credit or benefits.

⁹ Inserted by GSR 667 (E) dated 28th July 1999

2. SALARIES AND WAGES :

- (1) Proper records shall be maintained to show the attendance and earning of all employees of the cost centres/departments and the works on which they are employed. The records shall also indicate the following separately for each cost centre/department:
 - (a) Piece rate wages (wherever applicable) ;
 - (b) Incentive wages, either individually or collectively as production bonus or under any other scheme based on output;
 - (c) Overtime wages;
 - (d) Earnings of casual labour;
 - (e) Bonus or gratuity;
 - (f) Any other earning.
- (2) The records shall be maintained in such a manner so as to enable the company to furnish necessary particulars under this head in Performa of Schedule III annexed to these rules. Centre wise /departments wise like Grid casting shop, Lead oxidation shop, plate Pasting shop, Curling shop, Formulation shop, Assembly shop etc. Where the employees work in which a manner that it is not possible to identify them with any cost centre/department, the labour charges shall be apportioned to the cost centers/ departments on equitable basis and applied consistently.
- (3) Ideal time shall be separately recorded under classified heading indicating the reasons therefore. The method followed for accounting of idle time payments in determining the cost of the product shall be disclosed in the cost record.
- (4) Any wages and salaries allocable to capital works such as additions to plant and machinery, buildings or other faded assets shall be accounted for under the relevant capital heads.

3. SERVICE DEPARTMENT EXPENSES:

Detailed records shall be maintained to indicate expenses incurred in respect of each service department/ cost centre like laboratory, welfare, transport etc. These expenses shall be apportioned to other services and production and departments on equitable and reasonable basis and applied consistently. Where these services are utilized for other products of the company also, the basis of apportionment of such expenses to any type of Batteries and components thereof and to the other products shall be equitable and clearly indicated in the records and applied consistently.

4. UTILITIES :

- (1) **Power** – Proper records shall be maintained for the units and cost of power purchased for the production of Batteries and components thereof in different cost centers/departments. Where power is generated by the company itself, adequate records, showing all elements of cost shall be maintained to show the cost of power generated and consumed for the production of the Batteries and components thereof in different cost centres/departments. Records shall also different cost centres/departments. Records shall also indicate installed capacity, number of units generated, losses and consumption in each cost centres/departments

separately. Where power is generated and supplied by any other unit of the company to the Batteries plant adequate records shall be maintained to indicate the quantity and cost of power so supplied. The cost of power allocated to the production or manufacture of Batteries and components thereof shall be on a reasonable basis and applied consistently. The records should state clearly the measures taken on conservation of energy and its corresponding impact on unit cost of production.

- (2) **Water** – Proper record showing the quantity and cost of treated/cooling/dematerialized water produced and consumed for the manufacture of Batteries and components thereof in different cost centres/departments shall be maintained. The cost of treated water apportioned to the cost centres/departments concerned shall be on a reasonable basis and applied consistently.
- (3) **Other Utilities** – proper records showing quantity and cost shall be maintained in respect of utilities other than water and power produced or purchased by the company for the production or manufacture of batteries and components thereof.

5. WORKSHOP/REPAIR AND MAINTENANCE/TOOL ROOM :

- (1) Proper records showing the expenditure incurred by the workshop/tool room under different heads and on repair and maintained. The records shall also indicate the basis of charging the workshop/tool room expenses to different cost centres/departments. Where the maintenance work is done by direct workers of any production cost centres/departments, the wages and salaries of such workers shall be treated as direct expenses of the respective cost centres/departments. If the services are utilized for other products also, the manner of charging a share to such products shall be equitable and clearly indicated in records and applied consistently. In addition to the above, records should indicate the amount and also the proportion of closing inventory of stores and spare parts representing items which have not moved for over 24 months.
- (2) Expenditure on major repair works from which benefit is likely to accrue for more than one financial year shall be shown separately in the cost recorded indicating the method of accounting in determining the cost with reference to the period for which the benefit of such expenditure is likely to last.

6. DEPRECIATION:

The basis on which depreciation is calculated and allocated/apportioned to the various cost centres/departments and absorbed on all products shall be clearly indicated in the cost records. If depreciation chargeable to the cost centres/departments is in excess or lower than the rate of depreciation prescribed under the provisions of sub-section (2) of section 205 of the Companies Act, 1956 (1 of 1956), such amount of excess or lower depreciation shall be indicated clearly in the cost records. The cost records shall also show the effect of such excess or lower depreciation as the case may be, on per unit cost of Batteries and components thereof. The cumulative depreciation charged in the cost records, against any individual item of asset shall not, however, exceed the original cost of the respective asset.

