

COST ACCOUNTING RECORDS (ELECTRIC FANS) RULES, 1969
MINISTRY OF INDUSTRIAL DEVELOPMENT, INTERNAL
TRADE AND COMPANY AFFAIRS

(DEPARTMENT OF COMPANY AFFAIRS)

NOTIFICATION

New Delhi-1, the 15th September 1969

GSR 2298 -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 commencement: -

- (1) These rules may be called the Cost Accounting Records (Electric Fans) Rules, 1969.
- (2) They shall come into force on the 1st day of January, 1970.

[2. Application. -

They shall apply to every company engaged in the production and manufacture of any type of Electrical Fans excepting those companies falling under the category of small scale industrial undertakings.]¹

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.]² 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.]³

3. Maintenance of records:-

(1) Every company to which these rules apply shall, in respect of each of its financial years commencing on or after the commencement of these rules [till 31st day of March, 2000]⁴, keep proper books of account containing inter alia the particulars specified in Schedule I and the cost statements specified in Schedule II annexed to these rules relating to the utilisation of material, labour and other items of cost so far as they are applicable to electric fans manufactured by it.

Provided that if the said company is manufacturing any other products in addition to electric fans the particulars relating to utilisation of material, labour and other items of cost in so far as they are applicable to such other products shall not be included in the cost of production of electric fans.

(2) The books of account referred to in sub-rule (1) shall be kept in such a way as to make it possible to calculate the cost of production of each type of electric fan manufactured by the company during a financial year (hereinafter referred to as the relevant period) from the particulars entered therein.

¹. Amended by GSR 545 dated 22nd July, 1989,

². Inserted by GSR. 432(E) dated 3rd August 1998

³. Inserted by GSR 305 (E) dated 24th March 1993

⁴. Inserted by GSR 556 (E) dated 28th July 2001

[(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 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 in so far as they are related to the manufacture or production of Electric Fans and components thereof:

Provided that if the said company is manufacturing any other product(s) or is engaged in other activities in addition to manufacture of Electric Fans and components thereof, the particulars relating to utilisation 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 Electric Fans and components thereof.

(4) The books of accounts 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 and descriptions of Electric Fans and components thereof manufactured or produced 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 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-sections (6) and (7) 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.]⁵

4. Penalty :-If a company contravenes the provisions of rule 3, the company, and every officer thereof, who is in default including the persons referred to in sub-section (6) of Section 209 of the Companies Act, 1956 (1 of 1956), [shall subject to provisions of Section 209 of the Companies Act, 1956 (1 of 1956) be punishable] ⁶ with fine which may extend to five hundred rupees and where the contravention is a continuing one with a further fine which may extend to fifty rupees for every day after the first during which such contravention continues.

SCHEDULE I

(See Rule 3)

I. (a) Bought out Materials

(i) Adequate records shall be maintained showing all receipts, issues and balances in quantities of each item of raw materials and components required for the manufacture of electric fans. In respect of raw materials and components, where only quantitative records are maintained, rate cards shall also be maintained. In the case of materials the value of which is not significant, the company, may, if it so desires maintain such records for the main groups of materials.

(ii) The basis of valuation of raw materials and components shall be clearly 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 by way of foot notes or explanatory notes to the cost statements for the relevant period. Such basis shall be applied consistently. The values shall include all direct charges up to works wherever specifically incurred and also sales tax as applicable.

(iii) Adequate records showing the consumption of materials for production shall be maintained. If the quantity and value of materials consumed are determined on any basis other than actuals, the method adopted shall be mentioned in the cost records. The overall reconciliation of such values of materials with the actuals shall be made, at least once in a year explaining the reasons for variations. The treatment of such variations in determining the cost of electric fans produced shall be indicated in the cost records.

⁵ Inserted by GSR 556 (E) dated 28th July, 1999,

⁶ Inserted by GSR 785 dated 3rd June 1977

(b) Manufactured Components

(i) In the case of major components manufactured by the company, adequate records shall be maintained showing either the actual or standard cost of materials, labour and overhead expenses.

(ii) Adequate physical controls shall be ensured for shop manufacture components and records showing the number of components produced shall be maintained. Physical verification of work-in-progress, including shop-manufactured components lying on the shop floor, shall be carried out once in a year. A reconciliation of the quantity produced, including adjustment for opening and closing stock of major components, with the quantity required for production of electric fans during the period shall also be maintained.

(c) Consumable Stores, Tools, Machinery Spares, etc.

Adequate quantitative records shall be maintained showing all receipts, issues and balances of various consumable stores, tools, machinery spares, etc., required for the manufacture of electric fans. The value of the above items shall be kept individually or in the form of control accounts as the company desires. The consumption of consumable stores, tools, machinery spares, etc., shall be allocated to the different production and service departments on a suitable basis. The basis adopted shall be indicated in the cost records and applied consistently.

