

## COST ACCOUNTING RECORDS (ELECTRIC LAMPS) RULES. 1967.

### Notification

#### MINISTRY OF INDUSTRIAL DEVELOPMENT & COMPANY AFFAIRS

(Department of Company Affairs)

New Delhi-I, the 27<sup>th</sup> September, 1967

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

1. *Short Title and Commencement-*

(I) These rules may be called the Cost Accounting Records (Electric Lamps) Rules. 1967.

(2) They shall come into force on the 1st day of January. 1968.

2. *Application-* They shall apply to every company engaged in the manufacture of [electric lamps of all types]<sup>1</sup> 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 does 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]<sup>2</sup> 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.]<sup>3</sup>

3. *Maintenance of Records.-* (1) Every company to which these rules apply shall in respect of each of its accounting year commencing on or after the 1st day of January 1968 [till the 31<sup>st</sup> day of March. 2000]<sup>4</sup>, keep proper books of account containing *inter alia* the particulars specified in Schedules I and II annexed to these rules relating to utilization or material, 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 electric lamps or fluorescent tubes or both produced during the financial year of the company (hereinafter referred to as the relevant period) from the particulars entered therein.

<sup>5</sup>[(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 Electric Lamps 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 Lamps, 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 Electric Lamps 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 descriptions of Electric Lamps components thereof 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.

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<sup>1,4,5</sup> Inserted by G.S.R.670 (E) dated 28<sup>th</sup> September 1999

<sup>2</sup> Replaced by G.S.R.431 (E) dated 3<sup>rd</sup> August 1998.

<sup>3</sup> Inserted by G.S.R.304 (E) dated 24<sup>th</sup> March 1993.

(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." ]<sup>4</sup>

4 Penalty- If a company contravenes the provisions of rule 3 the company and every officer of the company who is in default other than the persons referred to in sub-section (6) of Section 209 of the Companies Act, 1956 (I of 1956) [shall subject to the provisions of section 209 of the Companies Act 1956 (1 of 1956) be punishable]\* 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 Materials other than Stores and Spares

(a) Adequate records shall be maintained showing receipts, issues and balances, both in quantities and values, of each item of materials and components required for the manufacture of electric lamps including fluorescent tubes. The basis on which the value of the purchases and issues have been calculated 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 for maintaining the cost records or in footnotes 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 insurance. 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 footnotes or explanatory notes or in some other suitable manner.

(b) If the value of materials concerned 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 footnotes, explanatory notes or in any other suitable manner.

(c) *Manufactured Components.*- (i) Where some of the major components such as shells, tubes and filaments are manufactured by the company itself, separate records shall be maintained showing the cost of manufacture of such components in such details as may 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) Records of quantities and values of manufactured components shall be kept on the lines on which such records are kept in the case of raw materials and purchased components. The value of such components shall be based on the cost of manufacturing them.

(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 footnotes, 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.

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## II. Wages and Salaries

(a) Proper and systematic records shall be maintained with respect to attendance of workers and other operational staff, indicating the department or the work on which they were employed. Where payments to workers are made on piece-rate basis, the 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 of all payments made for overtime work. Where any payments for incentive 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 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 and 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 records or in footnotes, explanatory notes or in other suitable manner.

(c) If the wages are allocated to the departments or units or to cost centres or to products manufactured in such departments or 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 footnotes, 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 values of various stores and spare parts for repair and maintenance and loose tools required for the manufacture of electric lamps and fluorescent tubes. The value shown shall include all direct charges up to works such as freight and insurance. The value of the issues and balances of stores etc. may if the company so desires be recorded monthly or at such shorter interval as the company decide or kept in the form of control accounts for main groups of 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 such item of stores.

(b) The value of stores and spare parts consumed shall be charged to the relevant heads such as manufacturing, repairs to plant and machinery, repairs to buildings, township and maintenance of vehicles, capital items, etc. The value of stores charged to manufacture shall further be allocated to the different departments or manufacturing units or cost centres and to products, if any, manufactured therein. Stores issued for capital works, such as additions to plant and machinery or other assets shall also be segregated 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 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 footnotes, explanatory notes or in other suitable manner.

