

MINISTRY OF LAW JUSTICE & COMPANY AFFAIRS
(Department of Company Affairs)
NOTIFICATION
New Delhi, the 9th July, 1996

G.S.R. 271(E).—In exercise of the powers conferred by sub-section (1) of section 642, read with clause (d) of subsection (1) of section 209 of the Companies Act, 1956 (1 of 1956), the Central Government hereby makes the following rules, namely :—

1. Short title and commencement :—

- (1) These rules may be called the Cost Accounting Records (Industrial Gases) Rules 1996.
- (2) They shall come into force on the date of their publication in the Official Gazette.

2. Application:—

These rules shall apply to every company engaged in the production, or manufacture of the classes of the Industrial Gases specified in the appendix annexed to these rules :

Provided that these rules shall not apply to a company—

- (a) [Aggregate value of machinery and plant installed wherein does not exceed the limit 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 preceding financial year]¹; and
- (b) the aggregate value of the realisation 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. Maintenance of records

- (1) Every company to which these rules apply shall, in respect of each of its financial year commencing on or after the commencement of these rules, keep proper books of account containing, inter-alia, the particulars specified in Schedule I and II annexed to these rules or in a form as near thereto as practicable, relating to the utilisation of materials, labour and other items of cost in so far as they are applicable to Industrial Gases referred to in rule 2;

Provided that if the said company is manufacturing any other product(s) or is engaged in other activities in addition to items referred to in rule 2, the particulars relating to utilisation of materials, labour and their items of cost in so far as they are applicable to such other product(s) or activities shall not be included in the cost of the items referred to in rule 2.

¹ Substituted by GSRNo.463(E) dated 3rd August, 1998.

(2) The books of account referred to in sub-rule (1) shall be kept on a regular basis in such a manner as to make it possible to calculate the cost of production and cost of sales of all types of Industrial Gases referred to in rule 2 for every quarter of the financial year (hereinafter referred to as the relevant period) as well as for the financial year as a whole, from the particulars entered therein and every such books of account and the proformae specified in Schedule II annexed to these rule; shall be completed not later than ninety days from the close of the financial year of the company to which they relate.

(3) It shall be the duty of every person referred to in sub-section (6) and sub-section (7) of Section 209 of the Companies Act, 1956 (I of 1956) to take all reasonable steps to secure compliance by the company with the provisions of sub-roles (1) and (2) 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.

(4) Statistical and other records shall be maintained in accordance with the provisions of the Schedules annexed to these rules, 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 suitable report on all the points referred to in Cost Audit (Report) Rules, 1968, as amended from time to time. Such records shall be reconciled with the returns submitted to the Excise Department and other Government authorities from time to time.

4. **Penalty**—If a company contravenes the provisions of rule 3, the company and every officer who is in default including the persons referred to in sub-rule (3) of rule 3 shall be subject to the provisions of section 209 of the Companies Act, 1956 (I 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 day during which period such contravention continues.

APPENDIX
(See Rule 2)
Classes of Industrial Gases

- (i) Oxygen Gas;
- (ii) Nitrogen Gas;
- (iii) Acetylene Gas;
- (iv) Hydrogen Gas;
- (v) Nitrous Oxide Gas;
- (vi) Argon Gas;
- (vii) Helium Gas; and
- (viii) Carbon di-oxide Gas

SCHEDULE I
(See rule 3)

1. MATERIALS

I. (1) Proper records shall be maintained showing separately all receipts, issues and balances both in quantities and cost of each item of direct materials required and actually used in the production, processing or manufacture of items referred to in rule 2, in any form or any type. These records for direct materials shall contain such details as to enable the company to determine the quantity, cost of receipt (including all direct charges upto the works in respect of all major direct materials), issues and balances of each item of direct material separately for imported and indigenous supplies. In case of imported materials including those canalised through Government agencies, details of cost, freight, insurance charges, (CIF Value), custom duty, port charges, inland freight and handling and clearance charges paid shall be recorded separately. The basis on which the said quantities and cost of issues and consumption have been calculated shall be indicated in the cost records and followed consistently.

I. (2) Proper records shall be maintained to show the receipts, issues and balances both in quantities and costs of each item of process material, chemical and catalyst. In case of catalyst, proper records shall be maintained for the value and quantity issued in a financial year suitably adjusted for consumption. If the life of the catalyst is more than one financial year, necessary adjustment should be made. If the life of the catalyst is not known, consumption may be assessed on technical basis. The cost of such process materials/chemicals and catalyst shall include all direct charges upto works. The issues and consumption shall be properly identified with the departments, cost centres and products manufactured.

1. (2) (1) In case where the process materials/chemicals required in the production of items referred to in rule 2 are manufactured by the company, separate records showing the cost of manufacture of each such item indicating the break up of raw materials consumed for the production and conversion cost shall be maintained in proforma 'A' to Schedule II annexed to these rules or in any other proforma as near thereto as may enable the company to determine the cost of such process materials/chemicals produced.

1. (2) (2) In case any process material/chemical covered under any Cost Accounting (Records) Rules prescribed under the Companies Act 1956, (I of 1956) is manufactured by the company, proper cost accounting records shall also be maintained as per the rules so as to arrive at the cost of such items.