(d) Wastages, Spoilages, Rejections, etc., of Materials

Adequate records shall be maintained to assess the wastages, spoilages, and rejections etc., of materials in the manufacture of electric fans in order to enable the company to exercise effective control on the consumption of materials. The method of dealing with such wastages, spoilages, rejections, etc., in the calculation of cost shall be indicated in the cost records. The method of accounting of the realized value of spoilages, rejections, scrap, etc., shall be indicated in the cost records.

II. Wages and Salaries

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

(b) The records shall further show separately the wages and salaries relating to the various manufacturing departments or units or cost centres being the amounts payable and allocated to the different departments or units or cost centres. Any wages and salaries being expenditure on additions to plant, machinery or other fixed assets shall be allocated to relevant capital heads in the accounts. Idle time significantly affecting production shall be recorded separately indicating reasons therefor. The method of its treatment in calculating the cost of electric fans produced shall also be indicated in the cost records by way of foot notes, explanatory notes or in any other suitable manner.

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

III. Service Department Expenses

Direct expenses of the service departments shall be allocated to the production departments on suitable basis. If the company so desires, the expenses of service departments applicable to products may be shown separately in the relevant proforma in Schedule II or may be included in the Works Overhead.

IV. Depreciation

(a) Adequate records shall be maintained showing the values and other particulars of fixed 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 the rate of depreciation. In respect of old assets whose original cost of acquisition cannot be ascertained without an unreasonable expenditure or delay the valuation shown by the books at the commencement of the financial year beginning on or after the first day of January 1970, shall be taken as the opening balance.

(b) Depreciation chargeable' to 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 sub-section (2) of Section 205 of the Companies Act, 1956 (1 of 1956) and shall relate to the plant and machinery and other assets utilized in such departments or units or cost centres. The method once adopted shall be applied consistently.

V. Overhead Expenses

Adequate records showing the amounts comprising the overhead expenses and the details of allocation of overhead expenses to the various departments or manufacturing units or cost centres shall be maintained after collecting the details of all such expenses from the financial accounts. Overheads relating to works, administration, selling and distribution shall be shown separately. Works overhead expenses shall include among other items indirect wages and salaries relating to works, indirect materials consumed, welfare expenses, repairs and maintenance expenses, etc. The method of allocating such expenses to the various departments or manufacturing units or cost centres shall be clearly indicated in the cost records and shall be applied on a consistent basis. Where the overhead expenses are recovered through the outputs from the various departments or manufacturing units or cost centres otherwise than at actuals, the method of reconciling such expenses with the actuals for the relevant period, the variations, if any, and its treatment in determining the cost of electric fans produced shall be disclosed in the cost records.

VI. Cost Statements

In respect of companies manufacturing any other products in addition to electric fans, the total expenses incurred by the company during the relevant period shall be allocated to activities relating the production of electric fans, and other products and shall be compiled in proforma 'A' of Schedule II. The basis of allocation of common expenses to the different activities shall be reasonable and applied consistently. Statement showing the cost of electric fans produced and sold shall be compiled separately in respect of each type and sweep of electric fan in proformae 'B' and 'C' specified in Schedule II or in forms as near thereto as practicable. If proformae 'B' and 'C' of Schedule II are compiled on any basis other than actuals, the method of reconciling the figures given in the proformae with the actuals may be indicated in the cost records.

VII. Work-in-Progress and Completed Electric Fans

The value of work-in-progress and completed electric fans at the end of the period for which the costs are made up shall be calculated to represent the cost of material, labour and overhead expenses. Statements showing the value of work-in-progress and quantities and value of completed electric fans in stock at the end of the relevant period shall be compiled in proforma 'D' of Schedule II.

VIII. Reconciliation with Financial Books

The cost records shall be periodically reconciled with the financial books of account so as to ensure accuracy. In respect of companies manufacturing any other products in addition to electric fans, such reconciliation shall be effected by taking the total expenses applicable to the electric fans as shown in proforma 'A' as the basis for all variations shall be clearly indicated and explained. Periods for which such reconciliations are effected shall not exceed the period of the financial year of the company.

IX. Stock Verification Records

Records of stock verification shall be maintained in respect of raw materials, manufactured components in stock, bought out components, stores, etc. The method of dealing with discrepancies arising out of such verification shall also be indicated in the relevant records.

X. Statistical Statements and Other Records

Statistical statements and other records shall be maintained in such a manner as to enable the company to comply with the requirements of this Schedule and Schedule II and to enable the Cost Auditor to report to the Company Law Board on all the points referred to in the Cost Audit (Report) Rules, 1968.

