

**COST ACCOUNTING RECORDS (REFRIGERATORS) RULES, 1967**

**MINISTRY OF INDUSTRIAL DEVELOPMENT AND COMPANY AFFAIRS**

**(DEPARTMENT OF COMPANY AFFAIRS)**

**GOVERNMENT OF INDIA**

**NEW Delhi, the 18<sup>th</sup> September 1967**

G.S.R. 1448– In exercise of the powers conferred by sub-section (1) of Section 642 read with clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956, (1 of 1956), the Central Government hereby makes the following rules, namely: -

**1. Short Title and Commencement: -**

- (1) The Rules may be called the Cost Accounting Records (Refrigerators) Rules, 1967
- (2) They shall come into force on the 1<sup>st</sup> day of October 1967.

**2. [Application: -** They shall apply to every company engaged in the production or manufacture of refrigerators in any form excepting those companies falling under the category of small-scale industrial undertaking.]\*

**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 wherein does not exceed The limit as specified for a small scale industries (Development and regulation ) Act.1951 (65 of 1951), as on the last date of the preceding financial year and]<sup>1</sup>
- (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>2</sup>

**3. Maintenance of Records: -**

- (1) Every company to which these rules apply shall in respect of each of its accounting years commencing on or after the 1<sup>st</sup> day of October, 1967 [till the 31<sup>st</sup> day of March, 2000]<sup>3</sup>, keep proper books of account containing inter alia the particulars specified in Schedules I and II annexed to these rules relating to utilisation of material, labour and other items of cost so far as they are applicable to it.
- (2) The books of accounts aforesaid shall be kept in such a way as to make it possible to calculate the cost of production of refrigerators produced during the financial year of the company (hereinafter referred to as the relevant period) from the particulars entered therein.
- [(3) Every Company to which these rules apply shall, in respect of each of its financial year commencing on or after the 1<sup>st</sup> day of April, 2000 keep proper books of accounts containing, inter alia, the particulars specified in Schedule III annexed to these rules and proformae mentioned in the said Schedule relating to the utilization of materials, labour and other items of cost in so far as they are related to the manufacture or production of Refrigerators and components thereof.

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\* Substituted by GSR 542 dated 22<sup>nd</sup> July 1989

<sup>1</sup> Replaced by G.S.R.429 (E) dated 3<sup>rd</sup> August 1998.

<sup>2</sup> Inserted by G.S.R.302 (E) dated 24<sup>th</sup> March 1993

<sup>3</sup> Inserted by G.S.R. 669(E) dated 28<sup>th</sup> September 1999.

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

- (4) The books of accounts referred to in sub-rule (3) shall be kept on a regular basis in such a manner as to make it possible to calculate the cost of production and cost of sales of all types of refrigerators and components thereof manufactured or produced for every financial year from the particular entered therein and every such books of account and the proforma specified in the said schedule III shall be completed not later than ninety days from the close of the financial year of the company to which they relate.
  - (5) Statistical and other records shall be maintained in accordance with the provisions of the Schedule, III which shall be such as to enable the company to exercise as far as possible, control over the various operations and costs with a view to achieve optimum economies in cost and provide the necessary data required by the Cost Auditor to suitably report on all the points referred to in Cost Audit (Report) Rules, 1996.
  - (6) It shall be the duty of every person, referred to in sub-sections (6) and (7) of, section 209 of the Companies Act 1956 (1 of 1956), to take all reasonable steps to secure compliance by the company with the provisions of sub-rules (1), (2), (3), (4) and (5) of this rule in the same manner as he is liable, to maintain accounts required under subsection (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 [including the persons referred to]\* in sub-section (6) of Section 209 of the Companies Act, 1956 (1 of 1956) shall subject to the provisions of section 209 of the Companies Act 1956 (1 of 1956) be punishable with fine which may be 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 raw material and components required for the manufacture of refrigerators. 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 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 records by way of footnotes or explanatory notes or in some other suitable manner.
- (b) If the value of materials consumed is determined on any basis other than actuals the method adopted for such valuation as well as the method of reconciling and consumption with actuals and the treatment of variations, if any, shall be disclosed in the cost records by way of footnotes, explanatory notes in any other suitable manner.

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<sup>4</sup> Inserted by G.S.R.669(E) dated 28<sup>th</sup> September, 1999.