1. (3) If the quantity and value of materials consumed are determined on the basis of "Standard Costing", the method adopted shall be mentioned in the cost records and followed consistently. The overall reconciliation of such quantities and value of materials with the actuals shall be made at least quarterly during the financial year explaining the reasons for variations. The treatment of such variations in determining the cost of the items referred to in rule 2 shall be indicated in the cost records.

1. (4) (1) Proper records shall be maintained to show the receipts, issues and balances, both in quantities and cost of each item of consumable stores, small tools and machinery spares. The cost shall include all direct charges up to works.

1. (4) (2) 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 main group of such items.

1. (4) (3) The cost of consumption of consumable stores, small tools, and machinery spares shall be charged to the relevant cost centres on the basis of actual issues.

1. (5) Proper records shall be maintained showing the quantity and value of wastages, spoilages, rejections and losses of raw materials, process materials, consumable stores, small tools and machinery spares, 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 spoilages if any, in determining the cost of product shall be indicated in the cost records. Any abnormal wastages, spoilages or rejections shall be indicated distinctly and separately along with reasons thereof.

1. (6) Where modified Value Added Tax (Modvat) or any other benefits under Central Excise and Salt Act, 1944 (I of 1944) are available on any item of material, break up details of such items should be furnished along with the proforma relating to cost of sales of the Schedule II annexed to these rules and also shown in cost of production or cost sheet of cost of sales.

2. SALARIES AND WAGES

2. (1) Proper records shall be maintained to show the attendance and earnings of all employees of the cost centres or departments and the work on which they are employed. The records shall also indicate the following separately for each cost centre:

- (a) Piece rate wages earned (wherever applicable) ;
- (b) Incentive wages earned individually or collectively as production bonus or under any other scheme based on output;
- (c) Overtime Wages earned:
- (d) Earnings of casual labour.

2. (2) The records shall be maintained in such a manner as to enable the company to furnish necessary particulars under this head in the various annexures and proforma of the Schedules I and II annexed to these rules. Where the employees work in such a manner that it is not possible to identify them with any cost centre, the labour charges shall be apportioned to the cost centres on equitable basis and applied consistently.

2. (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 product shall be disclosed in the cost records.

2. (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.

2. (5) If the wages and salaries are charged to production on the basis of standard costing, the method adopted shall be indicated in the cost records. The reconciliation of such wages and salaries with actuals shall be made at least quarterly during the financial year explaining the reasons for variations. The treatment of such variations in determining the cost of items referred to in rule 2 shall be indicated in the cost records.

3. SERVICE DEPARTMENT EXPENSES:

Detailed records shall be maintained to indicate expenses incurred in respect of each service department or cost centre like laboratory, welfare, transport etc. These expenses shall be apportioned to other services and production departments on equitable basis and applied consistently. Where these services are utilised for other products of the company also, the basis of apportionment to the Industrial Gases referred to in rule 2 and to the other products shall be equitable and clearly indicated in the records and applied consistently.

4. UTILITIES

4. (1) Water—Proper records showing the quantity and cost of treated/cooling water produced and consumed for the manufacture of Industrial Gases in different cost centres or departments shall be maintained in as such details as may enable the

company to furnish the necessary particulars in Annexure-I to this Schedule. Similar records shall be maintained for effluent treatment. The cost of treated water apportioned to the departments concerned shall be on a reasonable basis and applied consistently.

4. (2) Steam-4 (2) (1) Where steam is raised by the company, proper records showing the quantity and cost of steam raised and consumed in the production of Industrial Gases as referred to in rule 2 in different cost centres or departments shall be maintained in such details as may enable the company to furnish the necessary particulars in Annexure-II to this Schedule. The cost of steam consumed by the Industrial Gases plant and other units of the company shall be calculated on a reasonable basis and applied consistently. Where steam is raised and supplied by any other unit of the company to the Industrial Gases plant, the cost of steam so supplied shall be charged to Industrial Gases plant on a reasonable basis and applied consistently. Proper records shall be maintained for the quantity of the exo-thermic heat (waste heat) generated by other identical reaction plants and supplied to boiler house and any other service plants and credit should be given to the product (s). The credit shall be on a reasonable basis and applied consistently.

4. (2) (2) Wherever steam is produced and used by process plants at different ata (pressure), quantitative records for production and consumption of steam in different plants shall be maintained at actual pressure but the same shall be converted into an equated quantity in terms of one pressure (Low Pressure/ Medium Pressure/ High Pressure) for the purpose of computation of steam cost and also its allocation to different user departments. Equated pressure (ata) shall be suitably indicated in the cost sheet for steam,

4. (2) (3) In case steam is generated in waste heat boiler of the Captive Power Plant, proper records of value of heat so used shall be maintained so that its cost is debited to the steam cost and appropriate credit given to the cost of generated power. Where it is not possible to exactly quantify this heat, this should be done on reasonable technical estimates or other methods like heat per unit of steam consumed in package boiler (main boiler) etc.

4.3 Power—4(3)(1) Proper records shall be maintained for the quantity and cost of power purchased. Where power is generated by the company itself, adequate records shall be maintained to show the cost of power generated and consumed for the production of Industrial Gases in different cost centres and departments etc. These records shall be maintained in such details as may enable the company to furnish the necessary particulars in Annexure-III to this Schedule.