SCHEDULE II

(See Rule 3)

Proforma 'A'

Name and address of the Company _____

Statement showing the total expenses incurred during the year ending _____

And share applicable to electric fans

Particulars	Total expenses for the year ending Rs.	Share applicable to electric fans Rs.	Others Rs.
1. Raw Materials consumed			
2. Brought out components consumed			
3. Other Materials consumed			
4. Direct Wages			
5. Works Overhead-			
(a) Indirect Materials consumed			
(b) Indirect Wages			
(c) Salaries of Officers and staff			
(d) Repairs & Maintenance			
(e) Depreciation			
(f) Other Expenses			
6. Administration Overheads			
7. Selling and Distribution Overheads			
8. Packing Materials consumed			
9. Interest Charges			
10. Annual Bonus to Employees			
11. Other Expenses, if any			
12. Adjustment for the difference between the opening and closing balances of Work-in-progress, if any			
*Total (excluding excise duty)			

*To be reconciled with the financial accounts for the relevant period.

SCHEDULE II

(See Rule 3)

Proforma 'B'

Name and address of the Company _____

Statement showing the cost of electric fans produced during the period _____

Type and description of the electric fan _____

No. of electric fans produced during the period _____

Particulars	Amount	Cost per Unit	Cost per Unit for previous period
	Rs.	Rs.	Rs.
1. Materials			
(a) Bought out components			
(b) Own manufactured components			
(c) Other materials			
(d) *Adjustment for variation between standard and actual cost of materials			
Total			
2. Conversion cost			
(a) Direct labour			
(b) Works overhead			
(c) *Adjustment for variation between standard and actual cost of conversion			
(d) **Adjustment for the difference between the opening and closing balance of Work-in-Progress, if any			
Total work cost			
3. Administration Overhead			
Total			

*Applicable where cost of components and electric fans are maintained on standard cost.

**Applicable where cost of components and electric fans are maintained at actuals.

SCHEDULE II
(See Rule 3)

Proforma 'C'

Name and address of the Company _____

Statement showing the cost of electric fans sold during the period _____

Type and description of the electric fan _____

No. of electric fans sold during the year _____

Particulars	Amount Rs.	Cost per Unit Rs.	Cost per Unit for previous period Rs.
1. Total Cost as per proforma 'B'			
2. Administration Overheads			
3. Selling and Distribution Overheads			
4. Cost of Packing			
(Total)			
Add:			
5. Interest charges			
6. Annual Bonus to Employees			
7. Other Expenses not included in Cost			
Total Cost (excluding excise duty)			
8. Average Sales realization per unit (excluding excise duty)			

[SCHEDULE III

See rule 3(3)

1. MATERIALS AND COMPONENTS:

(1) Proper records shall be maintained showing separately all receipts, issues and balances both in quantities and cost of each item of raw material like Aluminium, Copper wire, Silicon/Lamination, Ball Bearing, Casting, Pig Iron, Paints, Condensers, Guards, MS Pipe, including the bought out components like motor, stator, rotor, blades etc and other raw material required for the production of each type and description of electric fans. These records shall contain such details so as to enable the company to determine the quantity, cost of receipt (including all direct charges upto the works in respect of major raw materials), issues and balances in quantity as well as value of each item of all such raw materials. 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 imported raw materials, proper records shall be maintained to show 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 case of major components manufactured by the company itself, separate records shall be maintained for the quantity manufactured 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 of consumable stores, tools and machinery spares etc. The cost shall include all direct charges upto 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/department 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 the 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 (MODVAT) 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.

2. SALARIES AND WAGES:

(1) Proper records shall be maintained to show the attendance and earnings of all employees of the cost centres/departments and the work on which they are employed. The records shall also indicate the following separately reach 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 as to enable the company to furnish necessary particulars under this head in proforma of Schedule III annexed to these rules. Records may be maintained to book these expenses cost centre wise/ department wise like Die Casting, Stator, Machine Shop, Paint Shop, Assembly, Testing, Quality Control and Packing etc. Where the employees work in such a manner that it is not possible to identify them with any cost centre/department, the labour charges shall be apportioned to the cost centres/departments on equitable basis and applied consistently.

(3) Idle time shall be separately recorded under classified headings indicating the reasons therefor. The method followed for accounting of idle time payments in determining the cost of the product shall be disclosed in the cost records.