7. OTHER OVERHEADS:

- (1) Proper records shall be maintained for the product under reference showing the various items of expenses comprising the other overheads. These expenses shall be

analyzed, classified and grouped according to functions, namely, works, administration, selling and distribution.

- (2) Where the company is manufacturing products other than Batteries and components thereof, the records shall clearly indicate the basis followed for apportionment of the common overheads including head offices expenses of the company to such products and Batteries, including capital works. Where certain expenses forming part of overheads can be identified with a particular activity or a product, such expenses shall be segregated and charged to the relevant activity or product in the first instance and thereafter the residuary expenses under the above categories of overheads shall be apportioned on a reasonable and equitable basis and applied consistently. Overheads chargeable to capital works shall be indicated separately in the cost records. Basis of apportionment of absorption of overheads to the cost centres/departments and products shall be indicated in the cost records.
- (3) The records shall be maintained in such a manner as to indicate the details of works, administration, selling and distribution overheads.

8. ROYALTY/TECHNICAL KNOW HOW FEE:

Adequate records shall be maintained showing the royalty and/or technical know how fee including other recurring or non-recurring payments if any, made for the product under reference to collaborators or technology suppliers in terms of agreements entered into with them. Such records shall be kept separately in respect of each such collaborator or supplier. The basis of charging such including lump sum payment, to the products shall be indicated in the cost records.

9. RESEARCH AND DEVELOPMENT EXPENSES:

- (1) Proper records showing the details of expenses, if any, incurred by the company for the research and development work on the product covered under these rules according to the nature of development of products, existing and new product, development of process of manufacture, existing and new, design and development of new plant facilities and market research for the existing and new products etc., shall be maintained separately.
- (2) The method of charging these expenses to the Batteries and components thereof and all other products shall be indicated in the cost records. Where the utility of such research and development work extends over more than one financial year, such expenses shall be treated as deferred expenses and charged to the cost of production or Batteries and components thereof and all other products if any, on a reasonable basis and applied consistently.
- (3) Expenses incurred by the Research and Development Department for providing technical know-how to outsiders shall be recorded separately and excluded from the cost of Batteries and components thereof. The amount recovered for providing technical know-how to outsiders shall also be indicated separately.

10. QUALITY CONTROL:

Adequate records shall be maintained to indicate the expenses incurred in respect of quality control department/cost centre for the product under reference. Where these services are also utilized for other products of the company, the basis of

apportionment to Batteries and components thereof. The amount recovered for providing technical know-how to outsiders shall also be indicated separately.

11. INTEREST:

The amount of interest shall be allocated or apportioned to the product covered by these rules and other activities on a reasonable and equitable basis, which shall be followed consistently. Basis of further charging of the share of the interest to the various types of such products shall also be reasonable and equitable and the same shall be followed consistently. The basis of such allocation or apportionment shall be spelt out clearly in the cost records/statements.

12. EXPENSES/INCENTIVES ON EXPORTS:

Proper records showing the expenses incurred on the export sales, if any, of the Batteries and components thereof shall be separately maintained so that the cost of export sales can be determined correctly. Separate cost statements shall be prepared for Batteries and components thereof exported giving details of export expenses incurred/incentive earned. In case, duty free imports are made, the cost statements should reflect this fact. If the duty free imports have been made after actual production, the statement should reflect this fact also.

13. PACKING EXPENSES:

(1) Proper records shall be maintained showing the quantity and cost of various packing materials and other expenses incurred on packing for the marketing and other expenses incurred on packing for the marketing of the Batteries and components thereof. Where such expenses are incurred in common for other products also, the basis of apportioning the expenses between the relevant products shall be clearly indicated in the cost records and applied consistently.

(2) Detailed records of the expenses incurred on export packing, if any, shall also be kept separately and exhibited in the relevant cost statements for exports.

14. WORK IN PROGRESS AND FINISHED STOCK:

The method followed for determining the cost of work in progress and finished stock of the Batteries and components thereof shall be indicated in the cost records so as to reveal the cost element that have been taken into account in such computation. The appropriate share of conversion cost up to the stage of completion shall be taken into account while computing the cost of work in progress. The method adopted for determining the cost of work in progress and finished goods shall be followed consistently.

15. COST STATEMENTS:

(1) Cost statement showing details of installed capacity, production, wastage, issues and sales and all elements of cost of the current financial year and previous year shall be prepared for each process involved in the manufacture of production of Batteries and components thereof.

(2) Components manufactured in different production centres going into final assembly of the product under reference shall be valued at cost of production up to the stage of such transfer.