\* Substituted by GSR 1505, dated 5<sup>th</sup> August, 1968

(c) Manufactured Components: -

(i) In the case of major components manufactured by the company itself such as condensers, evaporators, cabinet etc., separate records shall be maintained showing the cost of manufacture of such components in such detail 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) Omitted.]\*

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

## **II. Wages and Salaries.**

(a) Proper and systematic records shall be maintained with respect to attendance of workers and other operational staff indicating the departments or the work on which they were employed. Where payments to workers are made on piece-rate basis, the records thereof 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 incentives 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 centers in the factory being the amounts payable and allocated to the different departments or units or cost centers and to the products manufactured therein. Any wages and salaries, being expenditure in relevant capital heads in the accounts. Any idle time arising and the reasons for such idle shall be recorded separately. The method of its treatment in calculating the costs of products shall also be indicated in the cost records or in footnotes, explanatory notes or in other suitable manner.

(c) If the wages are allocated to the departments or units or to cost centers or to products manufactured in such departments or manufacturing units or cost centers or any basis other than actuals, the reconciliation of such wages with actuals and 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 repairs and maintenance and loose tools required in the manufacture of refrigerators. 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 and spare parts may, if the company so desires, be recorded monthly or at such shorter intervals as the company decides, or kept in the form of control accounts for main groups of the stores, provided, in the latter case, the value of the balances according to such control accounts are reconciled periodically, at least once a year with the values of the quantities shown by the quantity accounts for each item of 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

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\* Omitted by GSR 1505, dated 5<sup>th</sup> August, 1968

vehicles, capital items, etc. The value of stores charged to manufacture shall further be allocated to the different departments or manufacturing units or cost centers and to products manufactured therein, if any. Stores issued for capital works, such as additions to plant and machinery or other assets shall also be separated and shown under relevant capital heads. Stores shall be valued on a reasonable basis and, consistently applied during the relevant period. The records shall also be indicating the method of valuation adopted. Any wastage whether in stores, 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, air and steam produced and utilized in manufacturing operations.
- (b) Where power is purchased, the cost of power shall include the cost of units of power, consumed and fixed charges and duties, if any, payable by the consumer. Where power, water or steam is produced by the company itself, separate records shall be maintained to show, in sufficient detail, the different items making up the cost of such power or electricity produced and consumed.
- (c) The records shall be so maintained as to enable the assessment of utilization of services by the different departments or manufacturing units or cost centers. In cases where the allocation to the various departments or manufacturing units or cost centers 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 of manufacturing units or cost centers may, instead of being shown separately in the proforma concerned, be included in the manufacturing overheads of the department or manufacturing units or cost centers 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 assets, the date of its acquisition and rate of depreciation. In respect of old assets whose original cost of acquisition cannot be ascertained without unreasonable expenses or delay the valuation shown by the books at the commencement of the accounting year beginning on or after the 1<sup>st</sup> day of October 1967, 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 centers 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 centers. 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 centers or to products manufactured therein may, instead of being shown separately in the relevant cost sheets, be included as part of manufacturing units concerned and allocated to products manufactured therein as part of manufacturing overheads.

#### **VI. Other Items of Cost (Overheads)**

- (a) Proper records showing the details of allocation of overhead expenses to the various departments or manufacturing units or cost centers and to product 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 costs centers and further to operations, jobs or products manufactured therein shall be clearly indicated in the cost records and shall be applied on a reasonable basis consistently throughout the relevant period.

- (b) 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.
- (c) Selling overheads comprising of selling and distribution expenses pertaining to completed refrigerators may be shown in one lump sum in relevant summary statement of cost Proforma 'C' Schedule II.

#### **VII. Cost Statements**

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

#### **VIII. Work-in-Progress**

The quantities and value of work-in-progress, if any, in relation to the various components required and final assembly at the end of the period for which the costs are made up, shall be calculated to represent the cost incurred up to the relevant stages 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 of all receipts, issues and balances of different components, such as evaporators and condensers as well as the complete refrigerators produced by the company. The value of all receipts, issues and balances shall be kept in the form of control accounts for each group, provided that the values of the balances according to such control accounts are reconciled periodically at least once a year, with the values of quantities shown by the quantity account for each item of component and completed refrigerators. ]\*

#### **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 reconciliation's are effected shall not exceed the period of the financial year of the company.