4. (3) (2) Where power is generated and supplied by any other unit of the company to the Industrial Gases Plant, adequate records shall be maintained to indicate the quantity and cost of power so supplied. The cost of power allocated to production of Industrial Gases referred to in rule 2 shall be on a reasonable basis and applied consistently.

4. (4) Utilities other than water, steam and power:

4. (4) (1) Proper records shall be maintained in respect of any other utilities other than water, steam and power produced or purchased by the company in addition to the above, to enable the company to furnish the particulars in Annexure I, II or III to this schedule whichever is appropriate.

4. (4) (2) If an utility is purchased, proper records showing the delivered cost upto the works including all direct charges shall be maintained for the quantity and value of each utility purchased.

4. (4) (3) Where any utility is produced and supplied by the other unit of the company, adequate records shall be maintained to assess cost and the quantity of the utility so supplied.

4. (4) (4) The cost of utility if any, supplied to any other unit(s) of the company, shall be calculated on a reasonable basis and applied consistently.

4. (4) (5) The cost of any other utility allocated/appORTIONED to the cost centres and further to the individual products shall be on a reasonable basis and applied consistently.

5. WORKSHOP/REPAIRS AND MAINTENANCE/TOOL ROOMS :

5. (1) Proper records showing the expenditure incurred by the workshop under different heads and on repairs and maintenance by the various cost centres and departments shall be maintained. The records shall also indicate the basis of charging the workshop/tool room expenses to different cost centres/departments and units. Where maintenance work is done by direct workers of any production cost centre, the wages and salaries of such workers shall be treated as direct expenses of the respective cost centre. If the services are utilised for other products also, the manner of charging a share to Industrial Gases referred to in rule 2 shall be equitable and clearly indicated in records and applied consistently.

5. (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.

5. (3) Expenditure incurred on works of a capital nature shall be capitalised. The cost of such jobs shall include the expenditure on material, labour and due share of the overheads.

6. DEPRECIATION:

6. (1) Proper records shall be maintained showing the cost and other particulars of fixed assets in respect of which depreciation is to be provided for. These records

shall, *inter alia*, indicate the cost of each item of asset including installation charges, if any, the date of its acquisition, the date of installation, rate of depreciation and location of each asset. In respect of those assets, the original cost of acquisition of which cannot be ascertained without any unreasonable expenditure or delay, the valuation shown in the books on the first day of the financial year beginning on or after the commencement of these rules shall be taken as cost. Such evaluation shall exclude revaluation of any asset that had been done prior to the aforesaid date.

6. (2) The basis on which depreciation is calculated and allocated/apportioned to the various cost centres and departments and absorbed on the products shall be clearly indicated in the cost records. Depreciation chargeable to the different cost centres and departments shall be not less than the amount of depreciation chargeable in accordance with provisions of sub-section (2) of Section 205 of the Companies Act, 1956 (I of 1956) and shall relate to plant, machinery' and other fixed assets utilised in such cost centres and departments. In case the amount of depreciation charged in the cost accounts in any financial year is higher than the amount of depreciation chargeable under the aforesaid provisions of the Companies Act, 1956 (I of 1956), the amount so charged in excess shall be indicated clearly in the cost records. The cost records shall also show the effect of the said excess on the per unit cost of industrial gases referred to in rule 2. 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. ROYALTY/TECHNICAL KNOW-HOW FEE :

Adequate records shall be maintained showing the royalty or other recurring or non-recurring payments if any, made 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 technology supplier. The basis of charging such amounts including one time payments to the products shall be indicated in the cost records.

8. OTHER OVERHEADS :

8. (1) Proper records shall be maintained showing the various items of expenses comprising the other overheads. These expenses shall be analyzed, classified and grouped according to functions, viz. works, administration and selling and distribution.

8. (2) Where the company is manufacturing any product (s) other than Industrial gases referred to in rule 2, the records shall clearly indicate the basis followed for apportionment of the common overheads including head office expenses of the company to the Industrial Gases and other activities including capital works. Where certain expenses forming part of overheads can be identified with a particular activity or product such expenses shall be segregated and charged to the relevant activity or product in the first instance and thereafter the common 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 and products shall be indicated in the cost records.

8. (3) The details of works, administration and selling and distribution overheads shall be maintained in such a manner as to enable the company to fill up the necessary particulars in Annexure I to III of this Schedule and Proforma A to G of Schedule II annexed to these rules.

9. CONVERSION COST :

9. (1) Proper records shall be maintained for splitting up of conversion cost (the cost of manufacture less direct material cost) into fixed and variable costs for filling the relevant annexures and proforma in Schedule I and Schedule II annexed to these rules.

9. (2) When more than one manufacturing process is carried out in a particular machine or series of machines, adequate records about the usage of such machines for different products shall be kept. The cost of using such machines shall be charged to the different products on an equitable basis e.g. equipment occupancy hours. Where composite machine hour rates are applied for absorption of wages, overheads and equipment usage, proper records relating to the utilisation of labour and multipurpose machines for different processes connected with the manufacture of different products shall be kept to enable determination of total machine hours and the amounts chargeable to the respective Industrial gases referred to in rule 2. The variance between the actuals and the amounts charged at predetermined rates shall be adjusted for arriving at the actual cost of production at the end of the financial year.