## IV. Services

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

(b) Where power is purchased, the cost of power shall include the cost of units of power consumed and fixed charges payable 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, steam or electricity produced and consumed.

(c) The records shall be so maintained as to enable the assessment of utilisation 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 departments or 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 units or cost centres concerned and allocated to products manufactured therein 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 can not be ascertained without 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 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 utilised in such departments or units or cost centres. The rates adopted 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 to products manufactured therein may, instead of being shown separately in the relevant proforma concerned, be included as part of manufacturing overheads of the departments or manufacturing units concerned and allocated to the 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 records and shall be consistently applied on a reasonable basis throughout the relevant period. Where the amount of overheads is estimated and allocated to the various departments or manufacturing units or cost centers, 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 or indicated by way of footnotes, explanatory notes or in other suitable manner.

(b) Selling overheads comprising of selling and distribution expenses pertaining to complete lamps and fluorescent tubes sold may be shown in one lump sum in the relevant summary statement of cost, proforma 'C' in Schedule II.

## VII. Cost Statement

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 electric lamps and fluorescent tubes shall be compiled in proforma 'A' specified in Schedule II and the cost of electric lamps and fluorescent tubes 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 as well as 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 Records

Detailed and adequate records shall be maintained to indicate the quantities and values of all receipts, issues and balances of different items of components such as glass shells, glass tubes and filaments as well as complete electric lamps and fluorescent tubes produced by the company. The value of such items shall be based on the cost of production of the items concerned. The value of the issues or balances may, if the company so desires, be recorded monthly or at such shorter intervals as the company decides.

## 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 affected 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 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 also be indicated in the records.

## XII. Statistical Data

Adequate records containing information as to actual hours worked by each machine, groups thereof or department or manufacturing unit, shall be maintained to show the hours worked, idle time if any, and the reasons therefor.

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

Schedule II  
(See Rule 3)

Proforma 'A'

..... Co. Ltd.

*Statement showing the Cost of components manufactured during the period .....*

Name of Component.....

Quantity Produced.....

Particulars	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					
(1) Power					
(2) Fuel					
(3) Electricity					
(4) Water					
(5) Steam					
5. Depreciation					
6. Other Manufacturing Costs (Overheads)					
7. Admn. Overheads					
8. Adjustment for the differences in opening and closing balances of work-in-progress, If any					
Total					

Schedule II  
(See Rule 3)

Proforma 'B'

..... Co. Ltd.

*Statement showing the Manufacturing Cost of General Light Electric Lamps/Fluorescent Tubes  
manufactured during the period .....*

Description	General Light.....	
	Electric Lamps.....	Watts
	Fluorescent Light Tubes .....	Watts
Quantity Produced	.....	Size

Particulars	Quantity	Rate	Total Amount	Cost per Unit	
				Current Period	Previous Period
1. Raw Material and Components					
(1) Glass shells/ Tubes					
(2) Flanger Glass					
(3) Rod Glass					
(4) Filaments					
(5) Other Materials (Important items to be specified)					
2. Wages and Salaries					
3. Stores and Spare parts					
4. Services					
(1) Power					
(2) Fuel					
(3) Electricity					
(4) Water					
(5) Steam					
5. Depreciation					
6. Other Manufacturing Costs (Overheads)					
7. Admn. Overheads					
8. Adjustment for the differences in opening and closing balances of work- in-progress, If any					
Total					

Schedule II  
(See Rule 3)

Proforma 'C'

..... Co. Ltd.

*Statement showing the Cost including Selling and Distribution Expenses  
in respect of Electric Lamps/Fluorescent Tubes*

Description	Electric Lamps.....	Watts		
		Types		
	Fluorescent Tubes .....	Watts	Size	
Quantity Produced	.....			
Quantity Sold	.....			