#### **XI. Stock of Verification Records**

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

#### **XII. Statistical Data**

Adequate records containing information as to actual hours worked by individual items of plant or machinery, groups thereof or departments or manufacturing units shall be maintained to show the hours worked, Idle item, if any, and the reason therefor.

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

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\* Substituted by GSR 1505, dated 5<sup>th</sup> August, 1968

Schedule II  
(See Rule 3)

Proforma 'A'

..... Co. Ltd.

*Statement showing the Cost of components for Refrigerators  
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 & Spare Parts					
4. Power & Electricity					
5. Depreciation					
6. Other Manufacturing Overheads					
7. Admn. Overheads					
8. Adjustment for the differences in opening and closing balances of work-in-progress, (If any)					
Total					

Proforma 'B'

..... Co. Ltd.

*Statement showing Manufacturing Cost of Refrigerators  
Manufactured during the period .....*

Description or Type .....

Quantity Produced.....

Particulars	Quantity	Rate	Total Amount	Cost per Unit	
				Current Period	Previous Period
1. Components (own & bought out components to be shown separately)					
(1) Cabinet					
(2) Evaporator					
(3) Condenser					
(4) Compressor					
(5) Other materials					
(Important items to be specified)					
2. Wages and Salaries					
3. Stores & Spare Parts					
4. Power & Electricity					
5. Depreciation					
6. Other Manufacturing Overheads					
7. Admn. Overheads					
8. Adjustment for the differences in opening and closing balances of work-in-progress, (If any)					
Total Works Cost					

..... Co. Ltd.

*Statement showing the Cost of Refrigerators  
including selling and distribution expenses*

Description or Type.....  
Quantity Produced.....  
Quantity Sold.....

Particulars	Total Amount	Cost per Unit	
		Current Period	Previous Period
1. Cost of Manufacture (works cost)			
2. Selling and distribution Overheads			
3. [Adjustment for the differences in opening and closing balances of Finished Goods]*			
[Average Sales Realisation per Unit]**			
Total Cost			

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\* Inserted by GSR 1505, dated 5<sup>th</sup> August, 1968

\*\* Inserted by GSR 1505, dated 5<sup>th</sup> August, 1968



### [SCHEDULE III

(See rule 3(3))

#### 1. MATERIALS AND COMPONENTS:

- (1) Proper records shall be maintained showing separately all receipts, issues and balances both in quantities and cost of each item of raw material like HIP granules, foaming chemicals, CRC sheets, including bought out components like compressor, baffle tray, crisper tray, thermostat etc. required for the production of each type of Refrigerators 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 upto the works such as freight and insurance in respect of major raw materials), issues and balances in quantity as well as value of each item of all such raw materials. The basis on which the said quantities and costs of issue and consumption have been calculated shall be indicated in the cost records and followed consistently. In the case of imported raw materials records shall be maintained showing separately details such as FOB value. Overseas Freight, Insurance, Custom Duty and Inland freight charges. If both indigenous and imported materials are consumed, records showing details of percentage mix of the same have to be maintained for each item. Materials processed through outside parties shall be recorded separately.
- (2) In case of major components manufactured by the company. Itsself separate records shall be maintained for the quantity manufactured and the cost of manufacture/production of such components.
- (3) Proper records shall be maintained to show the receipts, issues and balances, both in. quantities and cost of each item of consumable stores, tools and machinery spares etc. The cost shall include all direct charges upto works.
- (4) In the case of consumable stores and small tools the cost of which are in significant, the company may, if it so desires, maintain such, records for the group of such consumable stores and tools.
- (5) The cost of consumption of consumable stores, small tools and machinery spares shall be charged to the relevant cost centre/department on the basis of actual issues.
- (6) Proper records shall be maintained showing the quantity and value of. Wastage, spoilage, rejections and losses of raw materials, whether in transit or storage manufacture or at any other stage. The method followed for adjusting the above 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. The 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, 1944 (lot 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 of all employees of centers /departments and the work on which employed. The records shall also indicate the separately the cost of all wages & salaries for each cost center or department:
  - (a) Piece rate wages (wherever applicable);
  - (b) Incentive wages either individually or collectively as production bonus or under any other scheme based on out put;
  - (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 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 center wise / department wise like fabrication shop, paint shop, vacuum foaming shop, assembly 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 centers or departments on equitable basis and applied consistently.
- (3) Idle time shall be separately recorded under classified headings indicating the reasons therefor. The method followed for accounting of idle time payments in determining the cost of the product shall be disclosed in the cost records.
- (4) Any wages and salaries allocable, to capital works such as additions to plant and machinery, buildings or other fixed assets shall be accounted for under the relevant capital heads.