10. RESEARCH AND DEVELOPMENT EXPENSES :

10. (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 viz. development of products, existing and new; processes of manufacture, existing and new; design and development of new plant facilities and market research for the existing and new products shall be maintained separately.

10. (2) The method of charging these expenses to the cost of the 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 cost of production of Industrial gases referred to in Rule 2 and to other products, if any, on a reasonable basis and applied consistently.

10. (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 Industrial gases referred to in rule 2. The amount recovered for providing technical know-how to outsiders shall also be indicated separately.

11. INTEREST :

Proper records shall be maintained showing interest charges separately on term loan and cash credit/over draft (working capital). The amount of interest shall be allocated/ apportioned to the products covered by these rules and other activities on a reasonable and equitable basis which shall be followed consistently. The basis of such apportionment shall be spelt out clearly in the cost statements. Basis of further charging of the share of the interest to the various types of such products shall also be reasonable and the same shall be followed consistently.

12. EXPENSES/INCENTIVES ON EXPORTS :

Proper records showing the expenses incurred on the export sales of the products covered by rule 2, if any, shall be separately maintained, so that the cost of export sales can be determined correctly. The expenses incurred on exports as well as, any export incentive (s) earned shall be reflected in the cost statement relating to export sales. Export incentives shall be treated as other income and reflected in the cost records. Separate cost statement as per proforma 'C' in schedule II annexed to these rules (suitably modified) shall be prepared for products exported giving details of export expenses incurred/incentive earned. In case, duty free imports are made, the cost statements should reflect this fact. The company shall maintain separate valued stock ledgers for the duty free import items and their consumption.

13. JOINT PRODUCTS :

Where more than one product which is of equal economic importance arises from processes, the cost upto the point of separation of products shall be apportioned to joint product (s) on reasonable and equitable basis and shall be applied consistently. The basis on which such joint costs are apportioned to different products arising from the process/processes shall be indicated in the cost records. The cost of products shall be shown in proformae B and C of Schedule II annexed these rules.

14. CAPTIVE CONSUMPTION:

Proper records shall be maintained in proforma B of Schedule II annexed to these rules showing the quantity and cost of items referred to under rule 2 transferred to other department (s) /units (s) of the company for captive consumption. Such transfers shall ordinarily be effected at cost and shall be disclosed in the cost records. If, however, the transfer of items/products under rule 2 is made for captive consumption at a valuation other than cost, notional profit or loss arising out of such transfer shall also be disclosed in the records.

15. PACKING CHARGES:

15(1) Proper records shall be maintained showing the quantity and cost of various packing materials and other expenses incurred for packing the finished products

for the marketing of Industrial gases referred to under rule 2. Where such expenses are incurred in common for other products including those stated under rule 2, the basis of apportioning the expenses between the relevant products shall be clearly indicated in the cost records and applied consistently. If such packing materials are manufactured by the company, proper records showing the cost of production of such items shall be maintained.

15(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.

16. EXPENSES OF CAPITAL NATURE :

Material consumed, wages and other expenditure including appropriate share of overheads incurred in respect of works of capital nature, carried out departmentally, such as additions to plants and machinery and other assets, shall be capitalised under relevant heads.

17. WORK IN PROGRESS AND FINISHED GOODS STOCK :

The method followed for determining the cost of work in progress and finished goods referred to in rule 2, 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 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. Records showing the cost of work in progress and the quantities and the cost of finished goods shall be maintained in such details so as to enable the company to fill up the particulars in proforma D of Schedule II annexed to the rules.

18. COST STATEMENTS:

18. (1) The product emerging from a process and which forms the raw material for a subsequent process shall be valued at the cost of production upto the previous stage and shown in proforma 'B' of Schedule II annexed to these rules.

18. (2) Separate cost of sales statement in respect of different type/grades of intermediates/products under rule 2 produced and sold, if any, shall be maintained in proforma 'C' of Schedule II annexed to these rules. Summary cost statement as per proforma E of Schedule II annexed to these rules shall be maintained for each product produced and sold.

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

18. (4) Export of products referred to under rule 2 be exhibited separately in

respective cost statements and the same shall be excluded from the cost statements meant for sale in the domestic market.

19. PRODUCTION RECORDS :

Quantitative records of all finished and packed production, issues for sales and balances of different types of products referred to in rule 2 produced by the company shall be maintained. The cost of all finished and packed production shall be kept in detail for each type of product or in the form of control accounts provided the value of the balances according to such control accounts are reconciled periodically atleast once in a year with the value of the quantities shown in the quantitative account maintained for each grade of products referred to in rule 2.

20. RECONCILIATION OF COST AND FINANCIAL ACCOUNTS :

20. (1) Cost records shall be reconciled with the financial books of account for the financial year as to ensure accuracy. Variations, if any, shall be clearly indicated and explained. The reconciliation shall be done in such a manner that profit of the product under reference can be correctly arrived at and reconciled with the over all profit of the company.

20. (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 under rule 2 shall be maintained in proforma F of Schedule II annexed to these rules and reconciled with the financial accounts for the period.

21. ADJUSTMENT OF COST VARIANCES :

Where the company maintains cost records on any basis other than actuals such as standard costing, the records shall indicate the procedure followed by the company in working out the cost of 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 relevant heads in the respective proforma of Schedule II annexed to these rules and analyzed into material, labour, overheads and broken up into quantity, price, capacity utilisation etc. and shall be made atleast quarterly during the financial year. The reason for the variances shall be duly explained in the cost records.