Particulars	Total Amount	Cost per Unit	
		Current Period	Previous Period
1. Cost of manufacture of Lamp/ Tube			
2. Selling and Distribution Overheads			
Total Cost			

**[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 quantity and cost of each item of raw material like Tungsten, silica sand, dolomite, felspar, soda ash, red lead, moly wire caps, cathode, Chemicals including bought out components like shells, cap, filament, lightflare, light exhaust etc., required for the production of each type of electric lamps and components thereof. These records shall 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. 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. Proper records showing the quantity of recycled raw materials like cullet have to be maintained wherever applicable. In the case of imported raw materials, 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 the case of major component manufactured by the company if 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 issues and balances, both in quantities and cost of 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, and 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 centers/departments and the work 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 any collectivity 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 centrewise/departmentwise like Tubular Glass Shell shop, Glass Shell shop, Filament Shop, Fluorescent Tube Light Shop, GLS Lamp shop 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 therefore. 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 utilized for other products of the company also, the basis of apportionment of such expenses to any type of Electric Lamps 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 lamps and components thereof in different cost centres/departments. Where the 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 Electric lamps 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 lamps 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 lamps 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) Gas/Fuel-Proper records showing the quantity and cost of gas/fuel purchased for the manufacture of Electric lamps and components thereof in different cost centres/departments shall be maintained. The cost of gas/fuel apportioned to the cost centres/department 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 power and gas/fuel produced or purchased by the company for the production or manufacture of Electric Lamps and component thereof.

### **5. WORKSHOP /RBPAIRS AND MAINTENANCE/ TOOL ROOMS:**

(1) Proper records showing the expenditure incurred by the workshop/tool rooms 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 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 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 lamps 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 any products other than Electric Lamps 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 products and Electric Lamps 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 residue 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 as to indicate the details of works, administration, selling and distribution overheads.

#### **8. ROYALTY/TECHNICAL KNOWNOW 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. RESERCH AND DEVELOPMENT EXPECSSES:**

(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 Electric Lamps 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

Lamps 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 records separately and excluded from the cost of Electric Lamps 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 response 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 electric lamps and components thereof and to 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 Lamps 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 Lamps 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 state merit 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 Lamps 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 Lamps and components thereof shall be indicated in the cost records so as to reveal the cost elements that have been taken into account in such computation. The appropriate share of conversion cost up to the stage of completion shall be taken in to 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 manufacture or production of Electric Lamps and components thereof.

(2) Components manufactured in different production centres going in to final assembly of the product under

reference shall be valued at cost 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 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 specially indicating the expenses/incomes not considered in the cost records/statements. So as ensuring 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 analyzed into material, labour, overheads and further segregated into quantity, price and efficiency variances. The reason 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 utilized shall be maintained and shortfall suitably 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 Electric Lamps 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 activity shall be records.]<sup>5</sup>

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<sup>5</sup> Inserted by G.S.R.670 (E) dated 28<sup>th</sup> September 1999.

## [22 INTER-COMPANY TRANSFER:

(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;

**(t) "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 be 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."]<sup>6</sup>

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<sup>6</sup> Inserted by G.S.R.715 (E) dated 28<sup>th</sup> 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 Lamp/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 Rupees	Amount (Rupees in lacs)	Per (in Unit Rupees)	
					Current Year	Previous Year
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 and Salaries					

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\* Inserted By GSR 670 (E) Dated 28<sup>th</sup> September 1999

3. Outside Job Charges
4. Utilities
  - (a)Power
  - (b)Fuel and Gases
  - (c)Others(specify major items)
  - (d)Total(a to c)
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 breakages and defectives
22.	Cost of Sales
23.	Interest
24.	Annual Bonus to employees
	(a)Minimum Statutory Bonus
	(b)Other than Statutory Bonus
25.	Statutory Gratuity including provisions
26.	Total expenses excluding excise duties
27.	Total sales realization excluding excise duties
28.	Margin (27-26)

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.

**Foot Note.** - The principal rules were published vide G. S.R. number 1503 (E), dated the 27<sup>th</sup> September 1967 and subsequently amended vides: -

GSR 779 DATED 3<sup>RD</sup> JUNE 1977

GSR 1277 DATED 10<sup>TH</sup> OCTOBER 1979

GSR 21 DATED 5<sup>TH</sup> JANUARY 1983

GSR 544 DATED 22<sup>ND</sup> JULY 1989

GSR 304(E) DATED 24<sup>TH</sup> MARCH 1993

GSR 431(E) DATED 3<sup>RD</sup> AUGUST 1998

GSR 670 (E) DATED 28<sup>TH</sup> SEPTEMBER 1999

GSR 715 (E) DATED 28<sup>TH</sup> SEPTEMBER 2001