### **3. SERVICE DEPARTMENT EXPENSES:**

Detailed records shall be maintained to indicate expenses incurred in respect of each service department or 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 Refrigerators and components thereof and to the other products shall be equitable and clearly indicated in the records and applied consistently.

### **UTILITIES:**

- (1) Power - Proper records shall be maintained for the units and cost of power purchased for the production of refrigerators in different cost centres/departments. Where the company itself generates power, adequate records, showing all elements of cost shall be maintained to show the cost of power generated and consumed for the production of the Refrigerators and components thereof in different cost centers/ 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 Refrigerators 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 Refrigerators and components thereof shall be on a reasonable basis and applied consistently. Records should state clearly the measures taken on conservation of energy and its corresponding impact on unit cost of production.
- (2) Other Utilities - Proper records showing quantity and cost shall be maintained in respect of any other utilities other than power produced or purchased by the company for the production or manufacture of Refrigerators and components thereof.

### **WORKSHOP /REPAIRS 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 centers /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 product also, the manner of charging a share to such products shall be equitable and clearly indicated in records and applied consistently. In addition to the above, records should indicate the amount and also the proportion or

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 centers/departments and absorbed on all products shall be clearly indicated in the cost records. If depreciation chargeable to the cost centers / 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 Refrigerators and components thereof. The cumulative depreciation charged in the cost records, against any individual item of asset shall not, however, exceed the original cost of the respective asset.

## **7. OTHER OVERHEADS:**

- (1) Proper records shall be maintained for the product under reference showing the various items of expenses comprising the other overheads. These expenses shall be analysed, classified and grouped according to functions, namely works, administration, selling and distribution.
- (2) Where the company is manufacturing products other than Refrigerators 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 Refrigerators 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 there after 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 so as to indicate the details of works, administration, selling and distribution overheads.

## **8. ROYALTY / TECHNICAL KNOW-HOW FEE:**

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

## **9. RESEARCH AND DEVELOPMENT EXPENSES:**

- (1) Proper records showing the details of expenses, if any, incurred by the company for the research and development work on the product covered under these rules according to the nature of development of products; existing and new products, development of process of manufacture, existing and new, design and development of new plant facilities and market research for the existing and new products etc., shall be maintained separately.

- (2) The method of charging these expenses to the Refrigerators 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 Refrigerators and components thereof and all other products if any, on a.
- (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 Refrigerators and components thereof. The amount recovered for providing technical know-how to outsiders shall also be indicated.

**10. QUALITY CONTROL:**

Adequate records shall be maintained to indicate the expenses incurred in respect of - quality control department or cost centre for the product under reference. Where these services are also utilized for other products of the company, the basis of apportionment to the Refrigerators and components thereof to the other products shall be equitable and clearly indicated in the records and applied consistently.

**11. INTEREST:**

The amount of interest shall be allocated or apportioned to the product recovered 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 Refrigerators 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 Refrigerators and components thereof exported giving details of export expenses incurred / incentive earned. In case, duty free imports are made, the cost statements should reflect this fact. If the duty free imports have been made after actual production, the statement should reflect this fact also.

**13. PACKING EXPENSES:**

- (1) Proper records shall be maintained showing the quantity and cost of various packing materials and other expenses incurred on packing for marketing of the Refrigerators 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 clearly be 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 Refrigerators and components thereof shall be indicated in the cost records so as to reveal the cost element that have been taken into account in such computation. The appropriate share of conversion cost upto the stage of completion, shall be taken into account while computing the cost of work in progress. The method adopted for determining the cost of work in progress and finished goods shall be followed consistently.