22. RECORDS OF PHYSICAL VERIFICATIONS :

Records of physical verifications shall be maintained in respect of all items held in stock, such as raw materials, consumable stores, machinery spares, chemicals, fuels, finished goods and fixed assets. Reasons for shortages/surpluses arising out of such verifications and the method followed by adjusting the same in the cost of products shall be indicated in the records.

[23 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, or 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 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);

(1) "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."]*

24. STATISTICAL RECORDS:

24. (1) Data regarding available machine hours/direct labour hours in different production departments and actually utilised shall also be maintained and shortfall suitably analysed. Suitable records for computation of idle time of machines shall be maintained. A statement showing reasons for loss of production due to various reasons shall be prepared in Proforma G of Schedule II annexed to these rules or in any form as near thereto as practicable.

24. (2) Adequate records shall be maintained to enable the company to identify the capital employed, net fixed assets and working capital separately for each type of product or group of products as listed under rule 2 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 record. The records shall, in addition show assets added as replacement and that added for increasing existing capacity.

25. POLLUTION CONTROL :

Expenditure incurred by the company on various measures to protect the environment like affluent treatment, control of pollution of air, water etc. should be properly recorded under the relevant Annexure to this Schedule 1.

*Substituted by GSR NO . 743(E) dated 28th September,2001

SCHEDULE—I
(See Rule 3)

Annexure I

Name of the Company :

Name and Address of the Factory :

Statement showing the cost of Refrigeration/Compressed air/Effluent Treatment during the year ended.....

S.no.	Particulars	Unit	Current Year	Previous Year
(1)	(2)	(3)	(4)	(5)

1. Installed Capacity
2. Production
3. Purchases
4. Total produced and purchased
5. Consumption
6. Transit Losses
7. Production at 2 as a percentage of Installed capacity mentioned at 1 above
8. Transit losses at 6 as a percentage of total production at 4 above

Cont.....

S.no	Particulars	Unit	Quantity	Rate Per unit	Amount	Cost per Unit	
						Current Year	Previous Year
				(Rs.)	(Rs.)	(Rs.)	(Rs.)
1	2	3	4	5	6	7	8

- A. 1. Direct materials
 - (a)
 - (a) (to be specified)
 - (b)
2. Utilities
 - (a) Water
 - (b) Steam
 - (c) Power
 - (i) Purchased Kwh
 - (ii) Own Kwh
 - (d) Other if any, (to be specified)

Total of A:
- B. CONVERSION COST
 - (1) Salaries and Wages
 - (2) Consumable stores/Chemicals/catalysts.
 - (3) Repairs and Maintenance
 - (4) Factory Overheads
 - (5) Administration Overheads
 - (6) Depreciation
 - (7) Other expenses, if any (to be specified)

contd.....

- B. Total Conversion Cost (1 to 7)
- B. 1 Fixed Conversion Cost
- B. 2. Variable Conversion Cost
- C. Credit, if any
- D. Net Total
(Total of items A plus B less total of item C)
- E. Net transferred or sold :
 - (a) Demineralised Water Plant
 - (b) Steam Generator Plant
 - (c) Captive Power Plant
 - (d) Intermediate Plants (Specify)
 - (e) End Product Plants (Specify)
 - (f) For non-plant use
 - (g) Others (Specify)Total (As per item D aboved)

- Notes: 1. Separate cost sheet is to be prepared for each utility as well as effluent treatment.
2. Bonus to employees other than incentive bonus, provision for statutory gratuity or actual payment of the same during the period and interest charges on borrowing including debentures shall be shown in proforma C and F only.

- (a)
- (b)
- (c)

2. Service departments (to be specified)

- (a)
- (b)

3. Others, if any (to be specified)

4. Total (As per D above)

Notes : 1. If steam is supplied to any other outside party, necessary credit for recoveries shall be given against item 'C'.

2. Bonus to employees other than incentive bonus, provision for statutory gratuity or actual payment of the same during the period and interest charges on borrowing including debentures shall be shown in proforma C and F only.

3. The rate at which waste heat is evaluated vide item A3 shall be indicated giving details of cost centre from which transferred

4. Basis adopted for valuation of steam at different pressures also be indicated in the record.

SCHEDULE I
(See Rule 3)
Annexure III

Name of the Company : _____

Name and Address of the Factory : _____

Statement showing the cost of power generated/purchased and consumed during the year ended.....

S.no.	Particulars	Unit	Current Year	Previous Year
(1)	(2)	(3)	(4)	(5)

1. Installed Capacity (KWH)
2. No. of units generated (KWH)
3. No. of units purchased (KWH)
4. Total Generated and Purchased (KWH)
5. Consumption in power house (KWH)
6. Other losses (KWH)
7. Net Unit available for consumption (KWH)
8. Percentage of loss to total power generated and purchased at 4 above
9. Percentage of power generated to installed capacity

S.no	Particulars	Quantity (Unit)	Rate Per unit (Rs.)	Amount (Rs.)	Cost per Unit	
					Current Year (Rs.)	Previous Year (Rs.)
1	2	3	4	5	6	7

- A. (a) Fuel Oil
- (b) Other direct materials (to be specified)
- (a) Other direct charges (to be specified)
- B. Conversion Cost
 1. Consumable Stores/Chemicals/Catalyst
 2. Salaries and Wages
 3. Repairs and maintenance
 4. Factory Overheads
 5. Administration Overhead
 6. Depreciation
 7. Other expenses (to be specified)
- B. Total Conversion Cost (1 to 7)
- B.1 Fixed Conversion Cost
- B.2 Variable Conversion Cost
- C. Credits, if any
- D. Net cost of power generated
(Total of item A plus B less total of item C)
- E. Power Purchased
- F. Total (D+E)
- G. Average cost per unit
- H. Consumed in

S.no.	Particulars	No. of Units	Amount
(1)	(2)	KWH	(Rs.)