- (3) If the company is operating more than one plant/factory, separate cost statements as specified above shall be prepared in respect of each plant/factory.

16. PRODUCTION RECORDS:

Quantitative records of all finished and packed production, issues for sales and balance of different types of the product under reference produced by the company shall be maintained.

17. RECONCILIATION OF COST AND FINANCIAL ACCOUNTS:

- (1) Cost statements shall be reconciled with the financial statements for the financial year specifically indicating the expenses/income not considered in the cost records/statements so as to ensure accuracy. Variations, if any, shall be clearly indicated and explained.
- (2) A statement showing the total expenses incurred and income received by the company under different heads of accounts and the share applicable to the products shall be prepared and reconciled with the financial statement.

18. ADJUSTMENT OF COST VARIANCES:

Where the company maintained cost records on any basis other than actual such as standard costing, the records shall indicate the procedure followed by the company in working out the cost of the product under such system. The method followed for adjusting the cost variances in determining the actual cost of the product shall be indicated clearly in the cost records. The cost variance shall be shown against the separate heads and analyzed into material, labour, overheads and further segregated into quantity, price and efficiency variances. The reasons for the variances shall be duly explained in the cost records/statements.

19. STATICAL RECORDS:

- (1) Records regarding available machine hours/direct labour hours in different production departments and actually utilized shall be maintained and shortfall analyzed. Suitable records for computation of idle time of machines shall also be maintained and analyzed.
- (2) Adequate records shall be maintained to enable the company to identify the capital employed, net fixed assets and working capital separately for the production/manufacture of Batteries and components thereof, other products and other activities. Fresh investments on fixed assets that have not contributed to the production during the relevant period shall be indicated in the cost records. The records shall, in addition, show assets added as replacement and those added for increasing existing capacity.

20. POLLUTION CONTROL:

Expenditure incurred by the company on various measures to protect the environment like effluent treatment, control of pollution of air, water etc., should be properly recorded.

21. HUMAN RESOURCES DEVELOPMENT:

Expenditure incurred by the company on human resources development shall be recorded.]⁹

[22. INTER-COMPANY TRANSACTIONS:

- (1) In respect of related party transactions or supplies made or services rendered by a company to its holding company or subsidiary or a company termed "related party relationship" as defined below and vice-a-versa, records shall be maintained showing contracts entered into, agreements or understanding reached in respect of:
 - (a) Purchase and sale of raw materials, finished products, process materials, chemicals and rejected goods including scraps, etc;
 - (b) Utilization of plant facilities and technical know-how;
 - (c) Supply of utilities and any other services;
 - (d) Administrative, technical, managerial or any other consultancy services; (e) purchase and sale of capital goods including plant and machinery;
 - (f) Any other payment related to production, processing or manufacturing of product under reference. These records shall also indicate the basis followed for arriving at the rates charged or paid for such products or services so as to enable determination of the reasonableness of such rates in so far as they are in any way related to product under reference.

- (2) The transactions by the following "related party relationships" shall be covered under sub-rule (1):
 - (a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, of are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
 - (b) Associates and joint ventures of the reporting enterprise and the investing party or venture in respect of which the reporting enterprise is an associate or a joint venture;
 - (c) Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
 - (d) Key management personnel and relatives of such personnel; and
 - (e) Enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

However, the following shall not be deemed as "related party relationships":

- (a) Two companies simply because they have a Director in common, notwithstanding paragraph (d) or (e) above (Unless the Director is able to affect the policies of both companies in their mutual dealings);
- (b) A single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence; and
- (c) The parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprise or participate in its decision making process);
 - (i) Providers of finance;
 - (ii) Trade unions;
 - (iii) Public utilities;

(iv) Government departments and government agencies including government sponsored bodies.

Explanation: -For the purpose of these Rules,

- (a) **"Related party relationship"** mean parties who are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions;
- (b) **"Related party transaction,"** means a transfer of resources or obligations between related parties, whether or not a price is charged;
- (c) **"Control" means**
 - (i) Ownership, directly or indirectly, of more than one-half of the voting power of an enterprise; or
 - (ii) Control of the composition of the Board of Directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise; or
 - (iii) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.
- (d) **"Significant influence"** means participation in the financial or operating policy decisions of an enterprise, but not control of those policies;
- (e) **"Associate,"** means an enterprise in which an investing reporting party has significant influence and which is neither a subsidiary nor a joint venture of that party;
- (f) **"Joint venture"** means a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control;
- (g) **"Joint Control"** means the contractually agreed sharing of power to govern the financial and operating policies of an economic activity So as to obtain benefits from it;
- (h) **"Key management personnel"** mean those persons who have the authority and responsibility for planning, directing and controlling the activities of the reporting enterprise;
- (i) **"Relative"**-in relation to an individual, means the spouse, son, daughter, brother, sister, father and mother who may connected by blood relationship;
- (j) **"Holding company"** means a holding company within the meaning of Section 4 of the Companies Act, 1956 (1 Of 1956);
- (k) **"Subsidiary"** means a subsidiary company within the meaning of Section 4 of the Companies Act, 1956 (1 of 1956);
- (l) **"Fellow subsidiary"** means a company is said to be a fellow subsidiary of another company if both are subsidiaries of the same holding company;
- (m) **"State-controlled enterprise"** means an enterprise which is under the control of the central Government or a State Government."]¹⁰