**15. COST STATEMENTS:**

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

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

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

**18. ADJUSTMENT OF COST VARIANCES:**

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

**19. STATISTICAL RECORDS:**

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

**20. POLLUTION CONTROL:**

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

**21. HUMAN RESOURCES DEVELOPMENT:**

Expenditure incurred by the company on the human resource development activity shall be recorded.]<sup>5</sup>

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**[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, agreement or understanding reached in respect of:

- (a) Purchase and sale of raw material, 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 pr any other consultancy services ;
- (e) Purchase and sale of capital goods including plant & 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 insofar as they are in any ay related to product under reference.

(2) The transactions by the following “related party relationship” shall be covered under sub-rule (1):

- (a) Enterprises that are directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprises (this includes holding companies, subsidiaries and fellow subsidiaries)
- (b) Associates and joint venture of the reporting enterprises and the investing party venture in respect of which the reporting enterprises is an associate or a joint venture;
- (c) Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprises that gives them control or significant influence over the enterprises, and relatives of any such individual;
- (d) Key management personnel; and relative of such personnel; and
- (e) Enterprises over which any person described in © or (d) is able to exercise significant influence.

This includes enterprises owned by Director or major shareholders of the reporting enterprises.

However, the following shall not be deemed as “related party relationship”: -

- (a) Two companies simply because they have a director in common, notwithstanding paragraph (d) or (c) above (unless the Director is able to affect the policies of both companies in their mutual dealing);
- (b) A single customer, supplier, franchiser, distributor, or general agent with whom an enterprises 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 enterprises by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprises 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”** means parties who are considered to be related if 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 onehalf of the voting power of an enterprise; or
  - (ii) Control of the composition of the Board of Director 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 enterprises, 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 not a joint venture of that party;
- (f) **“Joint Venture”** means a contractual agreement whereby two or more parties undertake an economic activity, which is subject to joint control;
- (g) **“Joint control”** means a contractual agreed sharing of power to govern the financial and operating policies of an economic activity so as to obtain in benefit from it;
- (h) **“Key management personnel”** means those persons who have the authority and responsibility for planning, directing and controlling their 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 enterprises”** 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.713 (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 air-conditioners/components produced or manufactured during the year/period

**A. Quantitative Information:**

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

**B. Financial Information:**

Sl.No	Particulars	Quantity	Rate	Amount	Per (in Unit Rupees)	
			Rupees	(Rupees in lacs)	Current Year	Previous Year
1.	Material cost					
	(itemwise covering 80% of value)					
	(a)Raw materials					

- (b)Manufactured components
- (c)Bought out components
- (d)Others
- (e)Total(a to d)
- 2. Direct Wages and Salaries
- 3. Outside Job Charges
- 4. Utilities
  - (a)Power
  - (b)Others(specify major items)
  - (c)Total(a + b)
- 5. Consumable Stores and spares
- 6. Depreciation
- 7. Repairs and Maintenance
- 8. Royalty
- 9. Research and Development
- 10. Quality control
- 11. Factory overhead
- 12. Administrative Overhead
  - (a)Salaries and wages
  - (b)Others (Please specify)
  - (c) Total(a+b)
- 13. Total(1 to 12)
- 14. Stock Adjustment
  - (Work in progress)
- 15. Less: Credits from scraps
- 16. Cost of Production
- 17. Stock Adjustment
  - (finished products)

18.	Net cost of Production
19.	Packing Cost
20.	Selling and Distribution Expenses
	(a)Salaries and Wages
	(b)Freight and Transport Charges
	(c)Commission to selling agents
	(d)Advertisement Expenses
	(e)Others
	(f)Total(a to e)
21.	After Sales service cost after adjusting income from chargeable services
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." ]<sup>7</sup>

Note: The following amendments made have been incorporated in the text of the rules:

1. GSR 1505, dated 5<sup>th</sup> August, 1968
2. GSR 781 dated 3<sup>rd</sup> June 1977.
3. GSR 19, dated 5<sup>th</sup> January, 1983
4. GSR 542, dated 22<sup>nd</sup> July, 1989
5. GSR 302(E), dated 24<sup>th</sup> March, 1993

6. GSR 429(E), dated 3<sup>rd</sup> August, 1998
7. GSR 669(E), dated 28<sup>th</sup> September, 1999
8. GSR 713(E), dated 28<sup>th</sup> September, 2001

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<sup>7</sup> Inserted by G.S.R.669 (E) dated 28<sup>th</sup> September,1999.