- 1.
2. (to be specified)
- 3.
4. etc.
- Total (As per F above)

- Notes :
1. Cost per unit shall be worked out with reference to net units of power available for use after deducting Consumption in the power house/own generator and other losses.
 2. Bonus to employees other than incentive bonus, provision for statutory gratuity or actual amount paid on this account during the period and interest charges on borrowings including debentures shall be shown in proforma C and F only.
 3. Realisation, if any, by sale of power to outside parties etc. shall be shown separately.
 4. In case meters are not installed, consumption of power by the different cost centres/departments shall be assessed on a reasonable basis and applied consistently.
 5. If rate of electricity duty or cost of inputs is different according to end -use, these shall be loaded to the respective user departments and suitably indicated in this statement.
 6. If purchased power is used in a specific plant, its allocation shall be shown accordingly.

SCHEDULE—II
(See Rule 3)

Proforma 'A'

Name of the Company :

Statement showing the cost of production of self-manufactured process material/ingredient/substance used in the manufacture of*** _____ produced during the year ended _____

S.no.	Particulars	Unit	Current Year	Previous Year
-------	-------------	------	--------------	---------------

1. Name of the self-manufactured ingredient/substance of process material
2. Installed Capacity
3. Batch size
4. Actual production
5. Major inputs (specified)
6. Outputs
7. Yield percentage*
8. Standard Yield percentage

***Name of the product to be inserted.

*Yield % may be indicated with reference to principal raw material /intermediates.

S.no	Particulars	Quantity	Rate per unit	Amount	Cost per Unit			
					Current Year		Previous Year	
					Standard Norms	Actual	Standard Norms	Actual
			(Rs.)	(Rs.)	Qty. Cost (Rs.)	Qty. cost (Rs.)	Qty. Cost (Rs.)	Qty. Cost (Rs.)
1	2	3	4	5	6 7	8 9	10 11	12 13

- A. 1. DIRECT MATERIALS (Each item to be specified)
2. UTILITIES
 - (a) Power
 - (b) Water
 - (c) Steam
 - (d) Compressed air
 - (e) Effluent treatment
 - (f) Other services If any, in detail
 3. Total of A :
- B. CONVERSION COST
1. Salaries and Wages
 2. Chemicals/Catalysts
 3. Repairs and Maintenance
 4. Consumable stores
 5. Depreciation
 6. Other Works Overheads
 7. Administrative Overheads
 8. Other expenses, if any
 9. Total Conversion Cost (1 to 8)
 - 9.1 Fixed Conversion Cost
 - 9.2 Variable Conversion Cost
- C. Adjustments for:
- (i) the difference in value of opening and closing

- work-in-progress
- (ii) Cost variances, if any.
- D. Net Total (A+B+C)
- E. Less Credits, if any
(to be specified)
- F. Cost of Production
- G. Stock Adjustments
Add: Opening Stock
Less: Closing Stock
- H. Cost of self-manufactured
ingredient/process
material/substance

-
- 1. Transferred to
 - 1. (a) Captive consumption—Proforma B
(b) (specify the product)
 - 2. (a) Transfer for sales—Proforma C
(b)
-

Total (As per item H above)

Notes:

1. Separate cost sheet shall be maintained in respect of each ingredient manufactured and used in the manufacture of product (s) as specified under rule 2.
2. The basis on which realisable value is determined for the by products shall be clearly indicated in the cost records.
3. Abnormal losses, if any, shall be indicated both in quantity and cost in a separate statement
4. Reasons for variations between standards and actuals shall be clearly recorded. Circumstances leading to revision of standards, if any, shall also be indicated in the form of a footnote.
5. The apportionment of common overhead expenses to the products in the case of multipurpose units shall be equitable vide Paragraph 8 of Schedule 1.
6. Where composite machine hour rates are applied, proper supporting records indicating the equipment usage in the case of multipurpose plants shall be maintained. The variances arising out of the predetermined rates shall be adjusted to arrive at the actual cost at the end of the year.
7. Bonus to employees other than incentive bonus, provision for statutory gratuity or actual amount paid on this account during the period and interest charges on borrowings including debentures shall be shown in Profonnas C and F only.