(4) Any wages and salaries allocable to capital works such as additions to plant and machinery, buildings or other fixed 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 departments on equitable and reasonable basis and applied consistently. Where these services are utilised for other products of the company also, the basis of apportionment of such expenses to any type of Electric Fans 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 Electric Fans and components thereof in different cost centres/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 Electric Fans and components thereof in different cost centres/departments. Records shall also indicate installed capacity, number of units generated, losses and consumption in each cost centre/department separately. Where power is generated and supplied by any other unit of the company to the Electric Fan 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 Electric Fans and components thereof shall be on a reasonable basis and applied consistently. Records should state clearly the measure taken on conservation of energy and its corresponding impact on unit cost of production.

(2) **Other Utilities** - Proper records showing quantity and cost shall be maintained in respect of utilities other than power produced or purchased by the company for the production or manufacture of Electric Fans and components thereof.

5. WORKSHOP/REPAIRS AND MAINTENANCE/TOOL ROOMS:

(1) Proper records showing the expenditure incurred by the workshop/tool room under different heads and on repairs and maintenance by the various cost centres/departments shall be maintained. The records shall also indicate the basis of charging the workshop/tool room expenses to different cost centres/departments. Where maintenance work is done by direct workers of any production cost centre/department, the wages and salaries of such workers shall be treated as direct expenses of the respective cost centre/department. If the services are utilised for other product 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 records 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 the per unit cost of Electric Fans 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 analysed, classified and grouped according to functions, namely, works, administration, selling and distribution.

(2) Where the company is manufacturing product(s) other than Electric Fans and components thereof, the records shall clearly indicate the basis followed for apportionment of the common overheads including head office expenses of the company to such product(s) and Electric Fans and components thereof, 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 residual 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 or 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 so as to indicate the details of works, administration, selling and distribution overheads.

8. ROYALTY/TECHNICAL KNOWHOW 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 amount 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 products covered under these rules according to the nature of development of products, existing and new products, 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 Electric Fans 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 of Electric Fans 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 Electric Fans 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 utilised for other products of the company, the basis of apportionment to all types and descriptions of Electric Fans and components thereof and to the other products shall be equitable and clearly indicated in the records and applied consistently.

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 Electric Fans 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 Electric Fans 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 marketing of the Electric Fans 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 Electric Fans and components thereof shall be indicated in the cost record so as to reveal the cost element that have been taken into account in such computation. The appropriate share of conversion cost upto 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 adopted in manufacture or production of Electric Fans and components thereof.

(2) Components manufactured in different production centres and going into final assembly of the product under reference shall be valued at the 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 balances of different types of the products 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/incomes 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 maintains 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 variances shall be shown against the separate heads and analysed 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. STATISTICAL RECORDS:

(1) Records regarding available machine hours/direct labour hours in different production departments and actually utilised shall be maintained and shortfall suitably analysed. Suitable records for computation of idle time of machines shall also be maintained and analysed.

(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 Electric Fans 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 the human resources development activity shall be recorded.]⁷

[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

⁷ Inserted by GSR 556 (E) dated 28th July, 1989,

(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.]⁸

⁸. Inserted by GSR 716 (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 Electric Fans/
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.	Captive consumption		
6.	Closing stock		
7.	Opening stock		

B. Financial Information:

Sl.No	Particulars	Quantity	Rate	Amount	Per Unit (In Rupees)	
					Current Year	Previous Year
			Rupees	(Rupees in lacs)		
1.	Material cost (Item wise covering 80% of value) (a)Raw materials (b)Manufactured components (c)Bought out components (d)Others (e)Total(a to d)					
2.	Direct Wages and Salaries					
3.	Outside Job Charges					
4.	Utilities (a)Power (b)Others(specify major items) (c)Total(a and b)					

5.	Consumable Stores and spares					
6.	Depreciation					
7.	Repairs 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 Adjustment (Work in progress)					
15.	Less: Credits from scraps					
16.	Cost of Production					
17.	Stock Adjustment (finished products)					
18.	Net cost of Production					
19.	Packing Cost					
20.	Selling and Distribution Expenses (a)Salaries and Wages (b)Freight and Transport 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 duties					
26.	Total sales realization excluding excise duties					
27.	Margin(26 – 25)					

Notes:-

1. Separate proforma shall be prepared for each type and description of product manufactured.
2. Separate proforma shall be prepared for the quantity sold within 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.]⁹

⁹. Inserted by GSR 556 (E) dated 28th July, 1999,

Note- The principal rules were published vide notification G.S.R. 2298 dated 15-09-1969, subsequently amended by:

- (i) GSR 785 dated 03-06-1977,
- (ii) GSR 1273 dated 10-10-1979,
- (iii) GSR 22 dated 05-01-1983,
- (iv) GSR 545 dated 22-07-1989,
- (v) GSR 305(E) dated 24-03-1993,
- (vi) GSR 432(E) dated 03-08-1998
- (v) GSR 556(E) dated 28-07-1999
- (vii) GSR 716(E) dated 28-09-2001.