¹⁰ Inserted by GSR 714 (E) dated 28th September 2001

PROFORMA

Name of the company :.....

Name and address of the factory :.....

Statement showing the summary cost of sales, sales realization and margin in respect of Batteries/components produced or manufactured during the year/period.....

A. Quantitative Information:

| Sl. No. | Particulars | In Numbers | |
|---------|---|--------------|---------------|
| | | Current Year | Previous Year |
| 1. | Installed Capacity | | |
| 2. | Quantity Produced | | |
| 3. | Capacity Utilization | | |
| 4. | Quantity sold a) Domestic b) Export | | |
| 5. | Closing stock | | |
| 6. | Opening stock | | |

B. Financial Information

| Sl. No. | Particulars | Quantity | Rate | Amount | Per 1000 Unit | |
|---------|--|----------|----------|------------------|-----------------------|------------------------|
| | | | (Rupees) | (Rupees in lacs) | Current Year (Rupees) | Previous Year (Rupees) |
| 1. | Material Cost (Item wise covering 80% of value) a) Raw materials b) Manufactured compounds/ fabric/beads c) Bought out components d) Others e) Total (a to d) | | | | | |
| 2. | Direct Wages & Salaries | | | | | |

| | | | | | | |
|-----|---|--|--|--|--|--|
| 3. | Outside Job Charges | | | | | |
| 4. | Utilities a) Power b) Water c) Others (specify major items d) Total(a to c) | | | | | |
| 5. | Consumable Stores and spares | | | | | |
| 6. | Depreciation | | | | | |
| 7. | Repair and Maintenance | | | | | |
| 8. | Royalty | | | | | |
| 9. | Research and development | | | | | |
| 10. | Quality Control | | | | | |
| 11. | Factory overhead | | | | | |
| 12. | Administrative Overhead a) Salaries and wages b) Others (Please specify) c) Total (a + b) | | | | | |
| 13. | Total (1 to 12) | | | | | |
| 14. | Stock adjust. (Work in Progress) | | | | | |
| 15. | Less: Credits (from Scraps) | | | | | |
| 16. | Cost of Production | | | | | |
| 17. | Stock adjust. (finished products) | | | | | |
| 18. | Net cost of Production | | | | | |
| 19. | Packing Cost | | | | | |
| 20. | Selling and Distribution Expenses a) Salaries and Wages b) Freight and Charges c) Commission to selling agents d) Advertisement Expenses e) Others f) Total (a to e) | | | | | |
| 21. | Cost of Sales | | | | | |
| 22. | Interest | | | | | |
| 23. | Annual Bonus to employees a) Minimum Statutory Bonus b) Other than Statutory Bonus | | | | | |
| 24. | Statutory Gratuity | | | | | |

| | | | | | | |
|-----|---|--|--|--|--|--|
| | including provisions | | | | | |
| 25. | Total expenses excluding excise duty | | | | | |
| 26. | Total sales realization excluding excise duty | | | | | |
| 27. | Margin (26-25) | | | | | |

Note

- 1- Separate proforma shall be prepared in respect of each description of product produced/ manufactured.
- 2- Separate proforma shall be prepared for the quantity sold with in the country and the quantity exported. Expenses incurred on export and the incentive earned thereon shall be indicated in the proforma applicable for the quantity produced and exported.

Footnote:

Principal rules were published vide G.S.R. number 1467, dated the 20th September 1967 and subsequently amended vide :-

1. G. S. R. 1507, dated 5th August 1968.
2. G. S. R. 778, dated 3rd June, 1977.
3. G. S. R. 20 dated 5th January, 1983.
4. G. S. R. 543, dated 22nd July, 1989.
5. G. S. R. 303(E), dated 24th March, 1993.
6. G. S. R. 430(E), dated 3rd August, 1998.
7. G. S. R. 667(E), dated 28th September 1999.
8. G. S. R. 714(E), dated 28th September 2001