SCHEDULE - II
(See Rule 3)
Proforma 'B'

Name of the Company : _____

Name and Address of the Factory : _____

Statement showing the cost of liquid gas _____

(specify the product)

manufactured during the year ended _____

S.no.	Particulars	Unit	Current Year	Previous Year
-------	-------------	------	--------------	---------------

1. Installed Capacity
2. Production
3. Production at 2 as a percentage of installed capacity at 1 above

S.no	Particulars	Quantity	Rate per unit	Amount	Cost per Unit							
					Current Year				Previous Year			
					Standard Norms		Actual		Standard Norms		Actual	
					Qty. Cost	Qty. cost	Qty. Cost	Qty. Cost	Qty. Cost	Qty. Cost		
			(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	
1	2	3	4	5	6	7	8	9	10	11	12	13

A. I. Direct Materials :

- (a) Purchased (Each item to be specified)
 - (b) Intermediates/Process materials (Each item to be specified)
 - (c) Materials covered by Cont.....
Proforma A. (Each item to be specified)
 - (d) Other materials
2. Utilities
 - (a) Power
 - (b) Water
 - (c) Steam
 - (d) Compressed air
 - (e) Effluent treatment
 - (f) Other services, if any
 3. Total of A.

B. CONVERSION COST

1. Direct Wages
2. Chemicals/Catalysts
3. Repairs and Maintenance
4. Consumable stores
5. Depreciation
6. Factory overheads
7. Administration Overheads
8. Other expenses, if any
9. Total Conversion Cost (1 to 8)
 9. 1 Fixed Conversion Cost
 9. 2 Variable Conversion Cost

Total of A plus B

C. Adjustment for:

- (i) the difference in value of opening and closing works in progress

- (ii) Cost variances, if any.
- D. Net Total (A+B+C)
- E. Less:
 - (i) Realisable, value of by products, if any
 - (ii) Other credits, if any
- F. Total Cost of production
- G. Transferred to

-
- 1. (a) Captive consumption
(specify the product)
 - (b)
 - (c)
 - 2. Transfer for sales
(Proforma C)
-
- Total
-

Notes:

- 1. Separate cost statement shall be maintained for each process/product.
- 2. The basis on which realisable value is determined for the by-products shall be clearly indicated in the cost records.
- 3. Abnormal losses, if any, both in quantity and cost shall be shown in a separate statement indicating the reasons therefor.
- 4. The apportionment of common overheads to the product(s) in the case of multiproduct units shall be equitable vide paragraph 8 of schedule 1. Intermediates transferred from one process to the next process shall be at actual cost.
- 5. Reasons for variances between standards and actuals shall be clearly recorded. Circumstances relating to revision of standards' if any, shall also be furnished in the form of a footnote.
- 6. Bonus to employees other than incentive bonus, provision for statutory gratuity or actual amount paid on this account during the period and interest charges on borrowings including debentures shall be shown in proformae C and F only.
- 7. Modvat and other benefits, if any, (also benefits for exports) availed by the Company shall be indicated separately showing their impact on per unit cost of product.

SCHEDULE - II

(See Rule 3)

Proforma 'C'

Name of the Company : _____

Name and Address of the Factory : _____

Statement showing the cost of liquid/gas _____
(specify the name of product with

type/size/grade)

sold during the year ended _____

Particulars	Unit	Current Year	Previous Year
1. Quantity produced			
2. Quantity packed			
3. Quantity sold in the country			
4. Quantity exported			
5. Sizes of packing			

S.no	Particulars	Unit	Quantity	Rate	Amount	Cost	per Unit
						Current Year (Rs.)	Previous Year (Rs.)
1	2	3	4	5	6	7	8

1. Cost of product as per Proforma 'B'
2. Packing Cost (for Packed Qty. only) :
 - (a) Materials
 - (b) Salaries & wages
 - (c) Repairs and maintenance
 - cylinders
 - tankers
 - vehicles
 - pipe lines
 - (to be specified)
 - (d) Depreciation
 - cylinders
 - tankers
 - vehicles
 - pipelines
 - (to be specified)
 - (e) Works Overheads.
 - (f) Administrative Overheads.
 - (g) Other expenses, if any
 - (h) Total packing cost (a to g)
3. Adjustments for :
 - (i) the difference in value of opening and closing stock of packed goods.
 - (ii) Cost Variances, if any.
4. Cost of packed quantity transferred to sales.
5. Cost of naked/bulk quantity transferred to sales.
 - (a) Domestic
 - (b) Export
 - (c) Total
6. Selling & Distribution expenses
(For quantities sold only) :

- (a) Salaries & Wages
- (b) Discount/Commission
- (c) Freight and transport charges
- (d) Godown rent
- (e) Publicity
- (f) Depot expenses
- (g) Other expenses (to be specified)
- (h) Total selling and distribution expenses
- 6.1 Fixed selling and distribution expenses
- 6.2 Variable selling and distribution expenses
- 7. Total Cost including selling and distribution expenses
- 8. Interest charges
- 9. Annual Bonus to employees (other than incentive Bonus)
 - (a) statutory minimum bonus
 - (b) Bonus over and above statutory minimum
- 10. Statutory gratuity including provision
- 11. Other expenses not included in cost (to be specified)
- 12. Less other income not included in cost (to be specified)
- 13. Total expenses including interest and other charges but excluding excise duty
- 14. Sales realisation (excluding excise duty) for quantities sold.
- 15. Margin on sales

Notes :

- 1. Separate cost statements shall be maintained in respect of each type, grade and size of product referred to in rule 2.
- 2. The apportionment of common marketing expenses to the product in the case of multi-product units shall be equitable vide para 8 of Schedule 1.
- 3. Average sales realisation shall be indicated separately for quantities sold
- 4. Separate cost statements under this proforma (suitably modified) shall be prepared in respect of all items referred to under rule 2, if exported wherein expenses incurred on exports and incentives earned there on shall be shown clearly,
- 5. Reasons for any major variations between actuals for the current year and the previous year shall be clearly recorded.
- 6. Proforma 'C' shall be maintained in respect of intermediates also, if sold.
- 7. Quantity of packed production shall be reconciled with bulk production in appropriate statement.

SCHEDULE - II
(See Rule 3)
Proforma 'D'

Name of the Company : _____

Name and Address of the Factory : _____

Statement showing the value of work-in-process/finished stock at the end of the year _____

I. Statement showing the work-in-process stock of products

S. no	Type of product	Opening stock As on		Add Expenses During the year		Total during the year		Less cost of production		Closing balance	
		Qty.	Amount	Qty.	Amount	Qty.	Amount	Qty.	Amount	Qty.	Amount
		(Rs.)		(Rs.)		(Rs.)		(Rs.)		(Rs.)	
1	2	3	4	5	6	7	8	9	10	11	12
(a)											
(b)	(to be specified)										
(c)											
Total											

(a)

(b) (to be specified)

(c)

Total

II. Statement showing the finished stock of product

S. no	Type of product	Opening stock As on		Add Expenses During the year		Total during the year		Less cost of production		Closing balance	
		Qty.	Amount	Qty.	Amount	Qty.	Amount	Qty.	Amount	Qty.	Amount
		(Rs.)		(Rs.)		(Rs.)		(Rs.)		(Rs.)	
1	2	3	4	5	6	7	8	9	10	11	12
Total											

1. Self manufactured process

materials, ingredients/
substances

(a)

(b) (to be specified)

(c)

2. Product

(a)

(b) (to be specified)

(c)

Total

SCHEDULE - II
(See Rule 3)

Proforma 'E'

Name of the Company : _____

Name and Address of the Factory : _____

Summary Statement showing cost of sales, sales realisation and margin for the year ended.....

S. no	Name of the product (type, pack etc. to be specified)	Sold the during year			Sales realisation		Margin		Previous year			
		Qty.(units to be specified)	Total cost of sales	Cost of Sales per unit	Total	Per unit	Total	Per unit	Cost of Sales per unit	Sales realisation per unit	Margin per unit	
		(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	
1	2	3	4	5	6	7	8	9	10	11	12	

- 1.
2. (to be specified)
- 3.

SCHEDULE - II
(See Rule 3)
Proforma 'F'

Name of the Company : _____

Statement showing the allocation/appointments of total expenses/income of the company between product(s) covered under rule 2 and other activities during the year ended

(Rupees)

S. no	Particulars	Total	Basis of	Share	Applicable to	Percentage of		Total cost	
		Expenses as per financial accounts	Allocation / appointment	Industrial Gases	Other activities	Current	Year	Previous	Year
						Industrial Gases	Other activities	Industrial Gases	Other activities
1	2	3	4	5	6	7	8	9	10

1. Direct Material consumed
2. Process Material consumed
3. Consumable stores & spares
4. Direct Salaries and wages
5. Utilities
 - a. Power
 - b. Fuel
 - c. Steam
 - d. Effluent treatment
 - e. Others (specify)
 - Cont.....
6. Repairs and maintenance
7. Depreciation
8. Factory overheads
9. Administration overheads
10. Adjustment for difference between opening and closing work-in-progress
11. Less credits for recoveries
12. Less self consumption, if any
13. Stock adjustment for difference between opening and closing stock of finished goods
14. Total
15. Packing expenses
16. Interest charges
17. Selling and distribution expenses
18. Annual bonus to employees other than incentive bonus
 - (a) Statutory minimum bonus
 - (b) Other than minimum statutory
19. Statutory gratuity (including provision)
20. Any other expenses not included in cost
21. Less: Any other income not considered in cost (items to be specified)
22. Total excluding excise duty
23. Less: Export benefit, if any
24. Net sales realisation (excluding

Excise duty)
25. Margin as per financial accounts.

Note:
All item of Inc. and Exp. in this profoma shall be reconciled with the financial accounts for the relevant period.

SCHEDULE—II
(See Rule 3)
Proforma 'G'

Name of the Company : _____

Name and Address of the Factory : _____

Statement showing reasons for loss of production during the year ended :.....

Name of section :

S.no.	Reasons for loss of production	Production losses (Hours/Quantity)	Under utilisation of installed capacity	Remarks
(1)	(2)	(3)	(4)	(5)

1. Routine plant maintenance (please indicate nature of maintenance)
 2. Unforeseen breakdown of plant & machinery
 3. Shortage of raw materials
 4. Power failure
 5. Strike, lock out etc.
 6. Any other reasons
-

Data in accordance with above proforma shall be maintained separately for each production section and for utilities such as power house, boiler units etc.

[F.No. 52/56/CAB-93]
R.D. Joshi, Jt. Secy.

Foot Note:- The principal Rules were published vide G.S.R. No.271(E), dt. 9th July,1996 and subsequent amended vide:-

1. GSR (E) dated 463(E) dated 3rd August, 1998
2. GSR 743(E) dt. 28th Sept.2001.